

LECTURE NOTES

CHAPTER OPENING EXAMPLE

SELLING AIRCRAFT IS HARD WORK... AND PLAY

- Boeing is sending salesmen to parts of China to develop relationships to small airlines and sell aircrafts to them.
- The salesmen's job in building close relationships between Boeing and the airlines in China is very important. 33 Chinese airlines have stayed loyal to Boeing, helping cope with the stiff competition from its rival, Airbus.
- From the salesperson in the field to the top company executive – Boeing makes sure it stays on top of the game.
- As senior vice president of sales, Larry S. Dickenson has led the effort in providing solutions to Asia-Pacific customers for Boeing's commercial airplanes products and services. He plans very sales campaign meticulously, paying attention to the tiniest details, including how press releases are worded.

I. SCOPE AND SIGNIFICANCE OF PERSONAL SELLING AND SALES MANAGEMENT [LO1]

Personal selling is a useful vehicle for communicating with present and potential buyers.

A. Nature of Personal Selling and Sales Management

- **Personal selling** involves the two-way flow of communication between a buyer and seller, often in a face-to-face encounter, designed to influence a person's or group's purchase decision.
- Personal selling also occurs by telephone, through video teleconferencing, and the Internet between buyers and sellers.

- **Sales management** involves planning the selling program and implementing and controlling the personal selling effort of the firm.
- The tasks involved in managing personal selling include: (1) setting objectives; (2) organizing the salesforce; (3) recruiting, selecting, training, and compensating salespeople; and (4) evaluating the performance of individual salespeople.

B. Selling Happens Almost Everywhere

- “Everyone lives by selling something,” wrote author Robert Louis Stevenson a century ago. His observation still holds true.
- Almost 230,000 people hold sales positions in Singapore.
- Virtually every occupation that involves customer contact has an element of personal selling.
- Many chief executive officers in Asian corporations have significant sales and marketing experience in their work history.

C. Personal Selling in Marketing

- Salespeople match company interests with customer needs to satisfy both parties in the exchange process.
- Salespeople *are* the company in consumers’ eyes. They represent what the company is or attempts to be and are often the only personal contact a customer has with the firm.
- Personal selling may play a dominant role in a firm’s marketing program.

D. Creating Customer Value through Salespeople: Relationship and Partnership Selling

Salespeople can create customer value in many ways:

- Identifying creative solutions to customer problems.
- Easing the customer buying process.
- Following through after the sale.

1. Relationship selling.

Relationship selling is the practice of building ties to customers based on a salesperson's attention and commitment to customer needs over time. It:

- a. Involves mutual respect and trust among buyers and sellers.
- b. Focuses on creating long-term customers, not one-time sales.

2. Relationship selling.

Partnership selling (or *enterprise selling*) is the practice whereby 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. It:

- a. Relies on cross-functional business specialists who apply their knowledge and expertise to achieve higher productivity, lower cost, and greater customer value.
- b. Complements supplier and channel partnering.

Relationship and partnership selling represent another dimension of customer relationship management.

LEARNING REVIEW

1. What is personal selling?

Answer: Personal selling involves the two-way flow of communication between a buyer and seller, often in a face-to-face encounter, designed to influence a person's or group's purchase decision.

2. What is involved in sales management?

Answer: Sales management involves planning the selling program and implementing and controlling the personal selling effort of the firm.

II. THE MANY FORMS OF PERSONAL SELLING [LO2]

Personal selling assumes many forms based on the amount of selling done and the amount of creativity required to perform the sales task.

A. Order Taking

- An **order taker** routine orders or reorders for products that were already sold by the company.
- An order taker is responsible for preserving the ongoing relationship with existing customers and maintaining sales.
- Two types of order takers exist:
 - a. *Outside order takers* visit customers, replenish inventory stocks of resellers (wholesalers and retailers), and provide assistance in arranging displays.
 - b. *Inside order takers*, also called *order clerks* or *salesclerks*, typically answer simple questions, take orders, and complete transactions with customers.
 - Firms employ order takers that use *inbound telemarketing*, which is the use of toll-free telephone numbers that customers can call to obtain information about products or services and make purchases.
 - In business-to-business settings, are used in straight rebuy situations.
- Order takers do little selling in a conventional sense and engage in only modest problem solving with customers.
- They often represent products that have few options or are standardized.

B. Order Getting

- An **order getter** sells in a conventional sense and identifies prospective customers, provides customers with information, persuades customers to buy, closes sales, and follows up on customers' use of a product or service.
- Like order takers, order getters can be inside or outside.
- Order getting involves creativity, empathy, product knowledge, and sales training to sell complex or technical products.
- In modified rebuy or new-buy purchase situations in business-to-business selling, an order getter acts as a problem solver who identifies how a particular product satisfies a customer's need.
- Order getting is time-consuming (outside order getters work over 50 hours per week), spending their time selling, serving customers, and performing administrative duties.

- Order getting is expensive. A single field sales call costs about US\$350, factoring in salespeople's compensation, benefits, and travel-and-entertainment expenses (question 2 in Figure 20–1).
- *Outbound telemarketing* is the practice of using the telephone rather than personal visits to contact customers. It has a much lower cost (US\$20-US\$25 per sales call) with little or no field expense.

C. Customer Sales Support Personnel

- *Missionary salespeople* do not directly solicit orders but rather concentrate on performing promotional activities and introducing new products.
- A *sales engineer* is a salesperson who specializes in identifying, analyzing, and solving customer problems and brings know-how and technical expertise to the selling situation but often does not actually sell products and services.
- **Team selling** is the practice of using an entire team of professionals in selling to and servicing major customers.
 - a. Team selling is used when specialized knowledge is needed to satisfy the different interests of individuals in a customer's buying center.
 - b. A selling team may 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.
 - c. Selling teams have grown in popularity due to partnering and take two forms:
 - In *conference selling*, a salesperson and other company resource people meet with buyers to discuss problems and opportunities.
 - In *seminar selling*, a company team conducts an educational program for a customer's technical staff, describing state-of-the-art developments.

MARKETING MATTERS

Creating and Sustaining Customer Value through Cross-Functional Team Selling

The day of the lone salesperson calling on a customer is rapidly becoming history. Many companies today employ cross-functional teams of professionals to work with customers to improve relationships, find better ways of doing things, and create and sustain customer value.

Xerox and IBM pioneered cross-functional team selling, but other firms were quick to follow as they spotted the potential to create and sustain customer value. DuPont uses a team of chemists, sales and marketing executives, and regulatory specialists. Procter & Gamble uses teams of marketing, sales, advertising, computer systems, and supply chain personnel to work with its major retailers. Efforts to create and sustain customer value through cross-functional team selling have become a necessity as customers seek greater value for their money.

LEARNING REVIEW

3. What is the principal difference between an order taker and an order getter?

Answer: An order taker processes routine orders or reorders for products that were already sold by the company. An order getter sells in a conventional sense and identifies prospective customers, provides customers with information, persuades customers to buy, closes sales, and follows up on their use of a product or service.

4. What is team selling?

Answer: The practice of using an entire team of professionals in selling to and servicing major customers.

III. THE PERSONAL SELLING PROCESS: BUILDING RELATIONSHIPS [LO3]

- Although the salesperson-customer interaction is essential to personal selling, much of a salesperson's work occurs before and continues after the sale itself.
- The **personal selling process** consists of six stages: (1) prospecting, (2) preapproach, (3) approach, (4) presentation, (5) close, and (6) follow-up.

A. Prospecting

- Personal selling begins with *prospecting*—the search for and qualification of potential customers. The 3 types of prospect are:
 - a. A *lead* is the name of a person who may be a possible customer.
 - b. A *prospect* is a customer who wants or needs the product.
 - c. A *qualified prospect* is an individual who wants the product, can afford to buy it, and is the decision maker.
- Leads and prospects are generated using several sources:
 - a. Advertising may contain a coupon or a toll-free number.
 - b. Some companies use exhibits at trade shows, professional meetings, and conferences staffed by salespeople to meet prospective buyers and disseminate information.
 - c. Websites, e-mail, and newsgroups are used to connect to individuals and companies that may be interested in their products or services.
 - d. *Cold canvassing* in person or by telephone, which means that a salesperson may open a directory, pick a name, and visit or call that individual or business. Cold canvassing:
 - Can be successful, but the refusal rate is high.
 - Is frowned upon in most Asian and Latin American societies, who prefer personal visits, based on referrals.
 - The Indian government started to prohibit contacting consumers on the *Do Not Call Registry* from September 1, 2007.

B. Preapproach

- Once a salesperson has identified a qualified prospect, preparation for the sale begins with the *preapproach*, the stage that involves obtaining further information on the prospect and deciding on the best method of approach.
- Knowing how the prospect prefers to be approached and what the prospect is looking for in a product or service is essential regardless of the cultural setting.
- For business product firms, preapproach involves identifying the buying role of a prospect, important buying criteria, and the prospect's receptivity to a formal or informal presentation.
- Identifying the best time to contact a prospect is also important.
- This stage is very important in international selling where customs dictate appropriate protocol.
- Successful salespeople recognize that the preapproach stage should never be shortchanged. Failure to learn as much as possible about the prospect is unprofessional and the ruin of a sales call.

C. Approach

- The *approach* stage involves the initial meeting between the salesperson and prospect, where the objectives are to gain the prospect's attention, stimulate interest, and build the foundation for the sales presentation and the working relationship.
- First impressions are critical. It is common to begin the conversation with a reference to common acquaintances, a referral, or the product or service itself, depending on the information obtained in the prospecting and preapproach stages.
- This stage is very important in international settings.
 - a. Some societies spend time establishing a rapport between buyers and sellers before discussing business matters.
 - b. Gestures are also very important, particularly whether, when, and how to use a handshake, a bow, etc.
 - c. Knowing how to exchange business cards is important.
 - Business cards should be printed in English on one side and the language of the prospective customer on the other.
 - Business cards should be handed to Asian customers using both hands, with the name facing the receiver.

D. Presentation

The *presentation* is at the core of the order-getting selling process, and its objective is to convert a prospect into a customer by creating a desire for the product or service.

1. Stimulus-Response Format.

- a. The **stimulus-response presentation** format assumes that given the appropriate stimulus by a salesperson, the prospect will buy.
- b. With this format the salesperson tries one appeal after another until successful.
- c. When a McDonald's counter clerk uses this approach in asking whether you'd like dessert with your meal—the clerk is engaging in *suggestive selling*.

2. Formula Selling Format.

- a. The **formula selling presentation** format consists of information that must be provided in an accurate, thorough, and step-by-step manner to inform the prospect.
- b. A popular version of this format is the *canned sales presentation*, which is a memorized, standardized message conveyed to every prospect. It:
 - Is used by firms in telephone and door-to-door selling of consumer products.
 - Treats every prospect the same, regardless of differences in needs or preference for certain kinds of information.
 - Can be advantageous when the differences between prospects are unknown or with novice salespeople.
 - Lacks flexibility, spontaneity, and does not provide for feedback from prospective buyers—critical in the communication process and when starting relationships.

3. Need-Satisfaction Format.

- a. The **need-satisfaction presentation** format emphasizes probing and listening by the salesperson to identify needs and interests of prospective buyers and then tailors the presentation to the prospect and highlights product benefits.
- b. This format emphasizes problem solving and is consistent with the marketing concept and relationship building.

- c. The need-satisfaction format has two selling styles:
- **Adaptive selling** involves adjusting the presentation to fit the selling situation, such as knowing when to offer solutions and when to ask for more information. Need to know the customer and the sales situation.
 - **Consultative selling** focuses on problem identification, where the salesperson serves as an expert on problem recognition and resolution.
 - Solutions to problems often arise from the interaction and not from a predetermined set of choices.
 - This style is prominent in business-to-business marketing.

MARKETING MATTERS

The subtlety of Saying Yes in East Asia

The great marketing opportunities in East Asia have induced investors to build a keen cultural ear in order to have effective selling in these countries. In many Asian societies, it is impolite to say no, and yes has multiple meanings. In Asia, yes can have 4 meanings: (1) listeners are acknowledging that a speaker is talking to them even though they don't understand what is being said, (2) the speaker's words are understood, but not that they are agreed with, (3) a presentation is understood, but other people must be consulted before any commitment is possible and (4) proposal is understood and accepted. This last yes, however, is subject to change if the situation is changed.

4. Handling Objections.

- a. A critical concern in the presentation stage is handling *objections*, which are excuses for not making a purchase commitment or decision.
- b. Some objections are valid and are based on the characteristics of the product or service or price.
- c. Many objections reflect prospect skepticism or indifference.
- d. Techniques can be used to deal with objections in a courteous, ethical, and professional manner.

- e. The following techniques are used to handle objections:
- *Acknowledge and convert the objection.* Use the objection as a reason for buying.
 - *Postpone.* Say that the objection will be addressed later in the presentation.
 - *Agree and neutralize.* Agree with the objection, and then show that it is unimportant.
 - *Accept the objection.* If valid, probe for the reasons behind it, and attempt to stimulate further discussion on the objection.
 - *Denial.* When an objection is based on misinformation and clearly untrue, it is wise to meet it head on with a firm denial.
 - *Ignore the objection.* Use when the objection is a stalling mechanism or is clearly not important to the prospect.
- f. Handling objections is a skill requiring a sense of timing, appreciation for the prospect's state of mind, and adeptness in communication.
- g. Objections should be handled ethically. Lying or misrepresenting product or service features is grossly unethical practices.

E. Close

- The *closing* stage in the selling process involves obtaining a purchase commitment from the prospect.
- This stage is the most important and difficult because the salesperson must determine when the prospect is ready to buy.
- Telltale signals include body language (reexamines product), statements (positive comments), and questions about the particulars of the contract.
- Three closing techniques are used when a salesperson believes a buyer is about ready to make a purchase:
 - a. *Trial close.* Involves asking the prospect to make a decision on some aspect of the purchase.
 - b. *Assumptive close.* Entails asking the prospect to consider choices concerning delivery, warranty, or financing terms under the assumption that a sale has been finalized.

- c. *Urgency close*. Is used to commit the prospect quickly by making reference to the timeliness of the purchase.
- When a prospect is clearly ready to buy, the *final close* is used, and a salesperson asks for the order.

F. Follow-Up

- The *follow-up* stage includes making certain the customer's purchase has been properly delivered and installed and difficulties experienced with the use of the item are addressed.
- The cost and effort to obtain repeat sales from a satisfied customer is half of that from a new customer, so solidifying the relationship is key.
- Today's satisfied customers become tomorrow's qualified prospects or referrals.

LEARNING REVIEW

5. What are the six stages in the personal selling process?

Answer: The six stages in the personal selling process are: (1) prospecting, (2) preapproach, (3) approach, (4) presentation, (5) close, and (6) follow-up.

6. What is the distinction between a lead and a qualified prospect?

Answer: A lead is the name of a person who may be a possible customer whereas a qualified prospect is an individual who wants the product, can afford to buy it, and is the decision maker.

7. Which presentation format is most consistent with the marketing concept? Why?

Answer: The need-satisfaction presentation format probing and listening by the salesperson to identify needs and interests of prospective buyers and then tailors the presentation to the prospect and highlights product benefits, consistent with the marketing concept.

IV. THE SALES MANAGEMENT PROCESS [LO4]

Selling must be managed if it is going to contribute to a firm's overall objectives. Sales management consists of three interrelated functions.

A. Sales Plan Formulation: Setting Direction

- Formulating the sales plan is the most basic of the three sales management functions.
- The **sales plan** is a statement describing what is to be achieved and where and how the selling effort of salespeople is to be deployed. Formulating the sales plan involves three tasks:

1. Setting Objectives.

- a. Setting objectives is central to sales management because this task specifies what is to be achieved for the total sales force and each salesperson.
- b. Selling objectives can be:
 - *Output-related*. Focuses on dollar or unit sales volume, number of new customers, and profit.
 - *Input-related*. Emphasizes the number of sales calls and selling expenses.
 - *Behaviorally-related*. Focuses on product knowledge, customer service, and selling and communication skills.
- c. Firms also emphasize knowledge of competition since salespeople are calling on customers and should see what competitors are doing.

MAKING RESPONSIBLE DECISIONS

The Ethics of Asking Customers about Competitors

Salespeople are a valuable source of information about what is happening in the marketplace. By working closely with customers and asking good questions, salespeople often have firsthand knowledge of their problems and wants. Also, they can spot the activities of competitors. However, should salespeople explicitly ask customers about competitor strategies?

Gaining knowledge about competitors by asking customers for information is an ethical issue. Research shows that 25 percent of U.S. salespeople engaged in business-to-business selling consider this practice unethical and their firms have explicit guidelines for this practice. Japanese salespeople consider this practice to be more unethical than do U.S. salespeople.

- d. Objectives should be precise and measurable and specify the time period over which they are to be achieved.
- e. Once established, these objectives serve as performance standards for the evaluation of the salesforce.

2. Organizing the Salesforce.

- a. Three questions relate to establishing a selling organization:
 - Should the company use its own salesforce or should it use independent agents as manufacturer's reps?
 - If the decision is made to employ company salespeople, then should they be organized according to geography, customer type, or product/service?
 - How many company salespeople should be employed?
- b. The decision to use company salespeople or independent agents is based on economic and behavioral factors.
- c. This is a form of break-even analysis. The costs of the two options equal to each other and then solving for the sales level amount, as shown in the following equation:
 - Total cost of company salespeople (CS) equals annual sales volume (X) multiplied by commission percentage paid to company salespeople (Y%) plus total fixed costs for sales administration (FC), or
$$CS = [(X \times Y\%) + FC].$$

- Total cost of independent agents (IA) equals annual sales volume (X) multiplied by commission percentage paid to company salespeople (Z%), or $IA = (X \times Z\%)$.
 - Setting the costs of the two options equal to each other [$CS = IA$] and then solving for the sales level amount: $[(X \times Y\%) + FC] = (X \times Z\%)$.
- d.** Example: If (1) independent agents would receive a 5 percent commission on sales, (2) company salespeople would receive a 3 percent commission, salaries, and benefits, (3) sales administration costs with company salespeople would be a total fixed cost of \$500,000 per year, then (4) what sales level would independent or company salespeople be less costly? Setting the costs of the two options equal to each other and then solving for the sales level (X) gives the following result:

$$CS = IA$$

$$[(X \times Y\%) + FC] = (X \times Z\%)$$

$$[(X \times 0.03) + \$500,000] = (X \times 0.05)$$

$$X = \$25,000,000$$

Solving for X, sales volume equals \$25 million, indicating that below \$25 million in sales independent agents would be cheaper, but above \$25 million a company salesforce would be cheaper. Figure 20–5 shows this relationship.

- e.** A behavioral analysis is also necessary and should focus on issues related to the control, flexibility, effort, and availability of independent and company salespeople.
- f.** If a company elects to employ its own salespeople, then it must choose an organizational structure based on:
- *Geography.* Is the simplest organization, where the globe is first divided into regions and each region is subdivided into districts or territories. Salespeople call on all customers and sell all products of the company.
 - The advantage is that it minimizes travel time, expense, and duplication of selling efforts.
 - The disadvantage is that if a firm's products or customers require specialized knowledge, the geographical structure is not suitable.

- *Customer.* Is used when different types of buyers have different needs, which means that a different salesforce calls on each type of buyer or marketing channel.
 - The advantage is that buyers receive more effective, specialized customer support and knowledge.
 - The disadvantage is that it leads to higher administrative costs and some duplication of selling effort because two separate salesforces are used for the same products.
 - A variation of the customer organizational structure is **key account management**, which is the practice of using team selling to focus on important customers so as to build mutually beneficial, long-term, cooperative relationships.
- *Product or service.* Is used when specific knowledge is required to sell certain types of products.
 - The advantage is that salespeople can develop expertise with technical characteristics, applications, and selling methods associated with a particular product or family of products.
 - The disadvantage is that it leads to high administrative costs and duplication of selling effort.
- g. There is no one best sales organization for all companies in all situations. Rather, the organization of the salesforce should reflect the marketing strategy of the firm.
- h. The third question related to salesforce organization involves determining the size of the salesforce. A common approach for determining the size of a salesforce is the **workload method**, which integrates the number of customers served, call frequency, call length, and available selling time to arrive at a figure for the salesforce size.
- i. The workload method formula is as follows:

$$NS = \frac{NC \times CF \times CL}{AST}$$

NS = Number of salespeople

NC = Number of customers

CF = Call frequency to serve a customer each year

CL = Length of an average call

AST = Average of selling time available per year

- j. Example: Frito-Lay sells its products to 350,000 stores. Salespeople should call on these accounts at least once a week, or 52 times a year. The average sales call lasts 81 minutes (1.35 hours). An average salesperson works 2,000 hours a year (50 weeks hours a week), but 12 hours a week are devoted to nonselling activities such as travel and administration, leaving 1,400 hours a year. Using the formula below, Frito-Lay would need 17,550 salespeople:

$$NS = \frac{350,000 \times 52 \times 1.35}{1,400}$$

$$NS = 17,550$$

- k. The formula is flexible; a change in any one of the variables will affect the number of salespeople needed.

3. Developing Account Management Policies.

- a. **Account management policies** specify whom salespeople should contact, what kinds of selling and customer service activities should be engaged in, and how these activities should be carried out.
- b. Figure 20-7 shows how different accounts or customers can be grouped according to level of opportunity and the firm's competitive sales position.
- When specific account names are placed in each cell, salespeople clearly see which accounts should be contacted, with what level of selling and service activity, and how to deal with them.
 - Accounts in cells 1 and 2 might have high frequencies of personal sales calls and increased time spent on a call.
 - Cell 3 accounts will have lower call frequencies.
 - Cell 4 accounts might be contacted through telemarketing or direct mail rather than in person.

B. Sales Plan Implementation: Putting the Plan into Action

The sales plan is put into practice through the tasks associated with its implementation. Sales plan formulation focuses on “doing the right things;” implementation emphasizes “doing things right.”

1. Salesforce Recruitment and Selection.

- a. Effective recruitment and selection of salespeople is a critical sales management task. This entails finding people who match the type of sales position required by the firm.
- b. Recruitment and selection begin with a *job analysis*, which is a study of how the sales job is to be performed and the tasks that make up the job.
- c. Information from a job analysis is used to write a *job description*, a written document that describes job relationships and requirements that characterize each sales position. It explains:
 - To whom a salesperson reports.
 - How a salesperson interacts with other personnel.
 - The customers to be called on.
 - The specific activities to be carried out.
 - The physical and mental demands of the job.
 - The types of products and services to be sold.
- d. The job description is then translated into a statement of job qualifications, including the aptitudes, knowledge, skills, and a variety of behavioral characteristics considered necessary to perform the job successfully.
- e. Qualifications for order-getting sales positions often mirror the expectations of buyers: (1) imagination and problem-solving ability, (2) honesty, (3) intimate product knowledge, and (4) attentiveness reflected in responsiveness to buyer needs and customer loyalty and follow-up.
- f. Firms use personal interviews, reference checks, and background information provided on application forms to evaluate prospective salespeople.
- g. Successful selling also requires a high degree of **emotional intelligence**, which is the ability to understand one's own emotions and the emotions of people with whom one interacts on a daily basis. These qualities are important for adaptive selling.

Web Link

What is Your Emotional Intelligence?

A person's success at work depends on many talents, including intelligence, technical skills, and emotional intelligence! Emotional intelligence (E-IQ) has five dimensions: (1) self-motivation skills; (2) emotional self-awareness; (3) the ability to manage one's emotions and impulses; (4) empathy, or the ability to sense how others are feeling; and (5) social skills, or the ability to handle the emotions of other people.

What is your E-IQ? Visit the website at www.ihhp.com/quiz.php and answer the questions to learn what your emotional intelligence is and to obtain additional insights.

- h.** In Asia, salespeople in retail and service sectors tend to have a larger proportion of women while industrial salespeople tend to consist of more men.

2. Salesforce Training.

- a.** Salesforce training is an ongoing process that affects both new and seasoned salespeople.
- b.** Sales training covers selling practices as well as the technical aspects of seller's business.
- c.** Training new salespeople is very expensive.
- d.** On-the-job training is the most popular, followed by individual instruction taught by experienced salespeople.
- e.** Formal classes, seminars taught by sales trainers, and computer-based training are also popular.

3. Salesforce Motivation and Compensation.

- a.** Salespersons are motivated by a clear job description, a need for achievement, effective sales management practices, and proper compensation, incentives, or rewards.
- b.** Salespeople are paid using one of three plans:
 - *Straight salary compensation plan.* A salesperson is paid a fixed fee per week, month, or year. This plan:
 - Is easy to administer and gives management control over how salespeople spend their time.

- Provides little incentive to expand sales volume.
 - Is used when salespeople engage in many nonselling activities, such as account or customer servicing.
 - *Straight commission compensation plan.* A salesperson's earnings are tied directly to the sales or profit generated. This plan:
 - Provides the maximum amount of selling incentive.
 - Can detract salespeople from providing customer service.
 - Is common when nonselling activities are minimal.
 - *Combination compensation plan.* Contains a specified salary plus a commission on sales or profit generated. Salespeople prefer this plan and many firms use it.
- c. Nonmonetary awards are given to salespeople for meeting or exceeding objectives. These rewards include trips, distinguished salesperson awards, letters of commendation, etc.
- d. Ineffective recruitment, selection, training, motivation, and compensation programs often lead to costly salesforce turnover. New recruits are often less productive than seasoned salespeople.

C. Salesforce Evaluation: Measuring Results

Both quantitative and behavioral measures are used to evaluate the salesforce and assess whether sales objectives were met and account management policies followed.

1. **Quantitative Assessments.** Are based on input- and output-related objectives set forth in the sales plan.
- a. Input-related measures focus on the actual activities performed by salespeople such as those involving sales calls, selling expenses, account management policies, and sales reports submitted to superiors.
 - b. Output measures often appear in a **sales quota**, which contains specific goals assigned to a salesperson, sales team, branch sales office, or sales district for a stated time period.
 - Typical goals are dollar or unit sales volume, last year/current sales ratio, sales of specific products, new accounts generated, and profit achieved.
 - The time period can range from one month to one year.

2. Behavioral Evaluation.

- a. Assessments of a salesperson's attitude, attention to customers, product knowledge, selling and communication skills, appearance, and professional demeanor are behavioral measures used to evaluate salespeople because these factors are often important determinants of quantitative outcomes.
- b. Many Asian companies, including Toyota, now include customer satisfaction as a behavioral measure of salesperson performance (question 4 in Figure 20-1).
- c. Increasingly, companies are using marketing dashboards to track salesperson performance for evaluation purposes.

USING MARKETING DASHBOARDS

Tracking Salesperson Performance at Moore Chemical & Sanitation Supply, Inc.

A Variety of Metrics

MooreChem is a large midwestern supplier of cleaning chemicals and sells to janitorial companies that clean corporate and professional office buildings. MooreChem uses a marketing dashboard for each of its sales representatives to track seven measures—sales revenue, gross margin, selling expense, profit, average order size, new customers, and customer satisfaction. Each measure shows actual salesperson performance relative to target goals

Your Challenge.

To provide a constructive view of a particular salesperson's performance for the previous quarter.

Your Findings.

The salesperson's is displayed on the marketing dashboard. He has exceeded targeted goals for sales revenue, selling expenses, and customer satisfaction. All of these measures show an upward trend. He also has met his target for gaining new customers and average order size. But, his gross margin and profit are below targeted goals. These measures evidence a downward trend as well. His mixed performance requires a constructive and positive correction.

Your Actions.

Focus attention on the salesperson's gross margin and selling expense results and trend. He is spending time and money selling lower margin products that produce a targeted average order size. While he is actually expending effort selling more products to his customers, this product mix yields lower gross margins, resulting in a lower profit.

D. Sales Force Automation and Customer Relationship Management

- Personal selling and sales management are undergoing a technological revolution with the integration of sales force automation into customer relationship management.
- **Salesforce automation (SFA)** is the use of computer, information, communication, and Internet technologies to make the sales function more effective and efficient. SFA applies to each stage in the personal selling process and management of the sales force itself.
- SFA applications include computer hardware and software for account analysis, time management, order processing and follow-up, sales presentations, proposal generation, and product and sales training. Each application is designed to ease administrative tasks and free up time for salespeople to build customer relationships and provide customer service.

1. Salesforce Computerization.

- a. Computer technology has become an integral part of field selling. Salespeople are able to communicate with company personnel and customers more quickly and effectively.
- b. Computerization is also valuable in sales presentations and sales training and allows salespeople to process orders, plan time allocations, forecast sales, and other functions.

2. Salesforce Communication.

- a. Salespeople use facsimile, e-mail, and voice mail to communicate with customers, other salespeople and sales support personnel, and management. Cell phone technology now allows salespeople to exchange data, text, and voice transmissions.
- b. Advances in communication and computer technologies have made possible the mobile and home sales office.
- c. Internet and intranet technologies allow salespeople to download client materials, marketing content, account information, technical papers, and competitive profiles.

LEARNING REVIEW

8. What are the three types of selling objectives?

Answer: They are: (1) output-related (dollars or unit sales, new customers, profit); (2) input-related (sales calls, selling expenses); and (3) behavioral-related (product knowledge, customer service, selling and communication skills).

9. What three factors are used to structure sales organizations?

Answer: geography, customer, and product or service

10. How does emotional intelligence tie to adaptive selling?

Answer: Emotional intelligence is the ability to understand one's own emotions and the emotions of people with whom one interacts on a daily basis, qualities that are important for adaptive selling.

APPLYING MARKETING KNOWLEDGE

1. **Sandra Lee is a new sales representative for the Standard Chartered Bank Private Banking Unit. In searching for clients, Sandra purchased a mailing list of subscribers to *Asian Wall Street Journal* and called them on the phone to fix an appointment. During the first meeting, Sandra talked to them regarding their interests in various investments products and services. She asked if they have any shares, unit trusts, or other investments. She also asked about their investment needs and if they required an investment advisor. One week later, Sandra called back with investment advice and asked if they would like to open an investment account. Identify each of Sandra’s actions in terms of the personal selling process.**

Answer:

SELLING STAGE	ACTION
Prospecting	Purchase mailing list
Preapproach/Approach	called them on the phone to fix an appointment
Presentation/Close	Call back with investment advice and ask if they would like to open an account.

2. **For the first 50 years of business, the Siam Carpet Company produced carpets for residential use. The salesforce was structured geographically. In the past five years, a large percentage of carpet sales has been to industrial users, hospitals, schools, and architects. The company also has broadened its product line to include area rugs, Oriental carpets, and wall-to-wall carpeting. Is the present salesforce structure appropriate, or would you recommend an alternative?**

Answer: As a result of the product and customer changes experienced by the Siam Carpet Company, a customer sales organization structure is needed. With this structure specialized customer support and knowledge can be provided more effectively to the varied customer base of the company.

3. Where would you place each of the following sales jobs on the order taker/order getter continuum shown below? (a) Burger King counter clerk, (b) automobile insurance salesperson, (c) IBM computer salesperson, (d) life insurance salesperson, and (e) shoe salesperson?

Answers:

Sales Job	Order Taker	Order Getter
a. Burger King counter clerk	X	
b. Automobile insurance salesperson		X
c. IBM computer salesperson		X
d. Life insurance salesperson		X
e. Shoe salesperson		X

4. Listed below are two different firms. Which compensation plan would you recommend for each firm, and what reasons would you give for your recommendations? (a) A newly formed company that sells vacuum cleaners on a door-to-door basis directly to consumers; and (b) Malaysia Dairy, which sells heavily advertised products in supermarkets by having the salesforce call on these stores and arrange shelves, set up displays, and make presentations to store buying committees.

Answers:

- a. **Newly formed company.** Compensation plan: Straight commission. Job requires aggressive selling and therefore maximum amount of incentive. The company has little control over salespeople.
- b. **Malaysia Dairy** Compensation plan: Straight salary. Salespeople need to perform many non-selling activities. This plan is easy to administer and yields predictable selling expenses.

- 5. Cannon services 1,000 audio stores throughout Singapore. Each store is called on 12 times a year, and the average call lasts 30 minutes. Assuming a salesperson works 40 hours a week, 50 weeks a year, and devotes 75 percent of the time to actual selling, how many salespeople does Cannon need?**

Answer: Using the workload method formula, the number of salespeople is calculated below:

$$NS = \frac{NC \times CF \times CL}{AST}$$

where,

NS = Number of salespeople

NC = Number of customers

CF = Call frequency to serve a customer each year

CL = Length of an average call

AST = Average of selling time available per year

$$NS = \frac{1,000 \times 12 \times 0.50}{40 \times 50 \times 0.75}$$

$$NS = \frac{6,000}{1,500}$$

$$NS = 4$$

- 6. A furniture manufacturer is currently using manufacturer's representatives to sell its line of living room furniture. These representatives receive an 8 percent commission. The company is considering hiring its own salespeople and has estimated that the fixed cost of managing and paying their salaries would be US\$1 million annually. The salespeople would also receive a 4 percent commission on sales. The company has sales of US\$25 million dollars, and sales are expected to grow by 15 percent next year. Would you recommend that the company switch to its own salesforce? Why or why not?**

Answer: The question is answered by setting the costs of the two options equal to each other and solving for the sales level amount, the point at which any sales above, it would be cheaper to hire a company salesforce and below, it would be cheaper to hire manufacturer's representatives, as shown below:

a. Calculation of the break-even point.

Cost of company salespeople (CS) = Cost of manufacturer's representatives (MR)

Set CS = MR

$$[(X \times Y\%) + FC = (X \times Z\%)$$

where,

X = Sales volume

C = Commission percent

FC = Fixed costs (sales administration)

$$[(0.04 \times X) + \$1,000,000] = (0.08 \times X)$$

$$\$1,000,000 = (0.04 \times X)$$

$$X = \$25,000,000$$

The current company sales of US\$25 million also happens to be the break-even point as to whether to hire company salespeople or manufacturer's representatives.

b. Sales increase by 15%.

I = Percentage sales increase (or decrease)

X = Sales volume

C = Commission percent

FC = Fixed costs (sales administration)

Set CS = MR

$$[(C \times I \times X) + FC] = (C \times I \times X)$$

$$[(0.04 \times 1.15 \times \$25,000,000) + \$1,000,000] = (0.08 \times 1.15 \times \$25,000,000)$$

$$\$1,150,000 + \$1,000,000 = \$2,300,000$$

$$\$2,150,000 < \$2,300,000$$

Since the cost to hire company salespeople is less than the cost to hire manufacturer's representatives by US\$150,000, the furniture manufacturer should switch to its own salesforce. With 15% projected growth in sales, the fixed cost component of a company salesforce holds total costs down to a more predictable, lower level.

The 4% sales commission is an average for estimating. To help motivate the salesforce to deliver the forecast 15% sales increase, the company might consider a structured system of commissions, offering more than a flat 4% incentive to reward company salespeople who exceed goal and less to those who fall short.

7. Suppose someone said to you, "The only real measure of a salesperson is the amount of sales produced." How might you respond?

Answer: Other output-related measurements of sales success include accounts generated, profit achieved, customer satisfaction, and orders produced compared with calls made.

BUILDING YOUR MARKETING PLAN

Does your marketing plan involve a personal selling activity? If the answer is no, read no further and do not include a personal selling element in your plan. If the answer is yes:

- 1. Identify the likely prospects for your product or service.**
- 2. Determine what information you should obtain about the prospect.**
- 3. Describe how you would approach the prospect.**
- 4. Outline the presentation you would make to the prospect for your product or service.**
- 5. Develop a sales plan, focusing on the organizational structure you would use for your salesforce (geography, product, or customer).**

Answer: For some businesses, personal selling activities are the single most important factor in success. For student marketing plans for which this is true, this Building Your Marketing Plan focuses on the first four stages in the personal selling process: prospecting, preapproach, approach, and presentation. A detailed description of these steps is appropriate for marketing plans where personal selling is a key to success. For other plans, this section is not pertinent.