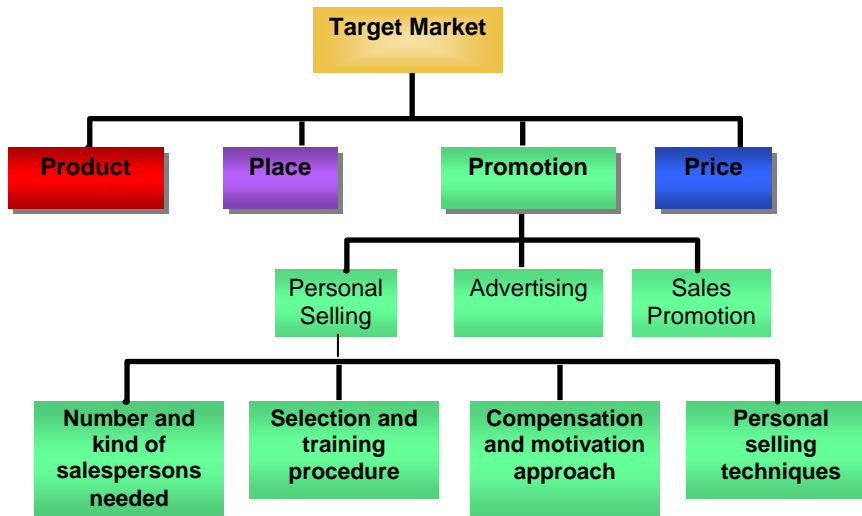


## Lecture 26: Personal Selling and Sales Force Management



### Definition

- **Personal selling** is the personal communication between a firm's sales force and customers for the purpose of making sales and building customer relationships.
- **Job titles**
  - Salespeople
  - sales representatives
  - account executives
  - sales consultants
  - sales engineers
  - district managers
  - marketing representatives etc.

### Unique in Promotion Mix



- Get more attention, focus on customer assistance

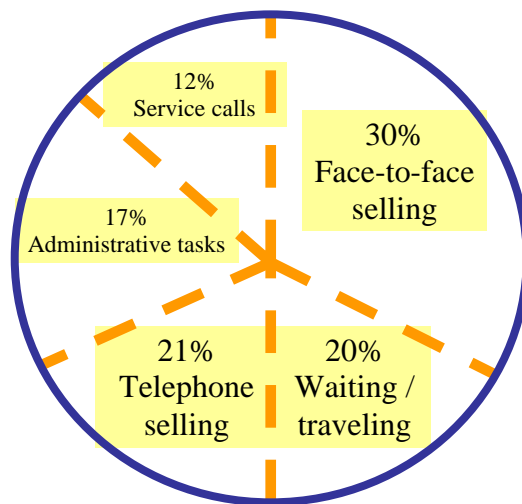


- Adjust what to say and how to say it
- Probe customers to learn more about the products
- Know customers' concerns better and address them more quickly
- Marketing offers can be adjusted for special needs and situations and provide market information function
- Build long-term personal relationship with key decision-makers and develop strategic planning skills

### Types of Salespeople

- **Order getters** try to establish relationships with new customers and get new business.
- **Order takers** sell to regular or established customers, complete most sales transactions, and maintain relationship with customers.
- **Supporting salespeople** help the first two types, but don't get order themselves.
  - *Missionary salespeople*
  - *Technical salespeople*

### How Do Sales People Spend Time?



### Sales Force Structure

Four basic ways to divide sales responsibilities

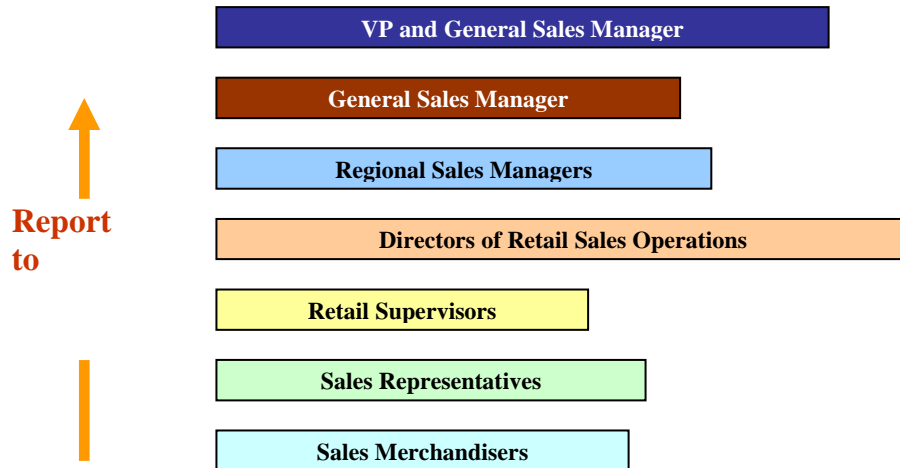
- Territorial sales-force structure
- Product sales-force structure
- Customer (account) sales-force structure
- Workload (size) and budget (telemarketing)

### Territory Sales Force Structure

Each sales person sells the full line of products to all customers of an exclusive geographic territory.

### *Managerial Structure*

*Campbell's*



### Product Sales Force Structure

- Sales people specialize and are responsible in selling only a portion of the product lines.
- What types of firms use this?

### Customer Sales-Force Structure

- Sales people specialize in selling only to certain customers or industries.
- Industry-specific, new vs. current customers, major vs. regular accounts, etc.

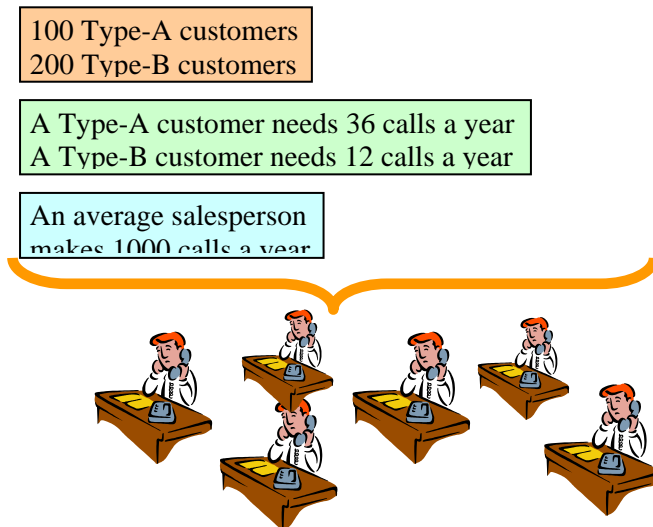


### Deciding on Sales Force Size

The workload approach

- Groups accounts into classes that require different sales effort;
- Determine the total workload;
- Estimate the average work that a salesperson can take;
- Get the number of sales people needed.

### **Example**



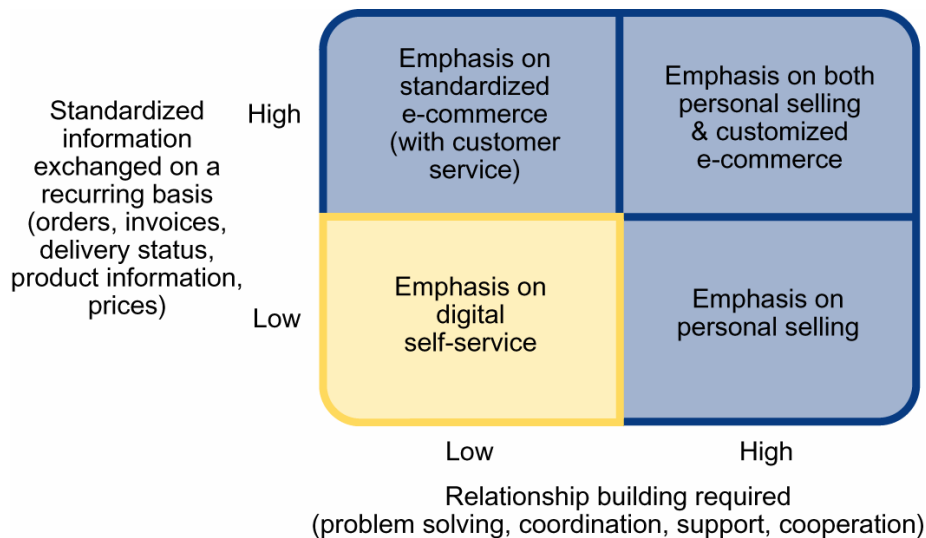
### **Other Structural Issues**

- Outside versus inside
  - Outside (field) sales force
  - Inside sales force: e.g., technical support people, sales assistants, telemarketers.
- Team selling  
using teams of people from various departments and even upper management to service large, complex accounts.

### **Recruiting Salespeople**

- What makes a good salesperson?
  - Type 1: enthusiasm, persistence, initiative, self-confidence, and job commitment.
  - Type 2: independent, self-motivated, excellent listeners.
  - Type 3: be a friend to customers as well as persistent, enthusiastic, attentive, and – above all – honest.
- Interview and selection
  - Formal tests are popular and counts heavily in large firms.
  - Tests measure sales aptitude, analytical and organizational skills, and personality traits.

### **Exhibit 14-2**



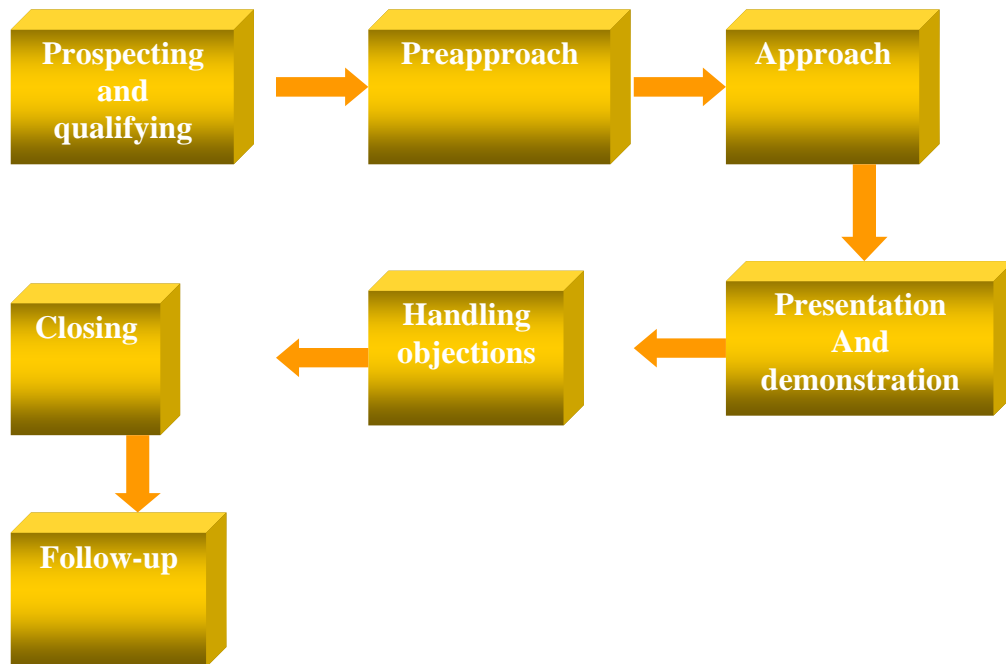
## Sales Force Compensation

- **Straight salary**
  - Good for a risk-averse person
  - Sales managers have more control over sales people's activity
  - Need more supervision
  - More motivated to achieve objectives other than short-run sales volume (e.g., seeking new accounts)
  - Suitable when the individual's impact on total sales volume is difficult to measure.
  - Inability to provide strong motivation for excelling.
- **Straight commission**
  - Good for a risk-seeking person
  - More motivated to work hard on sales
  - Perceived fair
  - Easy to compute, administer, and understand
  - Not willing to explore new and uncertain businesses

### Combination of Salary and Commission

- 70% of firms use combination
- On average: 60% salary and 40% commission
- Which method to go?
  - Some industry examples
    - *The packaged goods industry*: advertising and trade promotions strongly affect sales.
    - *The nuclear reactor industry*: the selling process is complex and involves team effort.
  - An award-winning study: Basu et al. (1985), "Salesforce Compensation Plans: An Agency Theoretic Perspective," *Marketing Science*, 4 (4), pp. 267-291.

### Personal Selling Process



### Prospecting and Qualifying

- To find out potential customers, identify good ones and screen out poor ones.
- Ratios
  - **Insurance industry:** one out of nine prospects becomes a customer.
  - **Computer business:** 125 phone calls results in 25 interviews leading to five demonstrations and one sale.

**Source:** Vincent L. Zirpoli, "You Can't 'Control' the Prospect, So Manage the Presale Activities to Increase Performance," *Marketing News*, March 16, 1984, pp. 1

### Preapproach and Approach

- Preapproach
  - To learn as much as possible about a prospective customer before making a sales call.
  - Set call objectives, decide on the best approach and timing.
- Approach is the step in which a salesperson meets and greets the buyer to get the relationship off to a good start.

### Presentation and Demonstration

- Prepared sales presentation
  - A memorized presentation.
  - Not adapted to each individual customer.

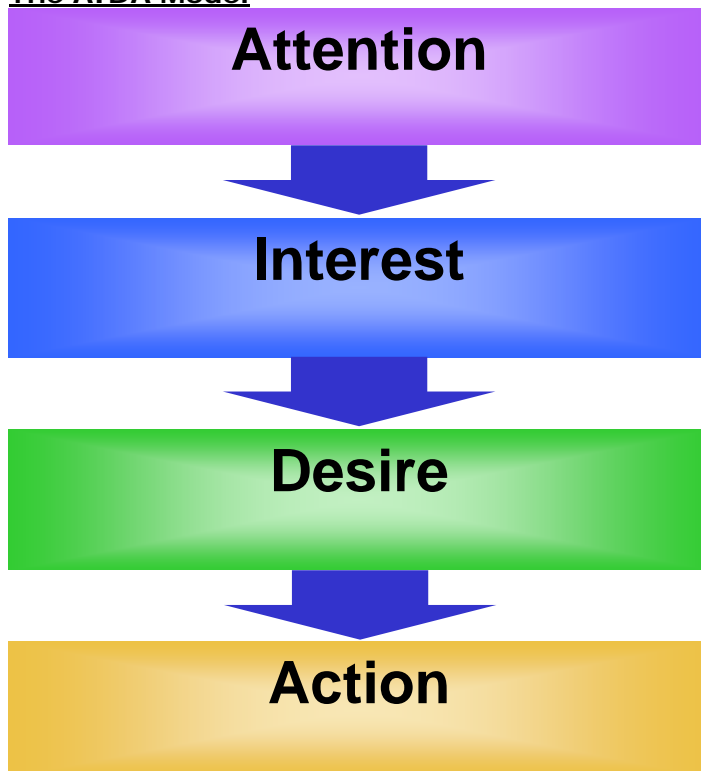


- Consultative selling (i.e., need-satisfaction approach)
  - Start with general benefit statements.
  - Customers do most of the talking.
  - Calls for careful listening and problem-solving skills.
- The selling formula approach
  - Combination of prepared presentation and consultative selling.

### **Relationship Marketing**

- *Transaction marketing* aims at closing a specific sale with a customer.
- *Relationship marketing* emphasizes building and maintaining profitable long-term relationship with customers.

### **The AIDA Model**



### **The Negotiation Game**

Game Debriefing - The Eight Issues

- **Four are variable-sum (or integrative)**
  - *Warranty*
  - *Financing*
  - *Radio*
  - *Number of options*



- **Two are distributive**
  - *Price*
  - *Delivery time*
- **Two are compatible**
  - *Tax*
  - *Color*

### **Negotiation Performance**

- If both of you completely integrate interests and realize the compatible interests, you can share a total of 13,200 points.
- If you distribute, and also could not realize the compatible interests, you will share a total of 4,800 points.
- Other negotiation solutions are possible.

### **How did we do?**

#### Why Many Groups Go Suboptimal?

- *"Fixed-pie" bias of negotiation*  
most negotiators perceive the task as distributive, rather than integrative.
- *Loss-loss outcome*  
some negotiators fail to realize that they have interests which are perfectly compatible.

#### In Reality ...

- Most negotiators (85%) enter negotiation with a fixed-pie perception.
- The relation between fixed-pie bias and negotiation profits is strong; that is, negotiators who realize potential for joint gain earn higher negotiation profits.

#### To Be a Better Negotiator, You Need

- Exchanging information
- Fractionating issues
- Making tradeoffs
- Proposing multiple offers simultaneously
- Both *cooperation* and *competition* are needed!