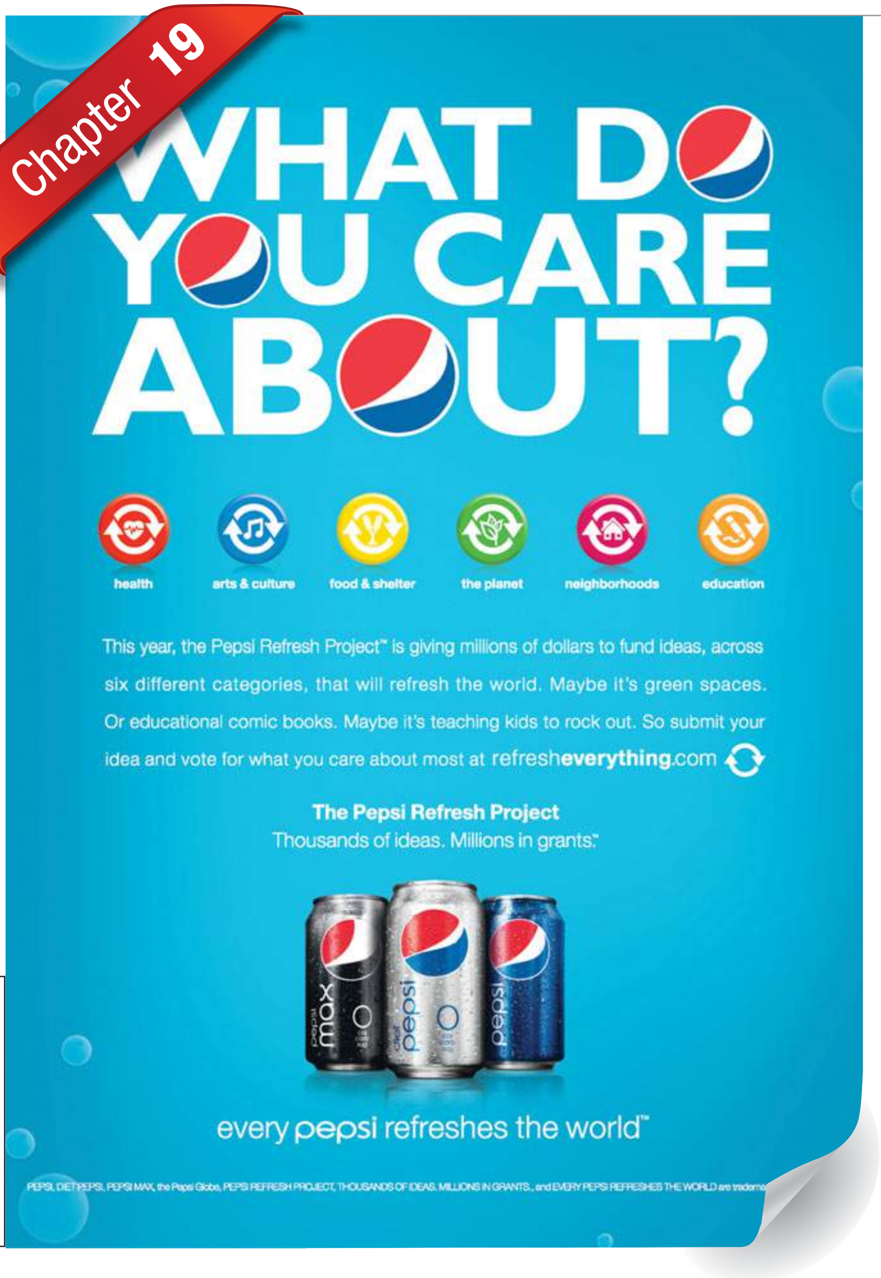
Chapter 19

In This Chapter, We Will Address the Following Questions

1. How can companies conduct direct marketing for competitive advantage?
2. How can companies carry out effective interactive marketing?
3. How does word of mouth affect marketing success?
4. What decisions do companies face in designing and managing a sales force?
5. How can salespeople improve their selling, negotiating, and relationship marketing skills?



Reflecting new consumer sensibilities that focus on the good that companies do, Pepsi used the Super Bowl to launch a major new cause marketing initiative instead of its typical splashy ad campaigns.

Managing Personal Communications: Direct and Interactive Marketing, Word of Mouth, and Personal Selling

In the face of the Internet revolution, marketing communications today increasingly occur as a kind of personal dialogue between the company and its customers. Companies must ask not only "How should we reach our customers?" but also "How should our customers reach us?" and "How can our customers reach each other?" New technologies have encouraged companies to move from mass communication to more targeted, two-way communications. Consumers now play a much more participatory role in the marketing process. Consider how Pepsi has engaged the consumer in its marketing communications.[1]

For the first time in 23 years, PepsiCo chose not to advertise any of its soft drink brands during the biggest U.S. media event, the Super Bowl. Instead, it launched its ambitious Pepsi Refresh Project. With a tagline "Every Pepsi Refreshes the World," Pepsi earmarked $20 million for the program to fund ideas from anyone, anywhere, anytime to make a difference in six areas: health, arts and culture, food and shelter, the planet, neighborhoods, and education. Ideas are submitted at refresheverything.com and voted online by the general public. A significant presence on Facebook, Twitter, and other social networks is a key aspect to the program. The first grant recipients received funding for a variety of different projects, including building a community playground, providing care packages and comfort items for troops in the field or recovering from wounds at home, and conducting financial literacy sessions for teens. Pepsi also allocated an additional $1.3 million in the summer of 2010 to support communities in the Gulf of Mexico region affected by the catastrophic oil spill.

Marketers are trying to figure out the right way to be part of the consumer conversation. Personalizing communications and creating dialogues by saying and doing the right thing to the right person at the right time is critical for marketing effectiveness. In this chapter, we consider how companies personalize their marketing communications to have more impact. We begin by evaluating direct and interactive marketing, then move to word-of-mouth marketing, and finish by considering personal selling and the sales force.

Direct Marketing

Today, many marketers build long-term relationships with customers.[2] They send birthday cards, information materials, or small premiums. Airlines, hotels, and other businesses adopt frequency reward programs and club programs.[3] **Direct marketing** is the use of consumer-direct (CD) channels to reach and deliver goods and services to customers without using marketing middlemen.

Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, interactive TV, kiosks, Web sites, and mobile devices. They often seek a measurable response, typically a customer order, through **direct-order marketing**. Direct marketing has been a fast-growing avenue for serving customers, partly in response to the high and increasing costs of reaching business markets through a sales force. Sales produced through traditional direct marketing channels (catalogs, direct mail, and telemarketing) have been growing rapidly, along with direct-mail sales, which include sales to the consumer market, B2B, and fund-raising by charitable institutions.

Direct marketing has been outpacing U.S. retail sales. It accounted for almost 53 percent of total advertising spending in 2009, and companies spent more than $149 billion on direct marketing per year, accounting for 8.3 percent of GDP.[4]

The Benefits of Direct Marketing

Market demassification has resulted in an ever-increasing number of market niches. Consumers short of time and tired of traffic and parking headaches appreciate toll-free phone numbers, always-open Web sites, next-day delivery, and direct marketers' commitment to customer service. In addition, many chain stores have dropped slower-moving specialty items, creating an opportunity for direct marketers to promote these to interested buyers instead.

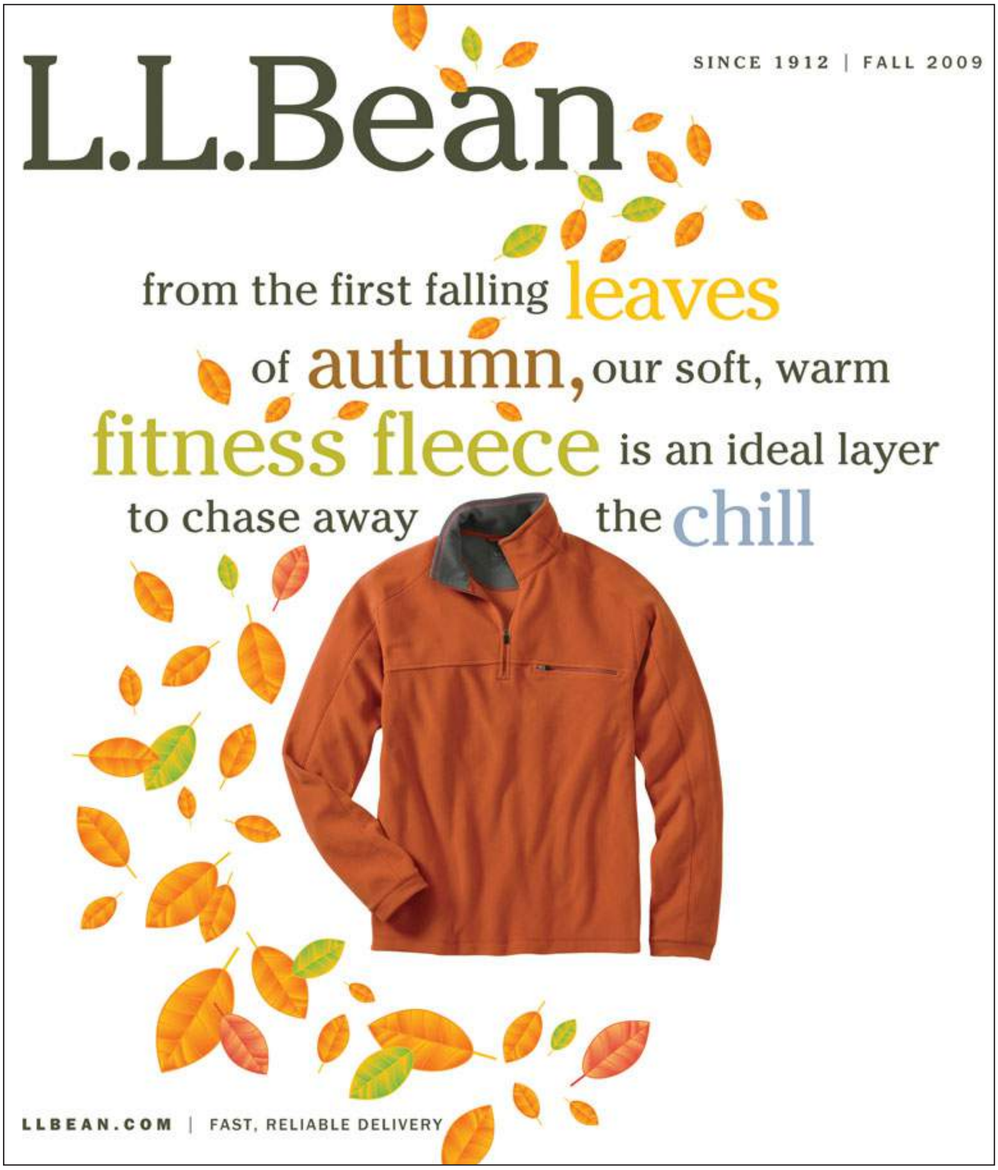
Sellers benefit from demassification as well. Direct marketers can buy a mailing list containing the names of almost any group: left-handed people, overweight people, millionaires. They can customize and personalize messages and build a continuous relationship with each customer. New parents will receive periodic mailings describing new clothes, toys, and other goods as their child grows.

Direct marketing can reach prospects at the moment they want a solicitation and therefore be noticed by more highly interested prospects. It lets marketers test alternative media and messages to find the most cost-effective approach. Direct marketing also makes the direct marketer's offer and strategy less visible to competitors. Finally, direct marketers can measure responses to their campaigns to decide which have been the most profitable. One successful direct marketer is L.L.Bean.[5]

L.L.Bean L.L.Bean's founder Leon Leonwood (L.L.) Bean returned from a Maine hunting trip in 1911 with cold, damp feet and a revolutionary idea. His Maine Hunting Shoe stitched leather uppers to workmen's rubber boots to create a comfortable, functional boot. To a mailing list of hunters, Bean sent a three-page flyer describing the benefits of the new product and backing it with a complete guarantee. The shoe, however, did not meet with initial success. Of his first 100 orders, 90 were returned when the tops and bottoms separated. True to his word, Bean refunded the purchase price and the problem was fixed. L.L.Bean quickly became known as a trusted source for reliable outdoor equipment and expert advice. The L.L.Bean guarantee of 100 percent satisfaction is still at the core of the company's business, as is the original L.L. Bean's Golden Rule, "Sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more." Today, L.L.Bean is a $1.4 billion company. In 2009, it produced 49 different catalogs and received 11 million customer contacts. The company's Web site is among the top-rated e-commerce sites, and its growing number of retail stores and outlets retain the company's legendary customer service.

Direct marketing must be integrated with other communications and channel activities.[6] Direct marketing companies such as Eddie Bauer, Lands' End, and the Franklin Mint made fortunes building their brands in the direct marketing mail-order and phone-order business and then opened retail stores. They cross-promote their stores, catalogs, and Web sites, for example, by putting their Web addresses on their shopping bags.

Successful direct marketers view a customer interaction as an opportunity to up-sell, cross-sell, or just deepen a relationship. These marketers make sure they know enough about each customer to customize and personalize offers and messages and develop a plan for lifetime marketing to each valuable customer, based on their knowledge of life events and transitions. They also carefully



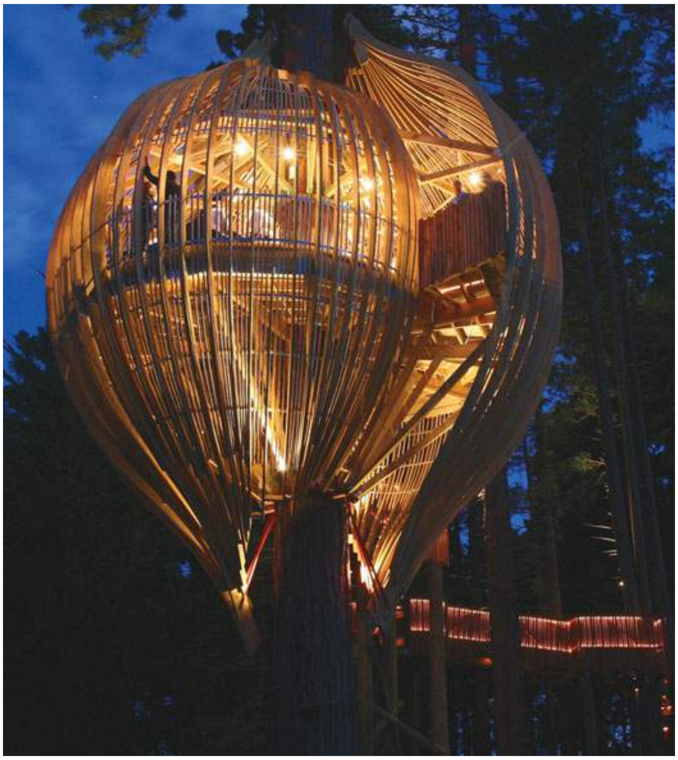
L.L.Bean has a decades-long legacy of fully satisfying customer needs—guaranteed!

orchestrate each element of their campaigns. Here is an example of an award-winning campaign that did just that.[7]

New Zealand Yellow Pages

New Zealand Yellow Pages One of the Direct Marketing Association's top ECHO award winners in 2009 was New Zealand's Yellow Pages Group. With a theme of "Job Done," the group recruited a young woman to be the focus of the campaign and gave her the task of building a restaurant 40 feet above the ground in a redwood tree, using only help found via the Yellow Pages. A TV ad, billboard, and online media launched the campaign, and a Web site provided updates. Access to the striking pod-shaped structure Treehouse was provided by an elevated treetop walkway. The restaurant actually operated from December 2008 to February 2009 as part of the campaign. Highly popular, the campaign was credited with increasing the use of Yellow Pages by 11 percent to record levels.

We next consider some of the key issues that characterize different direct marketing channels.



To dramatically demonstrate the utility of its product, the New Zealand Yellow Pages engaged a designer to build a tree-top restaurant using only help hired through the Yellow Pages.

Direct Mail

Direct-mail marketing means sending an offer, announcement, reminder, or other item to an individual consumer. Using highly selective mailing lists, direct marketers send out millions of mail pieces each year—letters, flyers, foldouts, and other "salespeople with wings." Some direct marketers mail multimedia DVDs to prospects and customers.

Direct mail is a popular medium because it permits target market selectivity, can be personalized, is flexible, and allows early testing and response measurement. Although the cost per thousand is higher than for mass media, the people reached are much better prospects. The success of direct mail, however, has also become its liability—so many marketers are sending out direct-mail pieces that mailboxes are becoming stuffed, leading some consumers to disregard the blizzard of solicitations they receive.

In constructing an effective direct-mail campaign, direct marketers must choose their objectives, target markets and prospects, offer elements, means of testing the campaign, and measures of campaign success.

OBJECTIVES Most direct marketers aim to receive an order from prospects and judge a campaign's success by the response rate. An order-response rate of 2 percent to 4 percent is normally considered good, although this number varies with product category, price, and the nature of the offering.[8] Direct mail can also produce prospect leads, strengthen customer relationships, inform and educate customers, remind customers of offers, and reinforce recent customer purchase decisions.

TARGET MARKETS AND PROSPECTS Most direct marketers apply the RFM (*recency, frequency, monetary amount*) formula to select customers according to how much time has passed since their last purchase, how many times they have purchased, and how much they have spent since becoming a customer. Suppose the company is offering a leather jacket. It might make this offer to the most attractive customers—those who made their last purchase between 30 and 60 days ago, who make three to six purchases a year, and who have spent at least $100 since becoming customers. Points are established for varying RFM levels; the more points, the more attractive the customer.[9]

Marketers also identify prospects on the basis of age, sex, income, education, previous mail-order purchases, and occasion. College freshmen will buy laptop computers, backpacks, and compact refrigerators; newlyweds look for housing, furniture, appliances, and bank loans. Another useful variable is consumer lifestyle or "passions" such as electronics, cooking, and the outdoors.

Dun & Bradstreet provides a wealth of data for B2B direct marketing. Here the prospect is often not an individual but a group or committee of both decision makers and decision influencers. Each member needs to be treated differently, and the timing, frequency, nature, and format of contact must reflect the member's status and role.

The company's best prospects are customers who have bought its products in the past. The direct marketer can also buy lists of names from list brokers, but these lists often have problems, including name duplication, incomplete data, and obsolete addresses. Better lists include overlays of demographic and psychographic information. Direct marketers typically buy and test a sample before buying more names from the same list. They can build their own lists by advertising a promotional offer and collecting responses.

OFFER ELEMENTS The offer strategy has five elements—the *product,* the *offer,* the *medium,* the *distribution method,* and the *creative strategy*.[10] Fortunately, all can be tested. The direct-mail marketer also must choose five components of the mailing itself: the outside envelope, sales letter, circular, reply form, and reply envelope. A common direct marketing strategy is to follow up direct mail with an e-mail.

TESTING ELEMENTS One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy, such as products, product features, copy platform, mailer type, envelope, prices, or mailing lists.

Response rates typically understate a campaign's long-term impact. Suppose only 2 percent of the recipients who receive a direct-mail piece advertising Samsonite luggage place an order. A much larger percentage became aware of the product (direct mail has high readership), and some percentage may have formed an intention to buy at a later date (either by mail or at a retail outlet). Some may mention Samsonite luggage to others as a result of the direct-mail piece. To better estimate a promotion's impact, some companies measure the impact of direct marketing on awareness, intention to buy, and word of mouth.

MEASURING CAMPAIGN SUCCESS: LIFETIME VALUE By adding up the planned campaign costs, the direct marketer can determine the needed break-even response rate. This rate must be net of returned merchandise and bad debts. A specific campaign may fail to break even in the short run but can still be profitable in the long run if customer lifetime value is factored in (see Chapter 5) by calculating the average customer longevity, average customer annual expenditure, and average gross margin, minus the average cost of customer acquisition and maintenance (discounted for the opportunity cost of money).[11]

Catalog Marketing

In catalog marketing, companies may send full-line merchandise catalogs, specialty consumer catalogs, and business catalogs, usually in print form but also as DVDs or online. In 2009, three of the top B-to-C catalog sellers were Dell ($51 billion), Staples ($8.9 billion), and CDW ($8.1 billion). Three top B-to-B catalog sellers were Thermo Scientific lab and research supplies ($10.5 billion), Henry Schien dental, medical, and vet supplies ($6.4 billion), and WESCO International electrical and industry maintenance supplies ($6.1 billion). Thousands of small businesses also issue specialty catalogs.[12] Many direct marketers find combining catalogs and Web sites an effective way to sell.

Catalogs are a huge business—the Internet and catalog retailing industry includes 16,000 companies with combined annual revenue of $235 billion.[13] The success of a catalog business depends on managing customer lists carefully to avoid duplication or bad debts, controlling inventory, offering good-quality merchandise so returns are low, and projecting a distinctive image. Some companies add literary or information features, send swatches of materials, operate a special online or telephone hotline to answer questions, send gifts to their best customers, and donate a percentage of profits to good causes. Putting their entire catalog online also provides business marketers with better access to global consumers than ever before, saving printing and mailing costs.

Telemarketing

Telemarketing is the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions. It helps companies increase revenue, reduce selling costs, and improve customer satisfaction. Companies use call centers for *inbound telemarketing*—receiving calls from customers—and *outbound telemarketing*—initiating calls to prospects and customers.

Although outbound telemarketing historically has been a major direct marketing tool, its potentially intrusive nature led the Federal Trade Commission to establish a National Do Not Call Registry in 2003. About 191 million consumers who did not want telemarketing calls at home were registered by 2009. Because only political organizations, charities, telephone surveyors, or companies with existing relationships with consumers are exempt, consumer telemarketing has lost much of its effectiveness.[14]

Business-to-business telemarketing is increasing, however. Raleigh Bicycles used telemarketing to reduce the personal selling costs of contacting its dealers. In the first year, sales force travel costs dropped 50 percent and sales in a single quarter went up 34 percent. As it improves with the use of videophones, telemarketing will increasingly replace, though never eliminate, more expensive field sales calls.

Other Media for Direct-Response Marketing

Direct marketers use all the major media. Newspapers and magazines carry ads offering books, clothing, appliances, vacations, and other goods and services that individuals can order via toll-free numbers. Radio ads present offers 24 hours a day. Some companies prepare 30- and 60-minute *infomercials* to combine the sell of television commercials with the draw of information and entertainment. Infomercials promote products that are complicated or technologically advanced, or that require a great deal of explanation (Carnival Cruises, Mercedes, Universal Studios, and even Monster.com). At-home shopping channels are dedicated to selling goods and services on a toll-free number or via the Web for delivery within 48 hours.

Public and Ethical Issues in Direct Marketing

Direct marketers and their customers usually enjoy mutually rewarding relationships. Occasionally, however, a darker side emerges:

- ***Irritation.*** Many people don't like hard-sell, direct marketing solicitations.
- ***Unfairness.*** Some direct marketers take advantage of impulsive or less sophisticated buyers or prey on the vulnerable, especially the elderly.[15]
- ***Deception and fraud.*** Some direct marketers design mailers and write copy intended to mislead or exaggerate product size, performance claims, or the "retail price." The Federal Trade Commission receives thousands of complaints each year about fraudulent investment scams and phony charities.
- ***Invasion of privacy.*** It seems that almost every time consumers order products by mail or telephone, apply for a credit card, or take out a magazine subscription, their names, addresses, and purchasing behavior may be added to several company databases. Critics worry that marketers may know too much about consumers' lives, and that they may use this knowledge to take unfair advantage.

People in the direct marketing industry know that, left unattended, such problems will lead to increasingly negative consumer attitudes, lower response rates, and calls for greater state and federal regulation. Most direct marketers want the same thing consumers want: honest and well-designed marketing offers targeted only to those who appreciate hearing about them.

Interactive Marketing

The newest and fastest-growing channels for communicating and selling directly to customers are electronic.[16] The Internet provides marketers and consumers with opportunities for much greater *interaction* and *individualization.* Soon few marketing programs will be considered complete without a meaningful online component.

Advantages and Disadvantages of Interactive Marketing

The variety of online communication options means companies can send tailored messages that engage consumers by reflecting their special interests and behavior. The Internet is also highly accountable and its effects can be easily traced by noting how many unique visitors or "UVs" click on a page or ad, how long they spend with it, and where they go afterward.[17]

Marketers can build or tap into online communities, inviting participation from consumers and creating a long-term marketing asset in the process. The Web offers the advantage of *contextual placement,* buying ads on sites related to the marketer's offerings. Marketers can also place advertising based on keywords from search engines, to reach people when they've actually started the buying process.

Using the Web also has disadvantages. Consumers can effectively screen out most messages. Marketers may think their ads are more effective than they are if bogus clicks are generated by software-powered Web sites.[18] Advertisers also lose some control over their online messages, which can be hacked or vandalized.

But many feel the pros outweigh the cons, and the Web is attracting marketers of all kinds. Beauty pioneer Estée Lauder, who said she relied on three means of communication to build her multimillion-dollar cosmetics business—"telephone, telegraph, and tell a woman"—would now have to add the Web, where the company's official site describes new and old products, announces special offers and promotions, and helps customers locate stores where they can buy Estée Lauder products.[19]

Marketers must go where the customers are, and increasingly that's online. U.S. consumers go to the Web over 25 percent of the time they spend with all media (see Figure 19.1). Customers

Online	4:13
TV and video	3:17
Music and radio	1:26
Mobile phone	1:18
Landline phone	0:36
Gaming	0:36
Reading	0:24

|Fig. 19.1|

Average Time Spent per Day with Select Media According to US Consumers, 2009 (hrs:mins)

Source: Yankee Group, "2009 Advertising Forecast Update: Less TV, More Internet," April 6, 2010.

define the rules of engagement, however, and insulate themselves with the help of agents and intermediaries if they so choose. Customers define what information they need, what offerings they're interested in, and what they're willing to pay.[20]

Online advertising continues to gain on traditional media. Total Internet ad spending is estimated to have grown to $26 billion in 2009 from $24 billion in 2008; TV advertising was estimated to have dropped to $41 billion in 2009 from $52 billion in 2008. Helping fuel online growth is the emergence of rich media ads that combine animation, video, and sound with interactive features.[21] Consider what Burger King has done online.

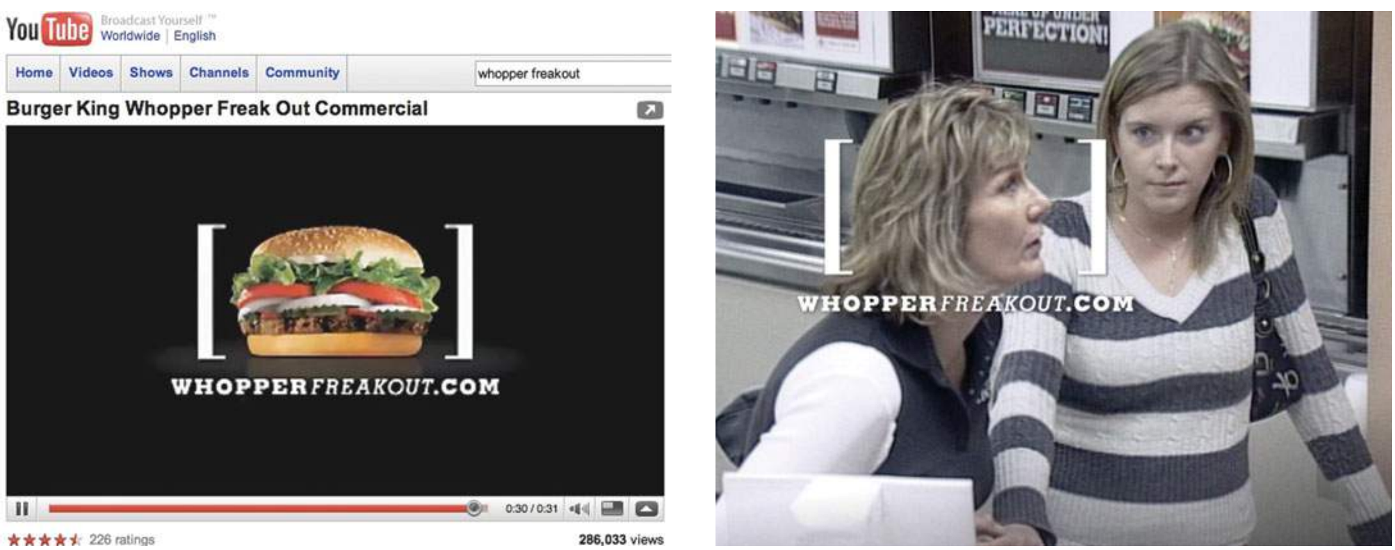
Burger King

Burger King "If you have a global brand promise, 'Have It Your Way,'" said Russ Klein, Burger King's former president for global marketing, strategy, and innovation, "it's about putting the customer in charge," even if they say "bad things" about the brand. In competing against McDonald's, with its family-friendly image, "it's more important for us to be provocative than pleasant," added Klein, especially when appealing to a market of mainly teenage boys. Burger King's brash ad campaigns—featuring its creepy bobble-head king and talking chicken—have appeared on YouTube and MySpace, so the company can take advantage of "social connectivity" as consumers react to the ads. Burger King encourages customers to build online communities around their favorite company icons and products. To celebrate the 50th anniversary of its popular Whopper hamburger, the company took over a Burger King restaurant in Las Vegas for a day and told people the Whopper had been permanently removed from the menu. Customers' outraged reactions were filmed as part of an award-winning campaign dubbed "Whopper Freakout," which served as the basis of TV ads and online videos. Over 5 million consumers watched an 8-minute streaming video, another 14 million watched it or the TV spots on YouTube, and millions more heard or read about it via PR or word of mouth.[22]

Interactive Marketing Communication Options

A company chooses which forms of interactive marketing will be most cost-effective in achieving communication and sales objectives.[23] Some of the main categories, discussed next, are: (1) Web sites, (2) search ads, (3) display ads, and (4) e-mails. After summarizing some developments in mobile marketing, we'll describe social media and word-of-mouth effects.

WEB SITES Companies must design Web sites that embody or express their purpose, history, products, and vision and that are attractive on first viewing and interesting enough to encourage repeat visits.[24] Jeffrey Rayport and Bernard Jaworski propose that effective sites feature seven design



Vividly demonstrating its customers' loyalty, Burger King's online "Whopper Freakout" videos became a viral hit.

|Fig. 19.2|

Seven Key Design Elements of an Effective Web Site

Source: Jeffrey F. Rayport and Bernard J. Jaworski, *e-commerce* (New York: McGraw-Hill, 2001), p. 116.

- *Context.* Layout and design
- *Content.* Text, pictures, sound, and video the site contains
- *Community.* How the site enables user-to-user communication
- *Customization.* Site's ability to tailor itself to different users or to allow users to personalize the site
- *Communication.* How the site enables site-to-user, user-to-site, or two-way communication
- *Connection.* Degree that the site is linked to other sites
- *Commerce.* Site's capabilities to enable commercial transactions

elements they call the 7Cs (see Figure 19.2):[25] To encourage repeat visits, companies must pay special attention to context and content factors and embrace another "C"—constant change.[26]

Visitors will judge a site's performance on ease of use and physical attractiveness.[27] *Ease of use* means: (1) The site downloads quickly, (2) the first page is easy to understand, and (3) it is easy to navigate to other pages that open quickly. *Physical attractiveness* is assured when: (1) Individual pages are clean and not crammed with content, (2) typefaces and font sizes are very readable, and (3) the site makes good use of color (and sound).

Firms such as comScore and Nielsen Online track where consumers go online through page views, unique visitors, length of visit, and so on.[28] Companies must also be sensitive to online security and privacy-protection issues.[29]

Besides their Web sites, companies may employ **microsites,** individual Web pages or clusters of pages that function as supplements to a primary site. They're particularly relevant for companies selling low-interest products. People rarely visit an insurance company's Web site, but the company can create a microsite on used-car sites that offers advice for buyers of used cars and at the same time a good insurance deal.

SEARCH ADS A hot growth area in interactive marketing is **paid search** or **pay-per-click ads**, which now account for roughly half of all online ad spending.[30] Thirty-five percent of all searches are reportedly for products or services.

In paid search, marketers bid in a continuous auction on search terms that serve as a proxy for the consumer's product or consumption interests. When a consumer searches for any of the words with Google, Yahoo!, or Bing, the marketer's ad may appear above or next to the results, depending on the amount the company bids and an algorithm the search engines use to determine an ad's relevance to a particular search.[31]

Advertisers pay only if people click on the links, but marketers believe consumers who have already expressed interest by engaging in search are prime prospects. Average click-through is about 2 percent, much more than for comparable online ads. The cost per click depends on how high the link is ranked and the popularity of the keyword. The ever-increasing popularity of paid search has increased competition among keyword bidders, significantly raising search prices and putting a premium on choosing the best possible keywords, bidding on them strategically, and monitoring the results for effectiveness and efficiency.

Search engine optimization has become a crucial part of marketing given the large amount of money being spent by marketers on search. A number of guidelines have been suggested for more effective search ads.[32] Broader search terms are useful for general brand building; more specific ones—for example, specifying a particular product model or service—are useful for generating and converting sales leads. Search terms need to be spotlighted on the appropriate pages so search engines can easily identify them. Multiple keywords are usually needed for any one product, but each keyword must be bid for according to its likely return on revenue. It also helps to have popular sites link back to the site. Data can be collected to track the effects of paid search.

DISPLAY ADS **Display ads** or **banner ads** are small, rectangular boxes containing text and perhaps a picture that companies pay to place on relevant Web sites.[33] The larger the audience, the higher the cost. Some banners are accepted on a barter basis. In the early days of the Internet, viewers clicked on 2 percent to 3 percent of the banner ads they saw, but that percentage quickly plummeted to as little as 0.25 percent and advertisers began to explore other forms of communication.

Given that Internet users spend only 5 percent of their time online actually searching for information, display ads still hold great promise compared to popular search ads. But ads need to be more attention-getting and influential, better targeted, and more closely tracked.[34]

Interstitials are advertisements, often with video or animation, which pop up between changes on a Web site. For example, ads for Johnson & Johnson's Tylenol headache reliever would pop up on brokers' Web sites whenever the stock market fell by 100 points or more. Because consumers find pop-up ads intrusive and distracting, many use software to block them.

A popular vehicle for advertising is *podcasts*, digital media files created for playback on portable MP3 players, laptops, or PCs. Sponsors pay roughly $25 per thousand listeners to run a 15- or 30-second audio ad at the beginning of the podcast. Although these rates are higher than for popular radio shows, podcasts are able to reach very specific market segments, and their popularity has grown.[35]

E-MAIL E-mail allows marketers to inform and communicate with customers at a fraction of the cost of a "d-mail," or direct mail, campaign. Consumers are besieged by e-mails, though, and many employ spam filters. Some firms are asking consumers to say whether and when they would like to receive emails. FTD, the flower retailer, allows customers to choose whether to receive e-mail reminders to send flowers for virtually any holiday as well as specific birthdays and anniversaries.[36]

E-mails must be timely, targeted, and relevant. For example, the United Way of Massachusetts Bay and Merrimack Valley used video-embedded e-mails to increase sign-ups for their events and to cut costs. Videos were made one minute in length when testing revealed that two minutes was too long but 30 seconds was too short.[37] "Marketing Memo: How to Maximize the Marketing Value of E-mails" provides some important guidelines for productive e-mail campaigns.

MOBILE MARKETING With cell phones' ubiquitous nature and marketers' ability to personalize messages based on demographics and other consumer behavior characteristics (see Chapter 15), the appeal of mobile marketing as a communication tool is obvious.[38]

With over 4.1 billion mobile subscribers in the world in 2009—there are more than twice as many mobile phones in the world as personal computers—cell phones represent a major opportunity for advertisers to reach consumers on the "third screen" (TV and the computer are first and second). Some firms are moving fast into m-space. One mobile pioneer in the banking industry is Bank of America.[39]

marketing **Memo**

How to Maximize the Marketing Value of E-mails

- *Give the customer a reason to respond.* Offer powerful incentives for reading e-mail pitches and online ads, such as trivia games, scavenger hunts, and instant-win sweepstakes.
- *Personalize the content of your e-mails.* Customers who agree to receive IBM's weekly iSource newsletter select "the news they choose" from topics on an interest profile.
- *Offer something the customer can't get via direct mail.* Because e-mail campaigns can be carried out quickly, they can offer time-sensitive information. Travelocity sends frequent e-mails pitching last-minute cheap airfares, and Club Med pitches unsold vacation packages at a discount.
- *Make it easy for customers to "unsubscribe."* Online customers demand a positive exit experience. Dissatisfied customers leaving on a sour note are more likely to spread the displeasure to others.
- *Combine with other communications such as social media.* Southwest Airlines found the highest number of reservations occur after an e-mail campaign followed by a social media campaign. Papa John's was able to add 45,000 fans to its Facebook page through an e-mail campaign inviting customers to participate in a "March Madness" NCAA basketball tournament contest.

To increase the effectiveness of e-mails, some researchers are employing "heat mapping," by which they can measure what people read on a computer screen by using cameras attached to a computer that track eye movements. One study showed that clickable graphic icons and buttons that linked to more details of a marketing offer increased click-through rates by 60 percent over links that used just an Internet address.

Sources: Richard Westlund, "Success Stories in eMail Marketing," *Adweek Special Advertising Section to Adweek, Brandweek, and Mediaweek*, February 16, 2010; Suzanne Vranica, "Marketers Give E-mail Another Look," *Wall Street Journal*, July 17, 2006; Seth Godin, *Permission Marketing: Turning Strangers into Friends and Friends into Customers* (New York: Simon & Schuster, 1999).

Bank of America

Bank of America Bank of America is using mobile as a communication channel and a means to provide banking solutions for the many ways its customers lead their lives. More than 2 million of its 59 million customers use mobile banking applications, which the bank credits as a significant drawing card given that 8 percent to 10 percent of these mobile users are new customers. Initially targeting a younger group of users between 18 and 30 years old—with special emphasis on college students—the bank's mobile banking services increasingly appeal to other groups such as older, higher-income users. Its smart-phone apps and traditional browser-based solutions have been praised for clean navigation, ease of use, and reach. The branch and ATM locator, for instance, is used by one in eight mobile customers. Mobile marketing is integrated all through the bank's marketing efforts: The Web site provides demos and tours of its mobile services; the TV campaigns stress the benefits of its mobile banking. With one click on a mobile banner ad, smart-phone users can download the free Bank of America app or just learn more about its mobile banking services.

- ***Mobile marketing options.*** Mobile ad spending was almost $1 billion worldwide in 2009, most of which went into SMS text messages and simple display ads. With the increased capabilities of smart phones, however, mobile ads can be more than just a display medium using static "mini-billboards."[40]

  Much recent interest has been generated in mobile apps—"bite-sized" software programs that can be loaded on to smart phones. In a short period of time, thousands were introduced by companies large and small. VW chose to launch its GTI in the United States with an iPhone app, receiving 2 million downloads in three weeks. In Europe, it launched the VW Tiguan with a mobile app as well as text messages and an interstitial Web site.[41]

  Smart phones also allow loyalty programs with which customers can track their visits and purchases at a merchant and receive rewards.[42] By tracking the location of receptive customers who opt in to receive communications, retailers can send them location-specific promotions when they are in proximity to shops or outlets. Sonic Corp. used GPS data and proximity to cell towers in Atlanta to identify when those customers who had signed up for company communications were near one of roughly 50 Sonic restaurants in the area. When that was the case, Sonic sent customers a text message with a discount offer or an ad to entice them to visit the restaurant.[43]

  With traditional coupon redemption rates declining for years, the ability of cell phones to permit more relevant and timely offers to consumers at or near the point of purchase has piqued the interest of many marketers. These new coupons can take all forms; digital in-store signs can now dispense them to smart phones.[44]
- ***Developing mobile marketing programs.*** Even with newer generation smart phones, the Web experience can be very different for users given smaller screen sizes, longer downloads, and the lack of some software capabilities (such as Adobe Flash Player on iPhones). Marketers would be wise to design simple, clear, and "clean" sites, paying even greater attention than usual to user experience and navigation.[45]

VW launched its GTI model in the United States with an iPhone app for its Real Racing game.

U.S. marketers can learn much about mobile marketing by looking overseas. In developed Asian markets such as Hong Kong, Japan, Singapore, and South Korea, mobile marketing is fast becoming a central component of customer experiences.[46] In developing markets, high cell phone penetration also makes mobile marketing attractive. A pioneer in China, Coca-Cola created a national campaign asking Beijing residents to send text messages guessing the high temperature in the city every day for just over a month, for a chance to win a one-year supply of Coke products. The campaign attracted more than 4 million messages over the course of 35 days.[47]

Although a growing population segment uses mobile phones for everything from entertainment to banking, different people have different attitudes and experiences with mobile technology. "Marketing Memo: Segmenting Tech Users" profiles the role of mobile Internet access in several groups' digital lifestyles.

marketing **Memo**

Segmenting Tech Users

Group Name	% of Adults	What You Need to Know About Them	Key Demographic Facts
Motivated by Mobility (39%)			
Digital Collaborators	8%	With the most tech assets, Digital Collaborators use them to work with and share their creations with others. They are enthusiastic about how ICTs help them connect with others and confident in how to manage digital devices and information.	Mostly male (56%), late 30s, well-educated, and well-off.
Ambivalent Networkers	7%	Ambivalent Networkers have folded mobile devices into how they run their social lives, whether through texting or social networking tools online. They also rely on ICTs for entertainment. But they also express worries about connectivity; some find that mobile devices are intrusive and many think it is good to take a break from online use.	Primarily male (60%), they are young (late 20s) and ethnically diverse.
Media Movers	7%	Media Movers have a wide range of online and mobile habits, and they are bound to find or create an information nugget, such as a digital photo, and pass it on. These social exchanges are central to this group's use of ICTs. Cyberspace, as a path to personal productivity or an outlet for creativity, is less important.	Males (56%) in their mid-30s, many with children and in middle income range.
Roving Nodes	9%	Roving Nodes are active managers of their social and work lives using their mobile device. They get the most out of basic applications with their assets such as e-mail or texting and find them great for arranging the logistics of their lives and enhancing personal productivity.	Mostly women (56%), in their late 30s, well educated and well-off.
Mobile Newbies	8%	This group rates low on tech assets, but its members really like their cell phones. Mobile Newbies, many of whom acquired a cell in the past year, like how the device helps them be more available to others. They would be hard pressed to give up the cell phone.	Mainly women (55%), about age 50, lower educational and income levels.
Stationary Media Majority (61%)			
Desktop Veterans	13%	This group of older, veteran online users is content to use a high-speed connection and a desktop computer to explore the Internet and stay in touch with friends, placing their cell phone and mobile applications in the background.	Mainly men (55%), in their mid 40s, well-educated and well-off economically.
Drifting Surfers	14%	Many have the requisite tech assets, such as broadband or a cell phone, but Drifting Surfers are infrequent online users. When they use technology, it is for basic information gathering. It wouldn't bother the typical Drifting Surfer to give up the Internet or a cell phone.	Majority women (56%), in their early 40s, middle income, and average education levels.
Information Encumbered	10%	Most people in this group suffer from information overload and think taking time off from the Internet is a good thing. The Information Encumbered are firmly rooted in old media to get information.	Two-thirds men, in their early 50s, average education, lower-middle income.
Tech Indifferent	10%	Members of this group are not heavy Internet users and although most have cell phones, they don't like their intrusiveness. The Indifferent could easily do without modern gadgets and services.	Mainly women (55%), in their late 50s, low-income and education levels.
Off the Network	14%	Members of this group have neither cell phones nor online access, and tend to be older and low-income. But a few have experience with ICTs; some used to have online access and as many as one in five used to have a cell phone.	Low-income senior women, high share of African Americans.

Source: "The Mobile Difference—Tech User Types," Pew Internet & American Life Project, March 31, 2009, www.pewinternet.org/Infographics/The-Mobile-Difference—Tech-User-Types.aspx.

Word of Mouth

Consumers use *word of mouth* to talk about dozens of brands each day, from media and entertainment products such as movies, TV shows, and publications to food products, travel services, and retail stores.[48]

Companies are acutely aware of the power of word of mouth. Hush Puppies shoes, Krispy Kreme doughnuts, the blockbuster movie *The Passion of the Christ*, and, more recently, Crocs shoes have been built through strong word of mouth, as were companies such as The Body Shop, Palm, Red Bull, Starbucks, and Amazon.com.

Positive word of mouth sometimes happens organically with little advertising, but it can also be managed and facilitated.[49] It is particularly effective for smaller businesses, with whom customers may feel a more personal relationship. Many small businesses are investing in various forms of social media at the expense of newspapers, radio, and Yellow Pages to get the word out. Southern Jewelz, started by a recent college grad, found sales doubling over six months after it began to actively use Facebook, Twitter, and e-commerce software.[50]

With the growth of social media, as Chapter 17 noted, marketers sometimes distinguish paid media from earned or free media. Although different points of view prevail, *paid media* results from press coverage of company-generated advertising, publicity, or other promotional efforts. *Earned media*—sometimes called *free media*—is all the PR benefits a firm receives without having directly paid for anything—all the news stories, blogs, social network conversations that deal with a brand. Earned media isn't literally free—the company has to invest in products, services, and their marketing to some degree to get people to pay attention and write and talk about them, but the expenses are not devoted to eliciting a media response.

We first consider how social media promotes the flow of word of mouth before delving into more detail on how word of mouth is formed and travels. To start our discussion, consider some of the different ways Intuit uses social media.[51]

Intuit

Intuit Always a marketing pioneer in the software industry, Intuit has received much recognition for its extensive social media programs. Intuit adopted a narrowcasting approach with its QuickBooks Live Community, which serves the small business market: It is available only to customers who buy QuickBooks 2009 on a PC or a Mac and is a place where customers can trade tips and ask questions, 70 percent of which are answered by other QuickBooks customers. One accountant has posted 5,600 answers on the site. The community also provides Intuit with useful product feedback. Intuit has run TurboTax contests to encourage product placement in Facebook, MySpace, and Twitter. Users with the most "original and unique" status updates related to TurboTax receive prizes. Intuit's "Love a Local Business" program awards $1,000 grants to local businesses based on the community's online votes. A variety of other social networking events help Intuit interact with small businesses. As one social media expert at the company said: "Social media is one of the key trends driving our business . . . It's about fast connections with customers and building an on-going relationship."

Social Media

Social media are a means for consumers to share text, images, audio, and video information with each other and with companies and vice versa. Social media allow marketers to establish a public voice and presence on the Web and reinforce other communication activities. Because of their day-to-day immediacy, they can also encourage companies to stay innovative and relevant.

There are three main platforms for social media: (1) online communities and forums, (2) bloggers (individuals and networks such as Sugar and Gawker), and (3) social networks (like Facebook, Twitter, and YouTube).

ONLINE COMMUNITIES AND FORUMS Online communities and forums come in all shapes and sizes. Many are created by consumers or groups of consumers with no commercial interests or company affiliations. Others are sponsored by companies whose members communicate with the company and with each other through postings, instant messaging, and chat discussions about special interests related to the company's products and brands. These online communities and forums can be a valuable resource for companies and provide multiple functions by both collecting and conveying key information.

A technology marketing pioneer, Intuit created a strong online brand community for its QuickBooks software product.

A key for success of online communities is to create individual and group activities that help form bonds among community members. The Idea Center at Kodak Gallery is an online community for exchanging ideas about how to use Kodak products to create personalized gifts and other creative products using digital photos. Kodak has found that peer-to-peer recommendations within the community led to more frequent, larger purchases.[52] Apple hosts a large number of discussion groups organized by product lines and also by consumer versus professional use. These groups are customers' primary source of product information after warranties expire.

Information flow in online communities and forums is two-way and can provide companies with useful, hard-to-get customer information and insights. When GlaxoSmithKline prepared to launch its first weight-loss drug, Alli, it sponsored a weight-loss community. The firm felt the feedback it gained was more valuable than what it could have received from traditional focus groups. Research has shown, however, that firms should avoid too much democratization of innovation. Groundbreaking ideas can be replaced by lowest-common-denominator solutions.[53]

BLOGS *Blogs*, regularly updated online journals or diaries, have become an important outlet for word of mouth. There are millions in existence and they vary widely, some personal for close friends and families, others designed to reach and influence a vast audience. One obvious appeal of blogs is bringing together people with common interests. Blog networks such as Gawker Media offer marketers a portfolio of choices. Online celebrity gossip blog PopSugar has spawned a family of breezy blogs on fashion (FabSugar), beauty (BellaSugar), and romance and culture (TrèsSugar), attracting women aged 18 to 49.[54]

Corporations are creating their own blogs and carefully monitoring those of others.[55] Blog search engines provide up-to-the-minute analysis of millions of blogs to find out what's on people's minds.[56] Popular blogs are creating influential opinion leaders. At the TreeHugger site, a team of bloggers tracks green consumer products for 3.5 million unique visitors per month, offering video and reference guides and an average of 35 daily posts.[57]

Because many consumers examine product information and reviews contained in blogs, the Federal Trade Commission has also taken steps to require bloggers to disclose their relationship with marketers whose products they endorse. At the other extreme, some consumers use blogs and videos as a means of retribution and revenge on companies for bad service and faulty products. Dell's customer-service shortcomings were splashed all over the Internet through a series of "Dell Hell" postings. AOL took some heat when a frustrated customer recorded and broadcast online a service representative's emphatic resistance to canceling his service. Comcast was embarrassed when a video surfaced of one of its technicians sleeping on a customer's couch.[58]

The TreeHugger Web site tracks blogs and Internet activity with respect to green products.

SOCIAL NETWORKS Social networks have become an important force in both business-to-consumer and business-to-business marketing.[59] Major ones include Facebook, which is the world's biggest; MySpace, which concentrates on music and entertainment; LinkedIn, which targets career-minded professionals; and Twitter, which allows members to network via 140-character messages or "tweets." Different networks offer different benefits to firms. For example, Twitter can be an early warning system that permits rapid response, whereas Facebook allows deeper dives to engage consumers in more meaningful ways.[60]

Marketers are still learning how to best tap into social networks and their huge, well-defined audiences. Given networks' noncommercial nature—users are generally there looking to connect with others—attracting attention and persuading are more challenging. Also, given that users generate their own content, ads may find themselves appearing beside inappropriate or even offensive content.[61]

Advertising is only one avenue, however. Like any individual, companies can also join the social groups and actively participate. Having a Facebook page has become a virtual prerequisite for many companies. Twitter can benefit even the smallest firm. To create interest in its products and the events it hosted, small San Francisco bakery Mission Pie began to send tweet alerts, quickly gaining 1,000 followers and a sizable up-tick in business. "Follow Me on Twitter" signs are appearing on doors and windows of more small shops.[62]

And although major social networks offer the most exposure, niche networks provide a more targeted market that may be more likely to spread the brand message, as with CafeMom.[63]

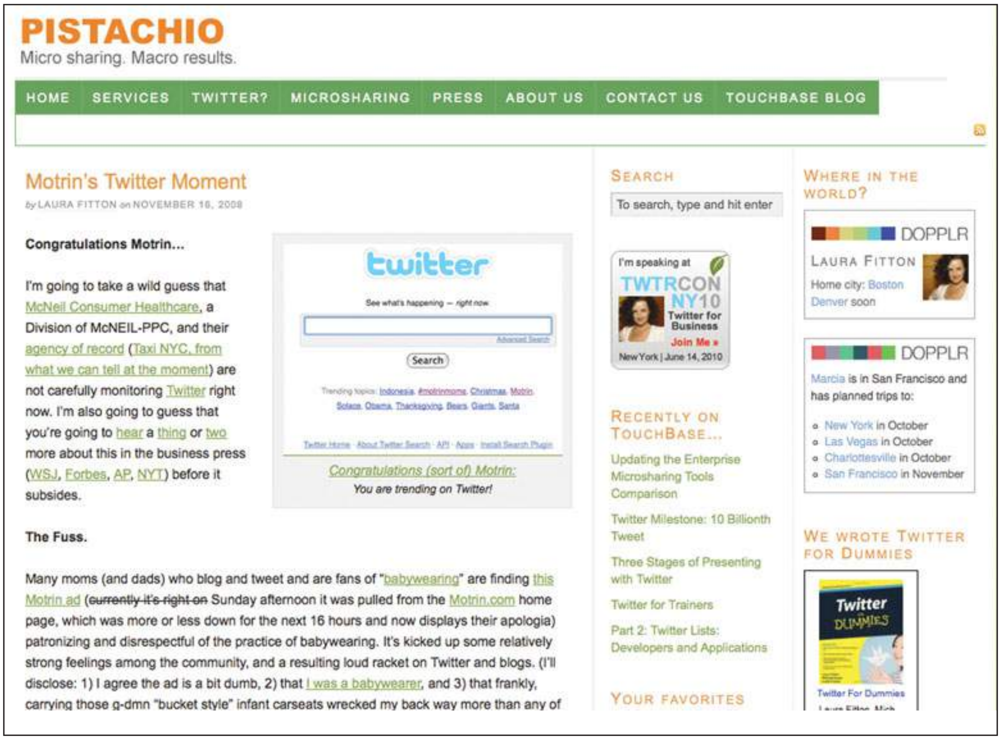
CafeMom

CafeMom Started in 2006 by parent company CMI Marketing, CafeMom has 6.7 million unique visitors per month on Cafemom.com and 18 million on boutique ad network CafeMom plus. Visitors participate in dozens of different forums for moms. When the site started a forum for discussing developmentally appropriate play activities, toymaker Playskool sent toy kits to over 5,000 members and encouraged them to share their experiences with each other, resulting in 11,600 posts at Playskool Preschool Playgroup. "The great thing is you get direct feedback from actual moms," says the director of media at Hasbro, Playskool's parent company. This kind of feedback can be invaluable in the product-development process as well. The site's sweet spot is young, middle-class women with kids who love the opportunity to make friends and seek support, spending an average of 44 minutes a day on the site.

USING SOCIAL MEDIA Social media allow consumers to become engaged with a brand at perhaps a deeper and broader level than ever before. Marketers should do everything they can to encourage willing consumers to engage productively. But as useful as they may be, social media can never become the sole source of marketing communications.

Embracing social media, harnessing word of mouth, and creating buzz requires companies to take the good with the bad. Look what happened to the marketers of Motrin at Johnson & Johnson.[64]

Motrin When marketers at J&J decided to run a slightly tongue-in-cheek online Web video for Motrin implying that young mothers carrying their babies everywhere in slings and chest packs as a means of bonding—or perhaps just to be trendy—were inadvertently risking back pain, they had no idea the pain they would in fact experience. After the ad ran online for several weeks without notice, a few vocal mothers took offense on Twitter on a Friday night, creating a weekend firestorm that stretched all over the Web. On the following Monday, marketers for Motrin quickly took to e-mail to personally apologize and replaced the video with a broader message of apology. Then they were criticized for caving in to pressure and overreacting.



The negative online response to Motrin's new ad posed a significant social media challenge to the brand.

The Motrin example shows the power and speed of social media, but also the challenges they pose to companies. The reality, however, is that whether a company chooses to engage in social media or not, the Internet will always permit scrutiny, criticism, and even "cheap shots" from consumers and organizations. By using social media and the Web in a constructive, thoughtful way, firms at least have a means to create a strong online presence and better offer credible alternative points of view if such events occur.[65]

Buzz and Viral Marketing

Some marketers highlight two particular forms of word of mouth—buzz and viral marketing.[66] *Buzz marketing* generates excitement, creates publicity, and conveys new relevant brand-related information through unexpected or even outrageous means.[67] *Viral marketing* is another form of word of mouth, or "word of mouse," that encourages consumers to pass along company-developed products and services or audio, video, or written information to others online.[68]

With user-generated content sites such as YouTube, MySpace Video, and Google Video, consumers and advertisers can upload ads and videos to be shared virally by millions of people. Online videos can be cost-effective—costing $50,000 to $200,000—and marketers can take more freedoms with them.

Blendtec Utah-based Blendtec used to be known primarily for its commercial blenders and food mills. The company wasn't really familiar to the general public until it launched a hilarious series of "Will It Blend?" online videos to promote some of its commercial products for home use. The videos feature founder and CEO Tom Dickson wearing a white lab coat and pulverizing objects ranging from golf balls and pens to beer bottles, all in a genial but deadpan manner. The genius of the videos (www.willitblend.com) is that they tie into current events. As soon as the iPhone was launched with huge media fanfare, Blendtec aired a video in which Dickson smiled and said, "I love my iPhone. It does everything. But will it blend?" After the blender crushed the iPhone to bits, Dickson lifted the lid on the small pile of black dust and said simply, "iSmoke." The clip drew more than 3.5 million downloads on YouTube. Dickson has appeared on the *Today* and other network television shows and has had a cameo in a Weezer video. One of the few items *not* to blend: A crowbar![69]

Blendtec's classic "Will It Blend?" online videos created significant brand equity for a brand that was previously fairly unknown.

Outrageousness is a two-edged sword. The Blendtec Web site clearly puts its comic videos in the "*Don't* try this at home" category and another set showing how to grind up vegetables for soup, for instance, in the "*Do* try this at home" category.

Contrary to popular opinion, products don't have to be outrageous or edgy to generate buzz. Companies can help to create buzz; and media or advertising are not always necessary for buzz to occur.[70] Some agencies have been created solely to help clients create buzz. P&G has 225,000 teens enlisted in Tremor and 600,000 mothers enrolled in Vocalpoint. Both groups are built on the premise that certain individuals want to learn about products, receive samples and coupons, share their opinions with companies, and, of course, talk up their experiences with others. P&G chooses well-connected people—the Vocalpoint moms have big social networks and generally speak to 25 to 30 other women during the day, compared to an average of 5 for other moms—and their messages carry a strong reason to share product information with a friend.[71] BzzAgent is another buzz-building firm.[72]

BzzAgent

BzzAgent Boston-based BzzAgent has assembled an international word-of-mouth media network powered by 600,000 demographically diverse—but essentially ordinary—people who volunteer to talk up any of the clients' products they deem worth promoting. The company pairs consumers with products, information, and digital tools to activate widespread opinion-sharing throughout its own social media site, called BzzScapes, and within each member's personal social circles. BzzAgent believes this unique combination of people and platform accelerates measurable word of mouth and fosters sustained brand advocacy. BzzAgent participants have spread their own personal views and opinions to nearly 100 million friends and family. Each time an agent completes an activity, he or she is expected to file a report describing the nature of the buzz and its effectiveness. The company claims the buzz is honest because the process requires just enough work that few agents enroll solely for freebies, and agents don't talk up products they don't like. Agents are also supposed to disclose they're connected to BzzAgent. The company has completed hundreds of projects, working with clients such as Levi's Dockers, Anheuser-Busch, Cadbury-Schweppes, V Guide, Bacardi, Dunkin' Donuts, Silk, Tropicana Pure, Mrs. Dash, and the publishers of *Freakonomics* and *Eats, Shoots and Leaves*, both bestsellers.

Buzz and viral marketing both try to create a splash in the marketplace to showcase a brand and its noteworthy features. Some believe these influences are driven more by the rules of entertainment than the rules of selling. Consider these examples: Quicksilver puts out surfing videos and surf-culture books for teens, Johnson & Johnson and Pampers both have popular Web sites with parenting advice for babies; Walmart places videos with money-saving tips on YouTube; Grey Goose vodka has an entire entertainment division; Mountain Dew has a record label; and Hasbro is joining forces with Discovery to create a TV channel.[73] Ultimately, however, the success of any viral or buzz campaign depends on the willingness of consumers to talk to other consumers.[74]

Opinion Leaders

Communication researchers propose a social-structure view of interpersonal communication.[75] They see society as consisting of *cliques,* small groups whose members interact frequently. Clique members are similar, and their closeness facilitates effective communication but also insulates the clique from new ideas. The challenge is to create more openness so cliques exchange information with others in society. This openness is helped along by people who function as liaisons and connect two or more cliques without belonging to either, and by *bridges,* people who belong to one clique and are linked to a person in another.

Best-selling author Malcolm Gladwell claims three factors work to ignite public interest in an idea.[76] According to the first, "The Law of the Few," three types of people help to spread an idea like an epidemic. First are *Mavens,* people knowledgeable about big and small things. Second are *Connectors,* people who know and communicate with a great number of other people. Third are *Salesmen,* who possess natural persuasive power. Any idea that catches the interest of Mavens, Connectors, and Salesmen is likely to be broadcast far and wide. The second factor is "Stickiness." An idea must be expressed so that it motivates people to act. Otherwise, "The Law of the Few" will not lead to a self-sustaining epidemic. Finally, the third factor, "The Power of Context," controls whether those spreading an idea are able to organize groups and communities around it.

Not everyone agrees with Gladwell's ideas.[77] One team of viral marketing experts caution that although influencers or "alphas" start trends, they are often too introspective and socially alienated to spread them. They advise marketers to cultivate "bees," hyperdevoted customers who are not just satisfied knowing about the next trend but live to spread the word.[78] More firms are in fact finding ways to actively engage their passionate brand evangelists. LEGO's Ambassador Program targets its most enthusiastic followers for brainstorming and feedback.[79]

Companies can stimulate personal influence channels to work on their behalf. "Marketing Memo: How to Start a Buzz Fire" describes some techniques. Companies can also trace online activity to identify more influential users who may function as opinion leaders.[80]

Consumers can resent personal communications if unsolicited. Some word-of-mouth tactics walk a fine line between acceptable and unethical. One controversial tactic, sometimes called *shill marketing* or *stealth marketing*, pays people to anonymously promote a product or service in public places without disclosing their financial relationship to the sponsoring firm. To launch its T681 mobile camera phone, Sony Ericsson hired actors dressed as tourists to approach people at tourist locations and ask to have their photo taken. Handing over the mobile phone created an opportunity to discuss its merits, but many found the deception distasteful.[81] Heineken took another tack and turned an admittedly deceptive stunt into a huge PR win.[82]

marketing Memo

How to Start a Buzz Fire

Although many word-of-mouth effects are beyond marketers' control, certain steps improve the likelihood of starting a positive buzz.

- *Identify influential individuals and companies and devote extra effort to them.* In technology, influencers might be large corporate customers, industry analysts and journalists, selected policy makers, and a sampling of early adopters.
- *Supply key people with product samples.* When two pediatricians launched MD Moms to market baby skin care products, they liberally sampled the product to physicians and mothers hoping for mentions on Internet message boards and parenting Web sites. The strategy worked—the company hit year one distribution goals by the end of the first month.
- *Work through community influentials such as local disk jockeys, class presidents, and presidents of women's organizations.* Ford's prelaunch "Fiesta Movement" campaign invited 100 handpicked young adults or "millennials" to live with the Fiesta car for six months. People were chosen based on their online experience with blogging and social friends and a video they submitted about their desire for adventure. After six months, the campaign had 4.3 million YouTube views, over 500,000 Flickr views, over 3 million Twitter impressions, and 50,000 potential customers, 97 percent of whom didn't already own a Ford.[83]
- *Develop word-of-mouth referral channels to build business.* Professionals will often encourage clients to recommend their services. Weight Watchers found that word-of-mouth referrals from someone in the program had a huge impact on business.
- *Provide compelling information that customers want to pass along.* Companies shouldn't communicate with customers in terms better suited for a press release. Make it easy and desirable for a customer to borrow elements from an e-mail message or blog. Information should be original and useful. Originality increases the amount of word of mouth, but usefulness determines whether it will be positive or negative.

Ford Fiesta used 100 young adult consumers to provide an online, real-life preview of its new car.

Sources: Matthew Dolan, "Ford Takes Online Gamble with New Fiesta," *Wall Street Journal*, April 8, 2009; Sarit Moldovan, Jacob Goldenberg, and Amitava Chattopadhyay, "What Drives Word of Mouth? The Roles of Product Originality and Usefulness," *MSI Report No. 06-111* (Cambridge, MA: Marketing Science Institute, 2006); Karen J. Bannan, "Online Chat Is a Grapevine That Yields Precious Fruit," *New York Times*, December 25, 2006; John Batelle, "The Net of Influence," *Business 2.0* (March 2004): 70; Ann Meyer, "Word-of-Mouth Marketing Speaks Well for Small Business," *Chicago Tribune,* July 28, 2003; Malcolm Macalister Hall, "Selling by Stealth," *Business Life* (November 2001), pp. 51–55.

Heineken

Heineken Nothing may be more important to young European adult males than soccer—which they call football. Heineken took advantage of that fact to stage a fake classical musical concert at the same time as a crucial Real Madrid versus AC Milan match, enlisting girlfriends, bosses, and professors as accomplices in the hoax. Over 1,000 passionate AC Milan fans reluctantly showed up at the theater with their companions for the performance. As the string quarter began to play and the soccer fans squirmed, words on a screen behind the musicians slowly revealed clues about the nature of the prank and then showed the game in all its big-screen glory. Over 1.5 million people watched the audience reactions on live SkySport TV, and the Heineken site devoted to the event received 5 million visitors. Subsequent PR and word of mouth made it a worldwide phenomenon.

Measuring the Effects of Word of Mouth[84]

Research and consulting firm Keller Fay notes that although 80 percent of word of mouth occurs offline, many marketers concentrate on online effects given the ease of tracking them through advertising, PR, or digital agencies.[85] Gatorade created a "Mission Control Center"—set up like a broadcast television control room—to monitor the brand on social networks around the clock.

Through demographic information or proxies and cookies, firms can monitor when customers blog, comment, post, share, link, upload, friend, stream, write on a wall, or update a profile. With these tracking tools it is possible, for example, to sell movie advertisers "1 million American women between the ages of 14 and 24 who had uploaded, blogged, rated, shared, or commented on entertainment in the previous 24 hours."[86]

DuPont employs measures of online word of mouth such as campaign scale (how far it reached), speed (how fast it spread), share of voice in that space, share of voice in that speed, whether it achieved positive lift in sentiment, whether the message was understood, whether it was relevant, whether it had sustainability (and was not a one-shot deal), and how far it moved from its source.

Other researchers focus more on characterizing the source of word of mouth. For example, one group is looking to evaluate blogs according to three dimensions: relevance, sentiment, and authority.[87]

Designing the Sales Force

The original and oldest form of direct marketing is the field sales call. To locate prospects, develop them into customers, and grow the business, most industrial companies rely heavily on a professional sales force or hire manufacturers' representatives and agents. Many consumer companies such as Allstate, Amway, Avon, Mary Kay, Merrill Lynch, and Tupperware use a direct-selling force.

U.S. firms spend over a trillion dollars annually on sales forces and sales force materials—more than on any other promotional method. Over 10 percent of the total workforce work full time in sales occupations, both nonprofit and for profit.[88] Hospitals and museums, for example, use fund-raisers to contact donors and solicit donations. For many firms, sales force performance is critical.[89]

SoBe John Bello, founder of SoBe nutritionally enhanced teas and juices, has given much credit to his sales force for the brand's successful ascent. Bello claims that the superior quality and consistent sales effort from the 150 salespeople the company had at its peak was directed toward one simple goal: "SoBe won in the street because our salespeople were there more often and in greater numbers than the competition, and they were more motivated by far." SoBe's sales force operated at every level of the distribution chain: At the distributor level, steady communication gave SoBe disproportionate focus relative to the other brands; at the trade level, with companies such as 7-Eleven, Costco, and Safeway, most senior salespeople had strong personal relationships; and at the individual store level, the SoBe team was always at work setting and restocking shelves, cutting in product, and putting up point-of-sale displays. According to Bello, bottom-line success in any entrepreneurial endeavor depends on sales execution.

An essential ingredient to SoBe's initial beverage market success was a highly motivated and skilled sales force.

Although no one debates the importance of the sales force in marketing programs, companies are sensitive to the high and rising costs of maintaining one, including salaries, commissions, bonuses, travel expenses, and benefits. Not surprisingly, companies are trying to increase sales force productivity through better selection, training, supervision, motivation, and compensation.[90]

The term *sales representative* covers six positions, ranging from the least to the most creative types of selling:[91]

1. ***Deliverer***—A salesperson whose major task is the delivery of a product (water, fuel, oil).
2. ***Order taker***—An inside order taker (standing behind the counter) or outside order taker (calling on the supermarket manager).
3. ***Missionary***—A salesperson not permitted to take an order but expected rather to build goodwill or educate the actual or potential user (the medical "detailer" representing an ethical pharmaceutical house).
4. ***Technician***—A salesperson with a high level of technical knowledge (the engineering salesperson who is primarily a consultant to client companies).
5. ***Demand creator***—A salesperson who relies on creative methods for selling tangible products (vacuum cleaners, cleaning brushes, household products) or intangibles (insurance, advertising services, or education).
6. ***Solution vendor***—A salesperson whose expertise is solving a customer's problem, often with a system of the company's products and services (for example, computer and communications systems).

Salespeople are the company's personal link to its customers. In designing the sales force, the company must develop sales force objectives, strategy, structure, size, and compensation (see Figure 19.3).

Sales Force Objectives and Strategy

The days when all the sales force did was "sell, sell, and sell" are long gone. Sales reps need to know how to diagnose a customer's problem and propose a solution that can help improve the customer's profitability.

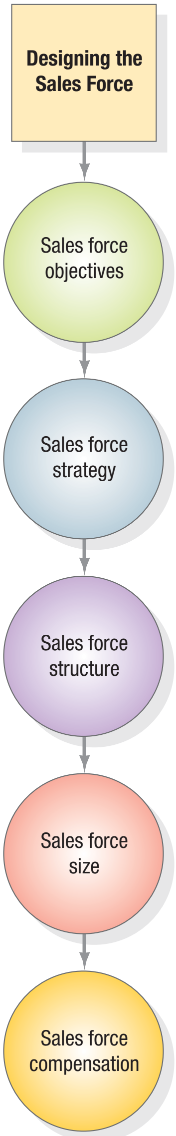
Companies need to define specific sales force objectives. For example, a company might want its sales representatives to spend 80 percent of their time with current customers and 20 percent with prospects, and 85 percent of their time on established products and 15 percent on new products. Regardless of the selling context, salespeople perform one or more specific tasks:

- ***Prospecting.*** Searching for prospects or leads
- ***Targeting.*** Deciding how to allocate their time among prospects and customers
- ***Communicating.*** Communicating information about the company's products and services
- ***Selling.*** Approaching, presenting, answering questions, overcoming objections, and closing sales
- ***Servicing.*** Providing various services to the customers—consulting on problems, rendering technical assistance, arranging financing, expediting delivery
- ***Information gathering.*** Conducting market research and doing intelligence work
- ***Allocating.*** Deciding which customers will get scarce products during product shortages

To manage costs, most companies are choosing a *leveraged sales force* that focuses reps on selling the company's more complex and customized products to large accounts and uses inside salespeople and Web ordering for low-end selling. Salespeople handle fewer accounts and are rewarded for key account growth; lead generation, proposal writing, order fulfillment, and postsale support are turned over to others. This is far different from expecting salespeople to sell to every possible account, the common weakness of geographically based sales forces.[92]

Companies must deploy sales forces strategically so they call on the right customers at the right time in the right way, acting as "account managers" who arrange fruitful contact between people in the buying and selling organizations. Selling increasingly calls for teamwork and the support of others, such as *top management,* especially when national accounts or major sales are at stake; *technical people,* who supply information and service before, during, and after product purchase; *customer service representatives,* who provide installation, maintenance, and other services; and *office staff,* consisting of sales analysts, order expediters, and assistants.[93]

To maintain a market focus, salespeople should know how to analyze sales data, measure market potential, gather market intelligence, and develop marketing strategies and plans. Especially at the higher levels of sales management, they need analytical marketing skills. Marketers believe sales forces are more effective in the long run if they understand and appreciate marketing as well as selling. Too often marketing and sales are in conflict: the sales force complains marketing isn't generating enough leads and marketers complain the sales force isn't converting them (see Figure 19.4). Improved collaboration and communication between these two can increase revenues and profits.[94]



|Fig. 19.3|

Designing a Sales Force

|Fig. 19.4|

A Hypothetical (Dysfunctional) Sales Marketing Exchange

Source: Based on a talk by Scott Sanderude and Jeff Standish, "Work Together, Win Together: Resolving Misconceptions between Sales and Marketing," talk given at Marketing Science Institute's *Marketing, Sales, and Customers* conference, December 7, 2005.

Sales: I need leads, but marketing never sends me any good leads. How am I supposed to get new business with no good leads?

Marketing: We deliver tons of leads and they just sit in the system. Why won't sales call on any of them?

Sales: I have nothing new to sell. What is marketing doing? Why can't they figure out what customers want before they give it to us? Why don't they give me anything that's easy to sell?

Marketing: Why won't sales get out and sell my new programs? How do they expect customers to place orders without sales contacts?

Sales: My people spend too much time on administration and paperwork. I need them out selling.

Marketing: We need information to get new ideas. How long does it take to type in a few words? Don't they know their own customers?

Sales: How am I going to hit my number? Marketing is a waste of time. I'd rather have more sales reps.

Marketing: How am I going to hit my number? Sales won't help and I don't have enough people to do it myself.

Once the company chooses its strategy, it can use a direct or a contractual sales force. A **direct (company) sales force** consists of full- or part-time paid employees who work exclusively for the company. Inside sales personnel conduct business from the office using the telephone and receive visits from prospective buyers, and field sales personnel travel and visit customers. A **contractual sales force** consists of manufacturers' reps, sales agents, and brokers, who earn a commission based on sales.

Sales Force Structure

The sales force strategy also has implications for its structure. A company that sells one product line to one end-using industry with customers in many locations would use a territorial structure. A company that sells many products to many types of customers might need a product or market structure. Some companies need a more complex structure. Motorola, for example, manages four types of sales forces: (1) a strategic market sales force composed of technical, applications, and quality engineers and service personnel assigned to major accounts; (2) a geographic sales force calling on thousands of customers in different territories; (3) a distributor sales force calling on and coaching Motorola distributors; and (4) an inside sales force doing telemarketing and taking orders via phone and fax.

Established companies need to revise their sales force structures as market and economic conditions change. SAS, seller of business intelligence software, reorganized its sales force into industry-specific groups such as banks, brokerages, and insurers and saw revenue soar by 14 percent.[95] "Marketing Insight: Major Account Management" discusses a specialized form of sales force structure.

Marketing Insight

Major Account Management

Marketers typically single out for attention major accounts (also called key accounts, national accounts, global accounts, or house accounts). These are important customers with multiple divisions in many locations who use uniform pricing and coordinated service for all divisions. A major account manager (MAM) usually reports to the national sales manager and supervises field reps calling on customer plants within their territories. The average company manages about 75 key accounts. If a company has several such accounts, it's likely to organize a major account management division, in which the average MAM handles nine accounts.

Large accounts are often handled by a strategic account management team with cross-functional members who integrate new-product development, technical support, supply chain, marketing activities, and multiple communication channels to cover all aspects of the relationship. Procter & Gamble has a strategic account management team of 300 staffers to work with Walmart in its Bentonville, Arkansas, headquarters, with more stationed at Walmart headquarters in Europe, Asia, and Latin America. P&G has credited this relationship with saving the company billions of dollars.

Major account management is growing. As buyer concentration increases through mergers and acquisitions, fewer buyers are accounting for a larger share of sales. Many are centralizing their purchases of certain items, gaining more bargaining power. And as products become more complex, more groups in the buyer's organization participate in the purchase process. The typical salesperson might not have the skill, authority, or coverage to sell effectively to the large buyer.

In selecting major accounts, companies look for those that purchase a high volume (especially of more profitable products), purchase centrally, require a high level of service in several geographic locations, may be price sensitive, and want a long-term partnership. Major account managers act as the single point of contact, develop and grow customer business, understand customer decision processes, identify added-value opportunities, provide competitive intelligence, negotiate sales, and orchestrate customer service.

Many major accounts look for added value more than a price advantage. They appreciate having a single point of dedicated contact; single billing; special warranties; EDI links; priority shipping; early information releases; customized products; and efficient maintenance, repair, and upgraded service. And there's the value of goodwill. Personal relationships with people who value the major account's business and have a vested interest in its success are compelling reasons for remaining a loyal customer.

Sources: Noel Capon, Dave Potter, and Fred Schindler, *Managing Global Accounts: Nine Critical Factors for a World-Class Program*, 2nd ed. (Bronxville, NY: Wessex Press, 2008); Peter Cheverton, *Global Account Management: A Complete Action Kit of Tools and Techniques for Managing Key Global Customers* (London, UK: Kogan Page, 2008); Malcolm McDonald and Diana Woodburn, *Key Account Management: The Definitive Guide*, 2nd ed. (Oxford, UK: Butterworth-Heinemann, 2007); Jack Neff, "Bentonville or Bust," *Advertising Age*, February 24, 2003. More information can be obtained from SAMA (Strategic Account Management Association) and the *Journal of Selling and Major Account Management*.

Sales Force Size

Sales representatives are one of the company's most productive and expensive assets. Increasing their number increases both sales and costs. Once the company establishes the number of customers it wants to reach, it can use a *workload approach* to establish sales force size. This method has five steps:

1. Group customers into size classes according to annual sales volume.
2. Establish desirable call frequencies (number of calls on an account per year) for each customer class.
3. Multiply the number of accounts in each size class by the corresponding call frequency to arrive at the total workload for the country, in sales calls per year.
4. Determine the average number of calls a sales representative can make per year.
5. Divide the total annual calls required by the average annual calls made by a sales representative, to arrive at the number of sales representatives needed.

Suppose the company estimates it has 1,000 A accounts and 2,000 B accounts. A accounts require 36 calls a year, and B accounts require 12, so the company needs a sales force that can make 60,000 sales calls (36,000 + 24,000) a year. If the average full-time rep can make 1,000 calls a year, the company needs 60.

Sales Force Compensation

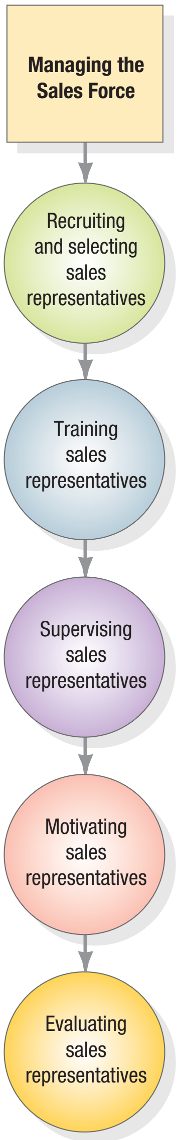
To attract top-quality reps, the company must develop an attractive compensation package. Sales reps want income regularity, extra reward for above-average performance, and fair pay for experience and longevity. Management wants control, economy, and simplicity. Some of these objectives will conflict. No wonder compensation plans exhibit a tremendous variety from industry to industry and even within the same industry.

The company must quantify four components of sales force compensation. The *fixed amount,* a salary, satisfies the need for income stability. The *variable amount,* whether commissions, bonus, or profit sharing, serves to stimulate and reward effort. *Expense allowances* enable sales reps to meet the expenses of travel and entertaining. *Benefits,* such as paid vacations, sickness or accident benefits, pensions, and life insurance, provide security and job satisfaction.

Fixed compensation is common in jobs with a high ratio of nonselling to selling duties, and jobs where the selling task is technically complex and requires teamwork. Variable compensation works best where sales are cyclical or depend on individual initiative. Fixed and variable compensation give rise to three basic types of compensation plans—straight salary, straight commission, and combination salary and commission. One survey revealed that over half of sales reps receive 40 percent or more of their compensation in variable pay.[96]

Straight-salary plans provide a secure income, encourage reps to complete nonselling activities, and reduce incentive to overstock customers. For the firm, these plans represent administrative simplicity and lower turnover. Straight-commission plans attract higher performers, provide more motivation, require less supervision, and control selling costs. On the negative side, they emphasize getting the sale over building the relationship. Combination plans feature the benefits of both plans while limiting their disadvantages.

Plans that combine fixed and variable pay link the variable portion to a wide variety of strategic goals. One current trend deemphasizes sales volume in favor of gross profitability, customer satisfaction, and customer retention. Other companies reward reps partly on sales team or even company-wide performance, motivating them to work together for the common good.



|Fig. 19.5| △

Managing the Sales Force

Managing the Sales Force

Various policies and procedures guide the firm in recruiting, selecting, training, supervising, motivating, and evaluating sales representatives to manage its sales force (see △ Figure 19.5).

Recruiting and Selecting Representatives

At the heart of any successful sales force is a means of selecting effective representatives. One survey revealed that the top 25 percent of the sales force brought in over 52 percent of the sales. It's a great waste to hire the wrong people. The average annual turnover rate of sales reps for all industries is almost 20 percent. Sales force turnover leads to lost sales, the expense of finding and training replacements, and often pressure on existing salespeople to pick up the slack.[97]

After management develops its selection criteria, it must recruit. The human resources department solicits names from current sales representatives, uses employment agencies, places job ads, and contacts college students. Selection procedures can vary from a single informal interview to prolonged testing and interviewing.

Studies have shown little relationship between sales performance on one hand, and background and experience variables, current status, lifestyle, attitude, personality, and skills on the other. More effective predictors have been composite tests and assessment centers that simulate the working environment so applicants are assessed in an environment similar to the one in which they would work.[98] Although scores from formal tests are only one element in a set that includes personal characteristics, references, past employment history, and interviewer reactions, they have been weighted quite heavily by companies such as IBM, Prudential, and Procter & Gamble. Gillette claims tests have reduced turnover and scores correlated well with the progress of new reps.

Training and Supervising Sales Representatives

Today's customers expect salespeople to have deep product knowledge, add ideas to improve operations, and be efficient and reliable. These demands have required companies to make a much greater investment in sales training.

New reps may spend a few weeks to several months in training. The median training period is 28 weeks in industrial-products companies, 12 in service companies, and 4 in consumer-products companies. Training time varies with the complexity of the selling task and the type of recruit. For all sales, new hire "ramp up" to full effectiveness is taking longer than ever, with 27 percent taking 3 to 6 months, 38 percent taking 6 to 12 months, and 28 percent needing 12 months or more.

New methods of training are continually emerging, such as the use of audio- and videotapes, CDs and CD-ROMs, programmed learning, distance learning, and films. Some firms use role playing and sensitivity or empathy training to help reps identify with customers' situations and motives.

Reps paid mostly on commission generally receive less supervision. Those who are salaried and must cover definite accounts are likely to receive substantial supervision. With multilevel selling, such as Avon, Sara Lee, Virgin, and others use, independent distributors are also in charge of their own sales force selling company products. These independent contractors or reps are paid a commission not only on their own sales but also on the sales of people they recruit and train.[99]

Sales Rep Productivity

How many calls should a company make on a particular account each year? Some research suggests today's sales reps spend too much time selling to smaller, less profitable accounts instead of focusing on larger, more profitable accounts.[100]

NORMS FOR PROSPECT CALLS Left to their own devices, many reps will spend most of their time with current customers, who are known quantities. Reps can depend on them for some business, whereas a prospect might never deliver any. Companies therefore often specify how much time reps should spend prospecting for new accounts. Spector Freight wants its sales representatives to spend 25 percent of their time prospecting and stop after three unsuccessful calls. Some companies rely on a missionary sales force to open new accounts.

USING SALES TIME EFFICIENTLY The best sales reps manage their time efficiently. *Time-and-duty analysis* helps reps understand how they spend their time and how they might increase their productivity. In the course of a day, sales reps spend time planning, traveling, waiting, selling, and doing administrative tasks (report writing and billing; attending sales meetings; and talking to others in the company about production, delivery, billing, and sales performance). It's no wonder face-to-face selling accounts for as little as 29 percent of total working time![101]

Companies constantly try to improve sales force productivity.[102] To cut costs, reduce time demands on their outside sales force, and leverage computer and telecommunications innovations, many have increased the size and responsibilities of their inside sales force.

Inside salespeople are of three types: *Technical support people* provide technical information and answers to customers' questions. *Sales assistants* provide clerical backup for outside salespersons, call ahead to confirm appointments, run credit checks, follow up on deliveries, and answer customers' business-related questions. *Telemarketers* use the phone to find new leads, qualify them, and sell to them. Telemarketers can call up to 50 customers a day, compared to 4 for an outside salesperson.

The inside sales force frees outside reps to spend more time selling to major accounts, identifying and converting new major prospects, placing electronic ordering systems in customers' facilities, and obtaining more blanket orders and systems contracts. Inside salespeople spend more time checking inventory, following up orders, and phoning smaller accounts. Outside sales reps are paid largely on an incentive-compensation basis, and inside reps on a salary or salary-plus-bonus pay.

SALES TECHNOLOGY The salesperson today has truly gone electronic. Not only is sales and inventory information transferred much faster, but specific computer-based decision support systems have been created for sales managers and sales representatives. Using laptop computers, salespeople can access valuable product and customer information. With a few keystrokes, salespeople can prime themselves on backgrounds of clients; call up prewritten sales letters; transmit orders and resolve customer-service issues on the spot; and send samples, pamphlets, brochures, and other materials to clients.

One of the most valuable electronic tools for the sales rep is the company Web site, and one of its most useful applications is as a prospecting tool. Company Web sites can help define the firm's relationships with individual accounts and identify those whose business warrants a personal sales call. They provide an introduction to self-identified potential customers and might even receive the initial order. For more complex transactions, the site provides a way for the buyer to contact the seller. Selling over the Internet supports relationship marketing by solving problems that do not require live intervention and thus allows more time for issues best addressed face-to-face.

Motivating Sales Representatives

The majority of sales representatives require encouragement and special incentives, especially those in the field who encounter daily challenges.[103] Most marketers believe that the higher the salesperson's motivation, the greater the effort and the resulting performance, rewards, and satisfaction—all of which in turn further increase motivation.

INTRINSIC VERSUS EXTRINSIC REWARDS Marketers reinforce intrinsic and extrinsic rewards of all types. One research study found the reward with the highest value was pay, followed by promotion, personal growth, and sense of accomplishment.[104] Least valued were liking and respect, security, and recognition. In other words, salespeople are highly motivated by pay and the chance to get ahead and satisfy their intrinsic needs, and may be less motivated by compliments and security. Some firms use sales contests to increase sales effort.[105]

SALES QUOTAS Many companies set annual sales quotas, developed from the annual marketing plan, on dollar sales, unit volume, margin, selling effort or activity, or product type. Compensation is often tied to degree of quota fulfillment. The company first prepares a sales forecast that becomes the basis for planning production, workforce size, and financial requirements. Management then establishes quotas for regions and territories, which typically add up to more than the sales forecast to encourage managers and salespeople to perform at their best. Even if they fail to make their quotas, the company nevertheless may reach its sales forecast.

Each area sales manager divides the area's quota among its reps. Sometimes a rep's quotas are set high, to spur extra effort, or more modestly, to build confidence. One general view is that a salesperson's quota should be at least equal to last year's sales, plus some fraction of the difference between territory sales potential and last year's sales. The more favorably the salesperson reacts to pressure, the higher the fraction should be.

Conventional wisdom is that profits are maximized by sales reps focusing on the more important products and more profitable products. Reps are unlikely to achieve their quotas for established products when the company is launching several new products at the same time. The company will need to expand its sales force for new-product launches.

Setting sales quotas can create problems. If the company underestimates and the sales reps easily achieve their quotas, it has overpaid them. If it overestimates sales potential, the salespeople will find it very hard to reach their quotas and be frustrated or quit. Another downside is that quotas can drive reps to get as much business as possible—often ignoring the service side of the business. The company gains short-term results at the cost of long-term customer satisfaction. For these reasons, some companies are dropping quotas. Even hard-driving Oracle has changed its approach to sales compensation.

Oracle

Oracle Finding sales flagging and customers griping, Oracle, the second-largest software company in the world, decided to overhaul its sales department and practices. Its rapidly expanding capabilities, with diverse applications such as human resources, supply chain, and CRM, meant one rep could no longer be responsible for selling all Oracle products to certain customers. Reorganization let reps specialize in a few particular products. To tone down the sales force's reputation as overly aggressive, Oracle changed the commission structure from a range of 2 percent to 12 percent to a flat 4 percent to 6 percent and adopted guidelines on how to "play nice" with channels, independent software vendors (ISVs), resellers, integrators, and value-added resellers (VARs). The six principles instructed sales staff to identify and work with partners in accounts and respect their positions and the value they add, in order to address partner feedback that Oracle should be more predictable and reliable.[106]

Evaluating Sales Representatives

We have been describing the *feed-forward* aspects of sales supervision—how management communicates what the sales reps should be doing and motivates them to do it. But good feed-forward requires good *feedback,* which means getting regular information from reps to evaluate performance.

SOURCES OF INFORMATION The most important source of information about reps is sales reports. Additional information comes through personal observation, salesperson self-reports, customer letters and complaints, customer surveys, and conversations with other reps.

Sales reports are divided between *activity plans* and *write-ups of activity results.* The best example of the former is the salesperson's work plan, which reps submit a week or month in advance to describe intended calls and routing. This report forces sales reps to plan and schedule their activities and inform management of their whereabouts. It provides a basis for comparing their plans and accomplishments or their ability to "plan their work and work their plan."

Many companies require representatives to develop an annual territory-marketing plan in which they outline their program for developing new accounts and increasing business from existing accounts. Sales managers study these plans, make suggestions, and use them to develop sales quotas. Sales reps write up completed activities on *call reports.* Sales representatives also submit expense reports, new-business reports, lost-business reports, and reports on local business and economic conditions.

These reports provide raw data from which sales managers can extract key indicators of sales performance: (1) average number of sales calls per salesperson per day, (2) average sales call time per contact, (3) average revenue per sales call, (4) average cost per sales call, (5) entertainment cost per sales call, (6) percentage of orders per hundred sales calls, (7) number of new customers per period, (8) number of lost customers per period, and (9) sales force cost as a percentage of total sales.

FORMAL EVALUATION The sales force's reports along with other observations supply the raw materials for evaluation. One type of evaluation compares current to past performance. An example is shown in Table 19.1.

The sales manager can learn many things about a rep from this table. Total sales increased every year (line 3). This does not necessarily mean he is doing a better job. The product breakdown shows he has been able to push the sales of product B further than the sales of product A (lines 1 and 2). According to his quotas for the two products (lines 4 and 5), his increasing product B sales could be at the expense of product A sales. According to gross profits (lines 6 and 7), the company earns more selling A than B. The rep might be pushing the higher-volume, lower-margin product at the expense of the more profitable product. Although the rep increased total sales by $1,100 between 2009 and 2010 (line 3), gross profits on total sales actually decreased by $580 (line 8).

Sales expense (line 9) shows a steady increase, although total expense as a percentage of total sales seems to be under control (line 10). The upward trend in total dollar expense does not seem to be explained by any increase in the number of calls (line 11), although it might be related to success in

TABLE 19.1 Form for Evaluating Sales Representative's Performance

Territory: Midland Sales Representative: John Smith	2007	2008	2009	2010
1. Net sales product A	$251,300	$253,200	$270,000	$263,100
2. Net sales product B	423,200	439,200	553,900	561,900
3. Net sales total	674,500	692,400	823,900	825,000
4. Percent of quota product A	95.6	92.0	88.0	84.7
5. Percent of quota product B	120.4	122.3	134.9	130.8
6. Gross profits product A	$50,260	$50,640	$54,000	$52,620
7. Gross profits product B	42,320	43,920	55,390	56,190
8. Gross profits total	92,580	94,560	109,390	108,810
9. Sales expense	$10,200	$11,100	$11,600	$13,200
10. Sales expense to total sales (%)	1.5	1.6	1.4	1.6
11. Number of calls	1,675	1,700	1,680	1,660
12. Cost per call	$6.09	$6.53	$6.90	$7.95
13. Average number of customers	320	24	328	334
14. Number of new customers	13	14	15	20
15. Number of lost customers	8	10	11	14
16. Average sales per customer	$2,108	$2,137	$2,512	$2,470
17. Average gross profit per customer	$289	$292	$334	$326

acquiring new customers (line 14). Perhaps in prospecting for new customers, this rep is neglecting present customers, as indicated by an upward trend in the annual number of lost accounts (line 15).

The last two lines show the level and trend in sales and gross profits per customer. These figures become more meaningful when compared with overall company averages. If this rep's average gross profit per customer is lower than the company's average, he could be concentrating on the wrong customers or not spending enough time with each customer. A review of annual number of calls (line 11) shows he might be making fewer annual calls than the average salesperson. If distances in the territory are similar to those in other territories, the rep might not be putting in a full workday, is poor at sales planning and routing, or is spending too much time with certain accounts.

Even if effective in producing sales, the rep may not rate high with customers. Success may come because competitors' salespeople are inferior, the rep's product is better, or new customers are always found to replace those who dislike the rep. Managers can glean customer opinions of the salesperson, product, and service by mail questionnaires or telephone calls. Sales reps can analyze the success or failure of a sales call and how they would improve the odds on subsequent calls. Their performance could be related to internal factors (effort, ability, and strategy) and/or external factors (task and luck).[107]

Principles of Personal Selling

Personal selling is an ancient art. Effective salespeople today have more than instinct, however. Companies now spend hundreds of millions of dollars each year to train them in methods of analysis and customer management and to transform them from passive order takers into active order getters. Reps are taught the SPIN method to build long-term relationships, with questions such as:[108]

1. ***Situation questions***—These ask about facts or explore the buyer's present situation. For example, "What system are you using to invoice your customers?"
2. ***Problem questions***—These deal with problems, difficulties, and dissatisfactions the buyer is experiencing. For example, "What parts of the system create errors?"
3. ***Implication questions***—These ask about the consequences or effects of a buyer's problems, difficulties, or dissatisfactions. For example, "How does this problem affect your people's productivity?"
4. ***Need-payoff questions***—These ask about the value or usefulness of a proposed solution. For example, "How much would you save if our company could help reduce errors by 80 percent?"

Most sales training programs agree on the major steps in any effective sales process. We show these steps in Figure 19.6 and discuss their application to industrial selling next.[109]

The Six Steps

PROSPECTING AND QUALIFYING The first step in selling is to identify and qualify prospects. More companies are taking responsibility for finding and qualifying leads so salespeople can use their expensive time doing what they can do best: selling. Companies qualify the leads by contacting them by mail or phone to assess their level of interest and financial capacity. "Hot" prospects are turned over to the field sales force and "warm" prospects to the telemarketing unit for follow-up. Even then, it takes about four calls on a prospect to consummate a business transaction.

PREAPPROACH The salesperson needs to learn as much as possible about the prospect company (what it needs, who takes part in the purchase decision) and its buyers (personal characteristics and buying styles). How is the purchasing process conducted at the company? How is purchasing structured? Many purchasing departments in larger companies have been elevated into strategic supply departments with more professional practices. Centralized purchasing may put a premium on having larger suppliers able to meet all the company's needs. At the same time, some companies are also decentralizing purchasing for smaller items such as coffeemakers, office supplies, and other inexpensive necessities.

The sales rep must thoroughly understand the purchasing process in terms of "who, when, where, how, and why" in order to set call objectives: to qualify the prospect, gather information, or make an immediate sale. Another task is to choose the best contact approach—a personal visit, a phone call, or a letter. The right approach is crucial given that it has become harder and harder for sales reps to get into the offices of purchasing agents, physicians, and other possible time-starved and Internet-enabled customers. Finally, the salesperson should plan an overall sales strategy for the account.

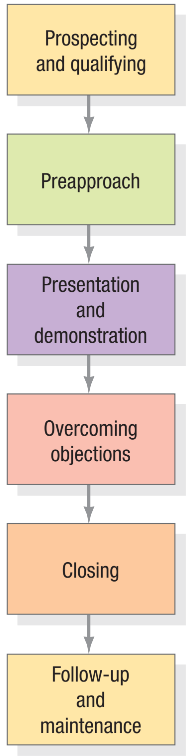
PRESENTATION AND DEMONSTRATION The salesperson tells the product "story" to the buyer, using a *features, advantages, benefits,* and *value* (FABV) approach. Features describe physical characteristics of a market offering, such as chip processing speeds or memory capacity. Advantages describe why the features provide an advantage to the customer. Benefits describe the economic, technical, service, and social pluses delivered by the offering. Value describes the offering's worth (often in monetary terms). Salespeople often spend too much time on product features (a product orientation) and not enough time stressing benefits and value (a customer orientation). The pitch to a prospective client must be highly relevant, engaging, and compelling—there is always another company waiting to take that business.[110]

OVERCOMING OBJECTIONS Customers typically pose objections. *Psychological resistance* includes resistance to interference, preference for established supply sources or brands, apathy, reluctance to give up something, unpleasant associations created by the sales rep, predetermined ideas, dislike of making decisions, and neurotic attitude toward money. *Logical resistance* might be objections to the price, delivery schedule, or product or company characteristics.

To handle these objections, the salesperson maintains a positive approach, asks the buyer to clarify the objection, questions in such a way that the buyer answers his own objection, denies the validity of the objection, or turns it into a reason for buying. Although price is the most frequently negotiated issue—especially in an economic recession—others include contract completion time; quality of goods and services offered; purchase volume; responsibility for financing, risk taking, promotion, and title; and product safety.

Salespeople sometimes give in too easily when customers demand a discount. One company recognized this problem when sales revenues went up 25 percent but profit remained flat. The company decided to retrain its salespeople to "sell the price," rather than "sell through price." Salespeople were given richer information about each customer's sales history and behavior. They received training to recognize value-adding opportunities rather than price-cutting opportunities. As a result, the company's sales revenues climbed and so did its margins.[111]

CLOSING Closing signs from the buyer include physical actions, statements or comments, and questions. Reps can ask for the order, recapitulate the points of agreement, offer to help write up the order, ask whether the buyer wants A or B, get the buyer to make minor choices such as color or size, or indicate what the buyer will lose by not placing the order now. The salesperson might offer specific inducements to close, such as an additional service, an extra quantity, or a token gift.



|Fig. 19.6|

Major Steps in Effective Selling

If the client still isn't budging, perhaps the salesperson is not interacting with the right executive—a more senior person may have the necessary authority. The salesperson also may need to find other ways to reinforce the value of the offering and how it alleviates financial or other pressures the client faces.[112]

FOLLOW-UP AND MAINTENANCE Follow-up and maintenance are necessary to ensure customer satisfaction and repeat business. Immediately after closing, the salesperson should cement any necessary details about delivery time, purchase terms, and other matters important to the customer. The salesperson should schedule a follow-up call after delivery to ensure proper installation, instruction, and servicing and to detect any problems, assure the buyer of the salesperson's interest, and reduce any cognitive dissonance. The salesperson should develop a maintenance and growth plan for the account.

Relationship Marketing

The principles of personal selling and negotiation are largely transaction-oriented because their purpose is to close a specific sale. But in many cases the company seeks not an immediate sale but rather a long-term supplier–customer relationship. Today's customers prefer suppliers who can sell and deliver a coordinated set of products and services to many locations, who can quickly solve problems in different locations, and who can work closely with customer teams to improve products and processes.

Salespeople working with key customers must do more than call only when they think customers might be ready to place orders. They should call or visit at other times and make useful suggestions about the business. They should monitor key accounts, know customers' problems, and be ready to serve them in a number of ways, adapting and responding to different customer needs or situations.[113]

Relationship marketing is not effective in all situations. But when it is the right strategy and is properly implemented, the organization will focus as much on managing its customers as on managing its products.

Summary

1. Direct marketing is an interactive marketing system that uses one or more media to effect a measurable response or transaction at any location. Direct marketing, especially electronic marketing, is showing explosive growth.
2. Direct marketers plan campaigns by deciding on objectives, target markets and prospects, offers, and prices. Next, they test and establish measures to determine the campaign's success.
3. Major channels for direct marketing include face-to-face selling, direct mail, catalog marketing, telemarketing, interactive TV, kiosks, Web sites, and mobile devices.
4. Interactive marketing provides marketers with opportunities for much greater interaction and individualization through well-designed and executed Web sites, search ads, display ads, and e-mails. Mobile marketing is another growing form of interactive marketing that relies on text messages, software apps, and ads.
5. Word-of-mouth marketing finds ways to engage customers so they choose to talk with others about products, services, and brands. Increasingly, word of mouth is being driven by social media in the form of online communities and forums, blogs, and social networks such as Facebook, Twitter, and YouTube.
6. Two notable forms of word-of-mouth marketing are buzz marketing, which seeks to get people talking about a brand by ensuring that a product or service or how it is marketed is out of the ordinary, and viral marketing, which encourages people to exchange online information related to a product or service.
7. Salespeople serve as a company's link to its customers. The sales rep *is* the company to many of its customers, and it is the rep who brings back to the company much-needed information about the customer.
8. Designing the sales force requires choosing objectives, strategy, structure, size, and compensation. Objectives may include prospecting, targeting, communicating, selling, servicing, information gathering, and allocating. Determining strategy requires choosing the most effective mix of selling approaches. Choosing the sales force structure entails dividing territories by geography, product, or market (or some combination of these). To estimate how large the sales force needs to be, the firm estimates the total workload and how many sales hours (and hence salespeople) will be needed. Compensating the sales force entails determining what types of salaries, commissions, bonuses, expense accounts, and benefits to give, and how much weight customer satisfaction should have in determining total compensation.
9. There are five steps in managing the sales force: (1) recruiting and selecting sales representatives; (2) training the representatives in sales techniques and in the company's products, policies, and customer-satisfaction orientation; (3) supervising the sales force and helping

reps to use their time efficiently; (4) motivating the sales force and balancing quotas, monetary rewards, and supplementary motivators; (5) evaluating individual and group sales performance.

10. Effective salespeople are trained in the methods of analysis and customer management, as well as the art of sales professionalism. No single approach works best in all circumstances, but most trainers agree that selling is a six-step process: prospecting and qualifying customers, preapproach, presentation and demonstration, overcoming objections, closing, and follow-up and maintenance.

Applications

Marketing Debate

Are Great Salespeople Born or Made?

One debate in sales is about the impact of training versus selection in developing an effective sales force. Some observers maintain the best salespeople are born that way and are effective due to their personalities and interpersonal skills developed over a lifetime. Others contend that application of leading-edge sales techniques can make virtually anyone a sales star.

Take a position: **The key to developing an effective sales force is selection *versus* The key to developing an effective sales force is training.**

Marketing Discussion

Corporate Web Sites

Pick a company and go to its corporate Web site. How would you evaluate the Web site? How well does it score on the 7Cs of design elements: context, content, community, customization, communication, connection, and commerce?

Marketing Excellence

>>Facebook

Facebook has brought a whole new level of personal marketing to the world of business. The social networking Web site fulfills people's desire to communicate and interact with each other and uses that power to help other companies target very specific audiences with personalized messages.

Facebook was founded in 2004 by Mark Zuckerberg, who was a student at Harvard University at the time and created the first version of the Web site in his dorm room. Zuckerberg recalled, "I just thought that being able to have access to different people's profiles would be interesting. Obviously, there's no way you can get access to that stuff unless people are throwing up profiles, so I wanted to make an application that would allow people to do that, to share as much information as they wanted while having control over what they put up." From the beginning, Facebook has kept its profiles and navigation tools relatively simple in order to unify the look and feel for each individual. Within the first 24 hours the Facebook Web site was up, between 1,200 and 1,500 Harvard students had registered and become part of the Facebook community. Within the first month, half the campus had registered.

Initially, Facebook's Web site could only be viewed and used by Harvard students. The early momentum was tremendous, though, and Facebook soon expanded to include students throughout the Ivy League and other colleges. The initial decision to keep Facebook exclusive to college students was critical to its early success. It gave the social Web site a sense of privacy, unity, and exclusivity that social media competitors like MySpace did not offer. Eventually, in 2006, Facebook opened up to everyone.

Today, Facebook is the most popular social networking Web site in the world, with over 500 million active users. The site allows users to create personal profiles with information such as their hometowns, work, educational background, favorite things, and religious affiliation. It encourages them to extend their network by adding other users as friends, and many people try to see how many "friends" they can accumulate. To interact with Facebook friends, users can send messages; "poke" each other; upload and view albums, photos, games, and videos; and "tag" or label people in their photos. They can post comments on friends' "walls" and create status updates viewable to everyone. In summary, Facebook is fulfilling its mission to "give people the power to share and make the world more open and connected."

Facebook has become a critical marketing component for just about any brand for several reasons. First, companies, sports teams, musicians, and politicians can create Facebook pages—a place to communicate to and with their fans. Facebook pages offer groups and brands a way to personally interact, build awareness, communicate, and offer information to anyone who takes an interest. Companies use Facebook to introduce new products, launch videos and promotions, upload images, communicate to consumers, listen to feedback, and create an overall personal look and feel. Even politicians from around the world—from the United States to the Philippines—use Facebook to push their campaigns and communicate with supporters on a local, personalized basis.

Facebook also offers targeted advertising opportunities. Banner ads—the company's major source of income—can target individuals by demographic or keywords based on the specific information they have placed in their profiles. adidas, for example, uses Facebook to promote specific labels within the company, target consumers regionally, and give the brand a personal touch. The head of adidas's digital marketing group explained, "Wherever our fans are, we're going to use Facebook to speak to them and we're going to try to speak to them in a locally relevant way."

Facebook's growth and influence have been incredible. In one survey, college students named Facebook the second most popular thing in their undergraduate world, tied only with beer. And Facebook is not used only by undergrads. Of the 150+ million users in the United States, 29 percent are aged 35 to 54, while 25 percent are aged 18 to 24. Overall, women represent the fast-growing segment. Facebook also tends to have a more upscale, educated, desirable demographic than competitive social networks, and therefore it charges more for its advertising ads.

In 2010, Facebook surpassed Google as the top Web site in the world based on unique visitors per month and also ranked number one for number of pages viewed per month. Facebook has become an important part of consumers' everyday lives and therefore a critical component in personal marketing strategies.

Questions

1. Why is Facebook unique in the world of personal marketing?
2. Is Facebook just a passing fad or is it here to stay? What are the company's greatest strengths and risks?
3. Discuss the recent privacy issues that challenged Facebook. Will privacy restrictions limit its ability to offer personal marketing opportunities?

Sources: John Cassidy, "Me Media," *New Yorker,* May 15, 2006; "Survey: College Kids Like iPods Better Than Beer," *Associated Press,* June 8, 2006; Peter Corbett, "Facebook Demographics and Statistics Report 2010," I Strategy Labs, www.istrategylabs.com; Brian Womack, "Facebook Sees Fourfold Jump in Number of Advertisers Since 2009," *BusinessWeek,* June 2, 2010; Kermit Pattison, "How to Market Your Business with Facebook," *New York Times,* November 11, 2009; Facebook, www.facebook.com.

Marketing Excellence

>>Unilever (Axe and Dove)

Unilever—the manufacturer of several home care, food, and personal care brands—understands the importance of using personal marketing communications to target specific age groups, demographics, and lifestyles. As a result, it has developed some of the most successful brands in the world, including Axe, a male grooming brand, and Dove, a personal care brand aimed at women.

Axe is the most popular male grooming brand in the world and Unilever's best seller. The brand, which offers a wide range of personal care products from body spray to body gel, deodorant, and shampoo, was launched in 1983 and introduced in the United States in 2002. Axe targets 15- to 25-year-old males who are interested in improving their appeal to the opposite sex and "keeping a step ahead in the mating game." Most Axe ads use humor and sex and often feature skinny, average guys attracting beautiful girls by the dozen. The result: the brand is aspirational and approachable, and the lighthearted tone hits home with young men. In one recent global campaign called “Bom-chika-wah-wah” (after the pop culture phrase that mimics a guitar sound from 1970s adult movies), gorgeous women are instantly attracted to average guys through a single whiff of Axe deodorant or body spray.

Axe has won numerous advertising awards not only for its creative but also for its effective use of unconventional media channels. From edgy online videos to video games, blogs, chat rooms, and mobile apps, the Axe brand engages young adult males on their own turf. In Colombia, for example, a female Axe Patrol scopes out the bar and club scene and sprays men with Axe body sprays. Unilever Marketing Director Kevin George explained, “This is all about going beyond the 30-second TV commercial to create a deeper bond with our guy.”

Axe knows where to reach its consumers. It advertises only on male-dominated networks such as MTV, ESPN, Spike, and Comedy Central. It partners with the NBA and NCAA, which draw in younger male audiences than many other sports. Print ads appear in *Playboy*, *Rolling Stone*, *GQ*, and *Maxim*. Axe’s online efforts via Facebook, Twitter, chat rooms, and banner ads help drive consumers back to its Web site (www.theaxeeffect.com) where Axe continues to build brand loyalty. For example, one ad costing $200,000 featured men in a small town in Alaska who use Axe to attract women. It was viewed more than 10 million times online.

Axe also understands that it has to work hard to keep the brand fresh, relevant, and cool with its fickle young audience. So it launches a new fragrance every year and refreshes its online and advertising communications constantly. Axe’s success in personal marketing has lifted the brand to become the leader in what many had thought was the mature $2.4 billion deodorant category.

On the other side of the personal marketing spectrum, Unilever’s Dove brand speaks to women with a different tone and message. In 2003, Dove shifted away from it traditional advertising touting the brand’s benefit of one-quarter moisturizing cream and the results experienced after the seven-day Dove test. Its “Real Beauty” campaign instead celebrates “real women” of all shapes, sizes, ages, and colors. The campaign arose from research revealing that only 2 percent of women worldwide considered themselves beautiful, and an overwhelming majority strongly agree that “the media and advertising set an unrealistic standard of beauty.” Dove set out to speak personally to women about the idea that “beauty comes in all shapes and sizes.”

The first phase of the “Real Beauty” campaign featured nontraditional female models and asked consumers to judge their looks online (Wrinkled? Wonderful? Oversized? Outstanding?) at www.campaignforrealbeauty.com. The personal questions shocked many but created such a grand PR buzz that Dove continued the campaign. The second phase featured candid and confident images of curvy, full-bodied women—again, smashing stereotypes and touching home with the majority of women all over the world while promoting Dove skin products such as Intensive Firming Cream, Lotion, and Body Wash. The multimedia campaign was thoroughly integrated, combining traditional TV and print ads with new forms of media, such as real-time voting for models on cell phones and tabulated displays of results on giant billboards. In addition, Dove’s Web site became a crucial component for initiating dialogue between women. The third phase of the campaign, called “Pro-Age,” featured older, nude women and asked questions like, “Does beauty have an age limit?” Almost instantly, the company heard positive feedback from its older consumers.

In addition, Dove released two Dove Films, one of which, *Evolution*, won both a Cyber and film Grand Prix at the International Advertising Festival. The film shows a rapid-motion view of an ordinary-looking woman transformed by makeup artists, hairdressers, lighting, and digital retouching to end up looking like a billboard supermodel. The end tagline is: “No wonder our perception of beauty is distorted.” The film became an instant viral hit and has been viewed more than 15 million times online and by more than 300 million people worldwide, including in news coverage and other channels of distribution. In total, Dove’s “Campaign for Real Beauty” has touched women all over the world and been mentioned in over 800 articles in leading newspapers from *Le Parisien* to *The Times* in London.

Although both campaigns have sparked much controversy and debate for different reasons, they have been credited with boosting Unilever’s sales and market share all over the globe.

Questions

1. What makes personal marketing work? Why are Dove and Axe so successful at it?
2. Can personal marketing go too far in a company? Why or why not?
3. Is there a conflict of interests in the way Unilever markets to women and young men? Is it undoing all the good that might be done in the “Campaign for Real Beauty” by making women sex symbols in Axe ads? Discuss.

Sources: Jack Neff, “Dove’s ‘Real Beauty’ Pics Could Be Big Phonies,” *Advertising Age*, May 7, 2008; Catherine Holahan, “Raising the Bar on Viral Web Ads,” *BusinessWeek*, July 23, 2006; Robert Berner, “How Unilever Scored with Young Guys,” *BusinessWeek*, May 23, 2005; Thomas Mucha, “Spray Here. Get Girl,” *Business 2.0*, June 2003; Randall Rothenberg, “Dove Effort Gives Packaged-Goods Marketers Lessons for the Future,” *Advertising Age*, March 5, 2007; Theresa Howard, “Ad Campaign Tells Women to Celebrate Who They Are,” *USA Today*, July 8, 2005; Jack Neff, “In Dove Ads, Normal Is the New Beautiful,” *Advertising Age*, September 27, 2004; Laura Petrecca, “Amusing or Offensive, Axe Ads Show That Sexism Sells,” *USA Today,* April 18, 2007; Dove, www.campaignforrealbeauty.com; Unilever, www.unilever.com.