16 Personal Selling and Sales Promotion

Chapter Preview

In the previous two chapters, you learned about communicating customer value through integrated marketing communications (IMC) and two elements of the promotion mix: advertising and public relations. In this chapter, we examine two more IMC elements: personal selling and sales promotion. Personal selling is the interpersonal arm of marketing communications, in which the sales force interacts with customers and prospects to build relationships and make sales. Sales promotion consists of short-term incentives to encourage the purchase or sale of a product or service. As you read, remember that although this chapter presents personal selling and sales promotion as separate tools, they must be carefully integrated with the other elements of the promotion mix.

First, what is your first reaction when you think of a salesperson or a sales force? Perhaps you think of pushy retail sales clerks, "yell and sell" TV pitchmen, or the stereotypical glad-handing "used-car salesman." But such stereotypes simply don't fit the reality of most of today's salespeople—sales professionals who succeed not by taking advantage of customers but by listening to their needs and helping to forge solutions. For most companies, personal selling plays an important role in building profitable customer relationships. Consider Procter & Gamble, whose customer-focused sales force has long been considered one of the nation's best.

P&G: It's Not Sales, It's Customer Business Development

For decades, Procter & Gamble has been at the top of almost every expert's A-list of outstanding marketing companies. The experts point to P&G's stable of top-selling consumer brands, or that, year in and year out, P&G is the world's largest advertiser. Consumers seem to agree. You'll find at least one of P&G's blockbuster brands in 99 percent of all American households; in many homes, you'll find a dozen or more familiar P&G products. But P&G is also highly respected for something else—its top-notch, customer-focused sales force.

P&G's sales force has long been an American icon for selling at its very best. When it comes to selecting, training, and managing salespeople, P&G sets the gold standard. The company employs a massive sales force of more than 5,000 salespeople worldwide. At P&G, however, they rarely call it "sales." Instead, it's "Customer Business Development" (CBD). And P&G sales reps aren't "salespeople"; they're "CBD managers" or "CBD account executives." All this might seem like just so much "corp-speak," but at P&G the distinction goes to the very core of how selling works.

P&G understands that if its customers don't do well, neither will the company. To grow its own business, therefore, P&G must first grow the business of the retailers that sell its brands to final consumers. And at P&G, the primary responsibility for helping customers grow falls to the sales force. Rather than just selling *to* its retail and wholesale customers, CBD managers partner strategically *with* customers to help develop their business in P&G's product categories. "We depend on them as much as they depend on us," says one CBD manager. By partnering with each other, P&G and its customers create "win-win" relationships that help both to prosper.

Most P&G customers are huge and complex businesses—such as Walgreens, Walmart, or Dollar General—with thousands of stores and billions of dollars in revenues. Working with and selling to such customers can be a very complex undertaking, more than any single salesperson or sales team could accomplish. Instead, P&G assigns a full CBD team to every large customer account. Each CBD team contains not only salespeople but also a full complement of specialists in every aspect of selling P&G's consumer brands at the retail level.

CBD teams vary in size depending on the customer. For example, P&G's largest customer, Walmart, which accounts for an amazing 20 percent of the company's sales, commands a 350-person CBD team. By contrast, the P&G Dollar General team consists of about 30 people. Regardless of size, every CBD team constitutes a complete, multifunctional customer-service unit. Each team includes a CBD manager and several CBD account executives (each responsible for a specific P&G product category), supported by specialists in marketing strategy, product development, operations, information systems, logistics, finance, and human resources.

To deal effectively with large accounts, P&G salespeople must be smart, well trained, and strategically grounded. They deal daily with high-level retail category buyers who may purchase hundreds of millions of dollars worth of P&G and competing brands annually. It takes a lot more than a friendly smile and a firm handshake to interact with such buyers. Yet, individual P&G salespeople can't know everything, and thanks to the CBD sales structure, they don't have to. Instead, as members of a full CBD team, P&G salespeople have at hand all the resources they need to resolve even the most challenging customer problems. "I have everything I need right here," says a household care account executive. "If my customer needs help from us with in-store promotions, I can go right down the hall and talk with someone on my team in marketing about doing some kind of promotional deal. It's that simple."

P&G Customer Business Development managers know that to grow P&G's business, they must first help their retail partners to sell P&G's brands.

Customer Business Development involves partnering with customers to jointly identify strategies that create shopper value and satisfaction and drive profitable sales at the store level. When it comes to profitably moving Tide, Pampers, Gillette, or other P&G brands off store shelves and into consumers' shopping carts, P&G reps and their teams often know more than the retail buyers they advise. In fact, P&G's retail partners often rely on CBD teams to help them manage not only the P&G brands on their shelves but also entire product categories, including competing brands.

Wait a minute. Does it make sense to let P&G advise on the stocking and placement of competitors' brands as well as its own? Would a P&G CBD rep ever tell a retail buyer to stock fewer P&G products and more of a competing brand? Believe it or not, it happens all the time. The CBD team's primary goal is to help the customer win in each product category. Sometimes, analysis shows that the best solution for the customer is "more of the other guy's product." For P&G, that's okay. It knows that creating the best situation for the retailer ultimately pulls in more customer traffic, which in turn will likely lead to increased sales for other P&G products in the same category. Because most of P&G's brands are market share leaders, it stands to benefit more from the increased traffic than competitors do. Again, what's good for the customer is good for P&G—it's a win-win situation.

Honest and open dealings also help to build long-term customer relationships. P&G salespeople become trusted advisors to their retailer-partners, a status they work hard to maintain. "It took me four years to build the trust I now have with my buyer," says a veteran CBD account executive. "If I talk her into buying P&G products that she can't sell or out of stocking competing brands that she should be selling, I could lose that trust in a heartbeat."

Finally, collaboration is usually a two-way street—P&G gives and customers give back in return. "We'll help customers run a set of commercials or do some merchandising events, but there's usually a return-on-investment," explains another CBD manager. "Maybe it's helping us with distribution of a new product or increasing space for fabric care. We're very willing if the effort creates value for us as well as for the customer and the final consumer."

According to P&G, "Customer Business Development is selling and a whole lot more. It's a P&G-specific approach [that lets us] grow business by working as a 'strategic partner' with our accounts, focusing on mutually beneficial business building opportunities. All customers want to improve their business; it's [our] role to help them identify the biggest opportunities."

Thus, P&G salespeople aren't the stereotypical glad-handers that some people have come to expect when they think of selling. In fact, they aren't even called "salespeople." They are customer business development managers—talented, well-educated, well-trained sales professionals who do all they can to help customers succeed. They know that good selling involves working with customers to solve their problems for mutual gain. They know that if customers succeed, they succeed.[1]

P&G's sales force has long been an American icon for selling at its very best. But at P&G they rarely call it "sales." Instead, it's "Customer Business Development."

Objective OUTLINE

Objective 1 **Discuss the role of a company's salespeople in creating value for customers and building customer relationships.**

Objective 2 **Identify and explain the six major sales force management steps.**

Objective 3 **Discuss the personal selling process, distinguishing between transaction-oriented marketing and relationship marketing.**

Objective 4 **Explain how sales promotion campaigns are developed and implemented.**

In this chapter, we examine two more promotion mix tools: *personal selling* and *sales promotion*. Personal selling consists of interpersonal interactions with customers and prospects to make sales and maintain customer relationships. Sales promotion involves using short-term incentives to encourage customer purchasing, reseller support, and sales force efforts.

Author Comment | Personal selling is the interpersonal arm of the promotion mix. A company's sales force creates and communicates customer value through personal interactions with customers.

Personal Selling (pp 464–467)

Robert Louis Stevenson once noted, "Everyone lives by selling something." Companies around the world use sales forces to sell products and services to business customers and final consumers. But sales forces are also found in many other kinds of organizations. For example, colleges use recruiters to attract new students, and churches use membership committees to attract new members. Museums and fine arts organizations use fund-raisers to contact donors and raise money. Even governments use sales forces. The U.S. Postal Service, for instance, uses a sales force to sell Express Mail and other services to corporate customers. In the first part of this chapter, we examine personal selling's role in the organization, sales force management decisions, and the personal selling process.

The Nature of Personal Selling

Personal selling
Personal presentations by the firm's sales force for the purpose of making sales and building customer relationships.

Personal selling is one of the oldest professions in the world. The people who do the selling go by many names, including salespeople, sales representatives, agents, district managers, account executives, sales consultants, and sales engineers.

People hold many stereotypes of salespeople—including some unfavorable ones. "Salesman" may bring to mind the image of Arthur Miller's pitiable Willy Loman in *Death of a Salesman* or Dwight Schrute, the opinionated Dunder Mifflin paper salesman from the TV show *The Office*, who lacks both common sense and social skills. And then there are the real-life "yell-and-sell" "pitchmen," who hawk everything from the ShamWow to the Swivel Sweeper and Point 'n Paint in TV infomercials. However, the majority of salespeople are a far cry from these unfortunate stereotypes.

As the opening P&G story shows, most salespeople are well-educated and well-trained professionals who add value for customers and maintain long-term customer relationships. They listen to their customers, assess customer needs, and organize the company's efforts to solve customer problems.[2]

Some assumptions about what makes someone a good salesperson are dead wrong. There's this idea that the classic sales personality is overbearing, pushy, and outgoing—the kind of people who walk in and suck all the air out of the room. But the best salespeople are good at one-on-one contact. They create loyalty and customers because people trust them and want to work with them. It's a matter of putting the client's interests first, which is the antithesis of how most people view salespeople. The most successful salespeople are successful for one simple reason: They know how to build relationships. You can go in with a big personality and convince people to do what you want them to do, but that really isn't selling; it's manipulation, and it only works in the short term. A good salesperson can read customer emotions without exploiting them because the bottom line is that he or she wants what's best for the customer.

Professional selling: It takes more than fast talk and a warm smile to sell high-tech diesel locomotives. GE's real challenge is to win a buyer's business by building partnerships, day-in, day-out, year-in, year-out, with its customers.

Consider GE's diesel locomotive business. It takes more than fast talk and a warm smile to sell a batch of $2-million high-tech locomotives. A single big sale can easily run into the hundreds of millions of dollars. GE salespeople head up an extensive team of company specialists—all dedicated to finding ways to satisfy the needs of large customers. The selling process can take years from the first sales presentation to the day the sale is announced. The real challenge is to win buyers' business by building day-in, day-out, year-in, year-out partnerships with them based on superior products and close collaboration.

The term **salesperson** covers a wide range of positions. At one extreme, a salesperson might be largely an *order taker*, such as the department store salesperson standing behind the counter. At the other extreme are *order getters*, whose positions demand *creative selling* and *relationship building* for products and services ranging from appliances, industrial equipment, and locomotives to insurance and information technology services. Here, we focus on the more creative types of selling and the process of building and managing an effective sales force.

The Role of the Sales Force

Salesperson
An individual representing a company to customers by performing one or more of the following activities: prospecting, communicating, selling, servicing, information gathering, and relationship building.

Personal selling is the interpersonal arm of the promotion mix. Advertising consists largely of nonpersonal communication with large groups of consumers. By contrast, personal selling involves interpersonal interactions between salespeople and individual customers—whether face-to-face, by telephone, via e-mail, through video or Web conferences, or by other means. Personal selling can be more effective than advertising in more complex selling situations. Salespeople can probe customers to learn more about their problems and then adjust the marketing offer and presentation to fit the special needs of each customer.

The role of personal selling varies from company to company. Some firms have no salespeople at all—for example, companies that sell only online or through catalogs, or companies that sell through manufacturer's reps, sales agents, or brokers. In most firms, however, the sales force plays a major role. In companies that sell business products and services, such as IBM, DuPont, or Boeing, salespeople work directly with customers. In consumer product companies such as P&G and Nike, the sales force plays an important behind-the-scenes role. It works with wholesalers and retailers to gain their support and help them be more effective in selling the company's products.

Linking the Company with Its Customers

The sales force serves as a critical link between a company and its customers. In many cases, salespeople serve two masters: the seller and the buyer. First, they *represent the company to customers*. They find and develop new customers and communicate information

Salespeople link the company with its customers. To many customers, the salesperson is the company.

about the company's products and services. They sell products by approaching customers, presenting their offerings, answering objections, negotiating prices and terms, and closing sales. In addition, salespeople provide customer service and carry out market research and intelligence work.

At the same time, salespeople *represent customers to the company*, acting inside the firm as "champions" of customers' interests and managing the buyer-seller relationship. Salespeople relay customer concerns about company products and actions back inside to those who can handle them. They learn about customer needs and work with other marketing and nonmarketing people in the company to develop greater customer value.

In fact, to many customers, the salesperson *is* the company—the only tangible manifestation of the company that they see. Hence, customers may become loyal to salespeople as well as to the companies and products they represent. This concept of "salesperson-owned loyalty" lends even more importance to the salesperson's customer relationship building abilities. Strong relationships with the salesperson will result in strong relationships with the company and its products. Conversely, poor relationships will probably result in poor company and product relationships.

Given its role in linking the company with its customers, the sales force must be strongly customer-solutions focused. In fact, such a customer-solutions focus is a must not only for the sales force but also for the entire organization. Says Anne Mulcahy, successful former CEO and chairman of Xerox, who started her career in sales, a strong customer-service focus "has to be the center of your universe, the heartland of how you run your company" (see Real Marketing 16.1).

Coordinating Marketing and Sales

Ideally, the sales force and other marketing functions (marketing planners, brand managers, and researchers) should work together closely to jointly create value for customers. Unfortunately, however, some companies still treat sales and marketing as separate functions. When this happens, the separate sales and marketing groups may not get along well. When things go wrong, marketers blame the sales force for its poor execution of what they see as an otherwise splendid strategy. In turn, the sales team blames the marketers for being out of touch with what's really going on with customers. Neither group fully values the other's contributions. If not repaired, such disconnects between marketing and sales can damage customer relationships and company performance.

A company can take several actions to help bring its marketing and sales functions closer together. At the most basic level, it can increase communications between the two groups by arranging joint meetings and spelling out communications channels. It can create opportunities for salespeople and marketers to work together. Brand managers and researchers can occasionally tag along on sales calls or sit in on sales planning sessions. In turn, salespeople can sit in on marketing planning sessions and share their firsthand customer knowledge.

A company can also create joint objectives and reward systems for sales and marketing teams or appoint marketing-sales liaisons—people from marketing who "live with the sales force" and help coordinate marketing and sales force programs and efforts. Finally, it can appoint a high-level marketing executive to oversee both marketing and sales. Such a person can help infuse marketing and sales with the common goal of creating value for customers to capture value in return.[3]

Real Marketing 16.1

The Role of the Sales Force—and the Entire Company: Putting Customers First

When someone says "salesperson," what image comes to mind? Perhaps you think of the stereotypical glad-hander who's out to lighten customers' wallets by selling them something they don't really need. Think again. Today, for most companies, personal selling plays an important role in building profitable customer relationships. In turn, those relationships contribute greatly to overall company success.

Just ask Anne Mulcahy, recently retired CEO and current chairman of the board at Xerox. We talked about Mulcahy in Chapter 3. She took the reins of the then-nearly-bankrupt copier company in early 2001 and transformed it into a successful, modern-day, digital technology and services enterprise. Mulcahy has received much praise from analysts, investors, and others as a transformative leader at Xerox. In 2007, *Fortune* magazine named her the second-most-powerful woman in business, and *Forbes* ranked her as the 13th most powerful woman in the world. In 2008, she became the first female CEO selected by her peers as *Chief Executive* magazine's Chief Executive of the Year.

But the roots of Mulcahy's success go back to the lessons she learned and the skills she honed in sales. The one-time undergraduate English and journalism major began her career in 1976 as a Xerox sales rep in Boston. From there, she worked her way up the sales ladder to become Xerox's vice president of global sales in the late 1990s. Then, 25 years after first knocking on customer doors in New England, she was appointed CEO of Xerox.

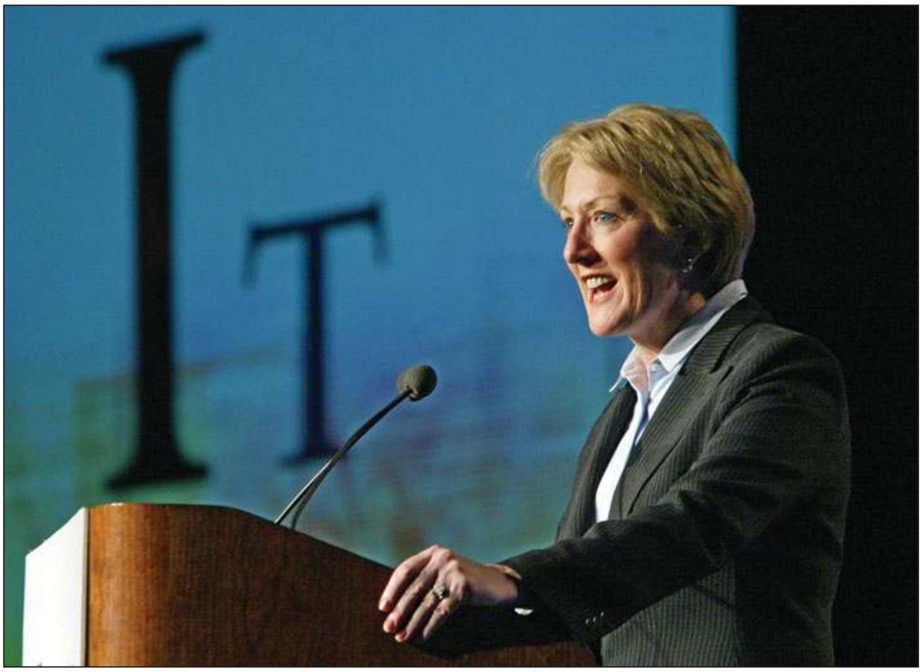
As CEO, Mulcahy brought with her a sales and marketing mentality that now permeates the entire Xerox organization. As you may recall from the turnaround story in Chapter 3, the company's transformation started with a new focus solving customer problems. Mulcahy believes that understanding customers is just as important as understanding technology. "Having spent so much time in sales, . . . I knew you have to keep customers in the forefront." Looking back, Mulcahy recalls, Xerox had lost touch with its markets. To turn things around at Xerox, the company needed to focus on customers. "In a crisis, that is what really matters."

"Sales helps you understand what drives the business and that customers are a critical part of the business," Mulcahy says. "This will be important in any business function, but you learn it [best] in sales management where it is critical, the jewel in the crown." Implementing this customer- first sales philosophy, one of Mulcahy's first actions as CEO was to put on her old sales hat and hit the road to visit customers.

Mulcahy knows that putting customers first isn't just a sales force responsibility; it's an emphasis for everyone in the company. To stress that point at all levels, she quickly set up a rotating "customer officer of the day" program at Xerox, which requires a top executive to answer customer calls that come to corporate headquarters. As the customer officer of the day, the executive has three responsibilities: listen to the customer, resolve the problem, and take responsibility for fixing the underlying cause. That sounds a lot like sales.

So if you're still thinking of salespeople as fast-talking, ever-smiling peddlers who foist their wares on reluctant customers, you're probably working with an out-of-date stereotype. Good salespeople succeed not by taking customers in but by helping them out—by assessing customer needs and solving customer problems. At Xerox, salespeople are well-trained professionals who listen to customers and win their business by doing what's right for them. In fact, that isn't just good sales thinking—it applies to the entire organization. According to Mulcahy, that "has to be the center of your universe, the heartland of how you run your company."

Sources: Henry Canaday, "Sales Rep to CEO: Anne Mulcahy and the Xerox Revolution," *Selling Power*, November/December 2008, pp. 53–57; "2008 Chief Executive of the Year," *Chief Executive*, September/October 2008, p. 68; Andrea Deckert, "Mulcahy Describes the Keys to Xerox Turnaround," November 2, 2007, p. 3; "Women CEOs, Xerox," *Financial Times*, December 31, 2008, p. 10; and "Anne Mulcahy to Retire as Xerox CEO," *Wireless News*, May 27, 2009.



Putting the customer first: Says transformative former Xerox CEO and chairman, Anne Mulcahy, who started her career in sales, that "has to be the center of your universe, the heartland of how you run your company."

Author Comment | Here's another definition of sales force management: "Planning, organizing, leading, and controlling personal contact programs designed to achieve profitable customer relationships." Once again, the goal of every marketing activity is to create customer value and build customer relationships.

Managing the Sales Force (pp 468–477)

We define **sales force management** as analyzing, planning, implementing, and controlling sales force activities. It includes designing sales force strategy and structure and recruiting, selecting, training, compensating, supervising, and evaluating the firm's salespeople. These major sales force management decisions are shown in **Figure 16.1** and are discussed in the following sections.

Sales force management
Analyzing, planning, implementing, and controlling sales force activities.

Designing the Sales Force Strategy and Structure

Marketing managers face several sales force strategy and design questions. How should salespeople and their tasks be structured? How big should the sales force be? Should salespeople sell alone or work in teams with other people in the company? Should they sell in the field, by telephone, or on the Web? We address these issues next.

The Sales Force Structure

A company can divide sales responsibilities along any of several lines. The structure decision is simple if the company sells only one product line to one industry with customers in many locations. In that case the company would use a *territorial sales force structure*. However, if the company sells many products to many types of customers, it might need a *product sales force structure*, a *customer sales force structure*, or a combination of the two.

Territorial sales force structure
A sales force organization that assigns each salesperson to an exclusive geographic territory in which that salesperson sells the company's full line.

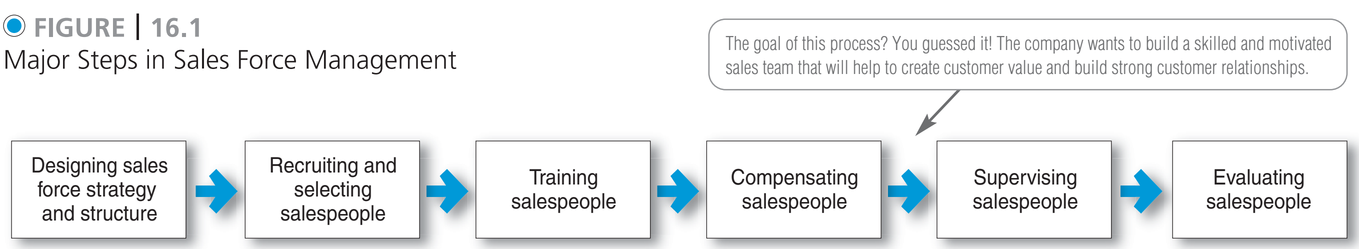
Territorial Sales Force Structure. In the **territorial sales force structure**, each salesperson is assigned to an exclusive geographic area and sells the company's full line of products or services to all customers in that territory. This organization clearly defines each salesperson's job and fixes accountability. It also increases the salesperson's desire to build local customer relationships that, in turn, improve selling effectiveness. Finally, because each salesperson travels within a limited geographic area, travel expenses are relatively small.

A territorial sales organization is often supported by many levels of sales management positions. For example, Stanley Black & Decker uses a territorial structure in which each salesperson is responsible for selling all of the company's products—from hand tools to lawn and garden equipment—in assigned territories. Starting at the bottom of the organization are entry-level *territory sales representatives* who report to *territory managers*. Territory sales representatives cover smaller areas, such as Eastern North Carolina, and territory managers cover larger areas such as the Carolinas and Virginia. Territory managers, in turn, report to *regional managers*, who cover regions such as the Southeast or West Coast. Regional managers, in turn, report to a *director of sales*.

Product sales force structure
A sales force organization in which salespeople specialize in selling only a portion of the company's products or lines.

Product Sales Force Structure. Salespeople must know their products, especially when the products are numerous and complex. This need, together with the growth of product management, has led many companies to adopt a **product sales force structure**, in which the sales force sells along product lines. For example, GE employs different sales forces within different product and service divisions of its major businesses. Within GE Infrastructure, for instance, the company has separate sales forces for aviation, energy, transportation, and water processing products and technologies. Within GE Healthcare, it employs different sales forces for diagnostic imaging, life sciences, and integrated IT products and services. In all, a company as large and complex as GE might have dozens of separate sales forces serving its diverse product and service portfolio.

FIGURE | 16.1
Major Steps in Sales Force Management



The product structure can lead to problems, however, if a single large customer buys many different company products. For example, several different GE salespeople might end up calling on the same large healthcare customer in a given period. This means that they travel over the same routes and wait to see the same customer's purchasing agents. These extra costs must be compared with the benefits of better product knowledge and attention to individual products.

Customer (or market) sales force structure
A sales force organization in which salespeople specialize in selling only to certain customers or industries.

Customer Sales Force Structure. More and more companies are now using a **customer** (or **market**) **sales force structure**, in which they organize the sales force along customer or industry lines. Separate sales forces may be set up for different industries, serving current customers versus finding new ones, and serving major accounts versus regular accounts. Many companies even have special sales forces to handle the needs of individual large customers. For example, above its territory structure, Stanley Black & Decker has a Home Depot sales organization and a Lowe's sales organization.

Organizing the sales force around customers can help a company build closer relationships with important customers. Consider Hill-Rom, a leading supplier of medical equipment, including hospital beds, stretchers, and nurse communication systems, which recently restructured its product-based sales force into a customer-based one:[4]

Leading medical-equipment supplier Hill-Rom recently adopted a customer-based sales force structure, which helped it focus more intensely on the needs of large key customers. In the two years following the sales force redesign, sales growth doubled.

> Hill-Rom divided its sales force into two customer-based teams. One sales force focuses on "key" customers—large accounts that purchase high-end equipment and demand high levels of sales force collaboration. The second sales force focuses on "prime" customers—smaller accounts that are generally more concerned about getting the features and functions they need for the best possible price. Assigning the separate sales forces helps Hill-Rom better understand what the different types of customers need. It also lets the company track how much attention the sales force devotes to each customer group.
>
> For example, prior to restructuring its sales force, Hill-Rom had been treating both key and prime customers the same way. As a result, it was trying to sell smaller prime customers a level of service and innovation that they did not value or could not afford. So the cost of sales for prime customers was four to five times higher than for key customers. Now, a single account manager and team focus intensely on all the areas of each key customer's business, working together to find product and service solutions. Such intensive collaboration would have been difficult under the old product-based sales structure, in which multiple Hill-Rom sales reps serviced the different specialty areas within a single key account. In the two years following the sales force redesign, Hill-Rom's sales growth doubled.

Complex Sales Force Structures. When a company sells a wide variety of products to many types of customers over a broad geographic area, it often combines several types of sales force structures. Salespeople can be specialized by customer and territory; product and territory; product and customer; or territory, product, and customer. For example, Stanley Black & Decker specializes its sales force by customer (with different sales forces calling on Home Depot, Lowe's, and smaller independent retailers) *and* by territory for each key customer group (territory representatives, territory managers, regional managers, and so on). No single structure is best for all companies and situations. Each company should select a sales force structure that best serves the needs of its customers and fits its overall marketing strategy.

Some sales forces are huge. For example, GE employs 16,400 salespeople; American Express, 23,400; PepsiCo, 36,000; and Xerox, 15,000.

A good sales structure can mean the difference between success and failure. Over time, sales force structures can grow complex, inefficient, and unresponsive to customers' needs. Companies should periodically review their sales force organizations to be certain that they serve the needs of the company and its customers.

Sales Force Size

Once the company has set its structure, it is ready to consider *sales force size*. Sales forces may range in size from only a few salespeople to tens of thousands. Some sales forces are huge—for example, PepsiCo employs 36,000 salespeople; American Express, 23,400; GE, 16,400; and Xerox, 15,000.[5] Salespeople constitute one of the company's most productive—and most expensive—assets. Therefore, increasing their numbers will increase both sales and costs.

Many companies use some form of *workload approach* to set sales force size. Using this approach, a company first groups accounts into different classes according to size, account status, or other factors related to the amount of effort required to maintain the account. It then determines the number of salespeople needed to call on each class of accounts the desired number of times.

The company might think as follows: Suppose we have 1,000 A-level accounts and 2,000 B-level accounts. A-level accounts require 36 calls per year, and B-level accounts require 12 calls per year. In this case, the sales force's *workload*—the number of calls it must make per year—is 60,000 calls [$(1{,}000 \times 36) + (2{,}000 \times 12) = 36{,}000 + 24{,}000 = 60{,}000$]. Suppose our average salesperson can make 1,000 calls a year. Thus, we need 60 salespeople ($60{,}000 \div 1{,}000$).[6]

Other Sales Force Strategy and Structure Issues

Sales management must also determine who will be involved in the selling effort and how various sales and sales support people will work together.

Outside sales force (or field sales force)
Salespeople who travel to call on customers in the field.

Inside sales force
Salespeople who conduct business from their offices via telephone, the Internet, or visits from prospective buyers.

Outside and Inside Sales Forces. The company may have an **outside sales force** (or **field sales force**), an **inside sales force**, or both. Outside salespeople travel to call on customers in the field. Inside salespeople conduct business from their offices via telephone, the Internet, or visits from buyers.

Some inside salespeople provide support for the outside sales force, freeing them to spend more time selling to major accounts and finding new prospects. For example, *technical sales support people* provide technical information and answers to customers' questions. *Sales assistants* provide administrative backup for outside salespeople. They call ahead and confirm appointments, follow up on deliveries, and answer customers' questions when outside salespeople cannot be reached. Using such combinations of inside and outside salespeople can help serve important customers better. The inside rep provides daily access and support; the outside rep provides face-to-face collaboration and relationship building.

Other inside salespeople do more than just provide support. *Telemarketers* and *Web sellers* use the phone and Internet to find new leads and qualify prospects or sell and service accounts directly. Telemarketing and Web selling can be very effective, less costly ways to sell to smaller, harder-to-reach customers. Depending on the complexity of the product and customer, for example, a telemarketer can make from 20 to 33 decision-maker contacts a day, compared to the average of four that an outside salesperson can make. And whereas an average B-to-B field sales call costs $350 or more, a routine industrial telemarketing call costs only about $5 and a complex call about $20.[7]

Although the federal government's Do Not Call Registry put a dent in telephone sales to consumers, telemarketing remains a vital tool for many B-to-B marketers. For some smaller companies, telephone and Web selling may be the primary sales approaches. How-

For many types of selling situations, phone or Web selling can be as effective as a personal sales call. At Climax Portable Machine Tools, phone reps build surprisingly strong and personal customer relationships.

ever, larger companies also use these tactics, either to sell directly to small and midsize customers or help out with larger ones. Especially in the leaner times following the recent recession, many companies reduced their in-person customer visits in favor of more telephone, e-mail, and Internet selling.

For many types of products and selling situations, phone or Web selling can be as effective as a personal sales call:

> Climax Portable Machine Tools, which manufactures portable maintenance tools for the metal cutting industry, has proven that telemarketing can save money and still lavish attention on buyers. Under the old system, Climax sales engineers spent one-third of their time on the road, training distributor salespeople and accompanying them on calls. They could make about four contacts a day. Now, each of five sales engineers on Climax's inside sales team calls about 30 prospects a day, following up on leads generated by ads and e-mails. Because it takes about five calls to close a sale, the sales engineers update a prospect's profile after each contact, noting the degree of commitment, requirements, next call date, and personal comments. "If anyone mentions he's going on a fishing trip, our sales engineer enters that in the sales information system and uses it to personalize the next phone call," says Climax's president, noting that this is one way to build good relations.
>
> Another is that the first contact with a prospect includes the sales engineer's business card with his or her picture on it. Climax's customer information system also gives inside reps instant access to customer information entered by the outside sales force and service people. Armed with all the information, inside reps can build surprisingly strong and personal customer relationships. Of course, it takes more than friendliness to sell $15,000 machine tools over the phone (special orders may run $200,000), but the telemarketing approach works well. When Climax customers were asked, "Do you see the sales engineer often enough?" the response was overwhelmingly positive. Obviously, many people didn't realize that the only contact they had with Climax had been on the phone.[8]

Team selling
Using teams of people from sales, marketing, engineering, finance, technical support, and even upper management to service large, complex accounts.

Team Selling. As products become more complex, and as customers grow larger and more demanding, a single salesperson simply can't handle all of a large customer's needs. Instead, most companies now use **team selling** to service large, complex accounts. Sales teams can unearth problems, solutions, and sales opportunities that no individual salesperson could do. Such teams might include experts from any area or level of the selling firm—sales, marketing, technical and support services, R&D, engineering, operations, finance, and others.

In many cases, the move to team selling mirrors similar changes in customers' buying organizations. "Buyers implementing team-based purchasing decisions have necessitated the equal and opposite creation of team-based selling—a completely new way of doing business for many independent, self-motivated salespeople," says a sales force analyst. "Today, we're calling on teams of buying people, and that requires more firepower on our side," agrees one sales vice president. "One salesperson just can't do it all—can't be an expert in everything we're bringing to the customer. We have strategic account teams, led by customer business managers, who basically are our quarterbacks."[9]

Some companies, such as IBM, Xerox, and P&G, have used teams for a long time. In the chapter-opening story, we learned that P&G sales reps are organized into customer business development (CBD) teams. Each CBD team is assigned to a major P&G customer, such as Walmart, Safeway, or CVS Pharmacy. The CBD organization places the focus on serving the complete needs of each major customer. It lets P&G "grow business by working as a 'strategic partner' with our accounts," not just as a supplier.[10]

Team selling does have some pitfalls. For example, salespeople are by nature competitive and have often been trained and rewarded for outstanding individual performance. Salespeople who are used to having customers all to themselves may have trouble learning to work with and trust others on a team. In addition, selling teams can confuse or overwhelm customers who are used to working with only one salesperson. Finally, difficulties in evaluating individual contributions to the team selling effort can create some sticky compensation issues.

Recruiting and Selecting Salespeople

At the heart of any successful sales force operation is the recruitment and selection of good salespeople. The performance difference between an average salesperson and a top salesperson can be substantial. In a typical sales force, the top 30 percent of the salespeople might bring in 60 percent of the sales. Thus, careful salesperson selection can greatly increase overall sales force performance. Beyond the differences in sales performance, poor selection results in costly turnover. When a salesperson quits, the costs of finding and training a new salesperson—plus the costs of lost sales—can be very high. Also, a sales force with many new people is less productive, and turnover disrupts important customer relationships.

Great salespeople: The best salespeople possess intrinsic motivation, disciplined work style, the ability to close a sale, and perhaps most important, the ability to build relationships with customers.

What sets great salespeople apart from all the rest? In an effort to profile top sales performers, Gallup Consulting, a division of the well-known Gallup polling organization, has interviewed hundreds of thousands of salespeople. Its research suggests that the best salespeople possess four key talents: intrinsic motivation, a disciplined work style, the ability to close a sale, and, perhaps most important, the ability to build relationships with customers.[11]

Super salespeople are motivated from within—they have an unrelenting drive to excel. Some salespeople are driven by money, a desire for recognition, or the satisfaction of competing and winning. Others are driven by the desire to provide service and build relationships. The best salespeople possess some of each of these motivations. They also have a disciplined work style. They lay out detailed, organized plans and then follow through in a timely way.

But motivation and discipline mean little unless they result in closing more sales and building better customer relationships. Super salespeople build the skills and knowledge they need to get the job done. Perhaps most important, top salespeople are excellent customer problem solvers and relationship builders. They understand their customers' needs. Talk to sales executives and they'll describe top performers in these terms: good listeners, empathetic, patient, caring, and responsive. Top performers can put themselves on the buyer's side of the desk and see the world through their customers' eyes. They don't want just to be liked; they want to add value for their customers.

When recruiting, a company should analyze the sales job itself and the characteristics of its most successful salespeople to identify the traits needed by a successful salesperson in their industry. Then it must recruit the right salespeople. The human resources department looks for applicants by getting names from current salespeople, using employment agencies, searching the Web, placing classified ads, and working through college placement services. Another source is to attract top salespeople from other companies. Proven salespeople need less training and can be productive immediately.

Recruiting will attract many applicants from which the company must select the best. The selection procedure can vary from a single informal interview to lengthy testing and interviewing. Many companies give formal tests to sales applicants. Tests typically measure sales aptitude, analytical and organizational skills, personality traits, and other characteristics. But test scores provide only one piece of information in a set that includes personal characteristics, references, past employment history, and interviewer reactions.

Training Salespeople

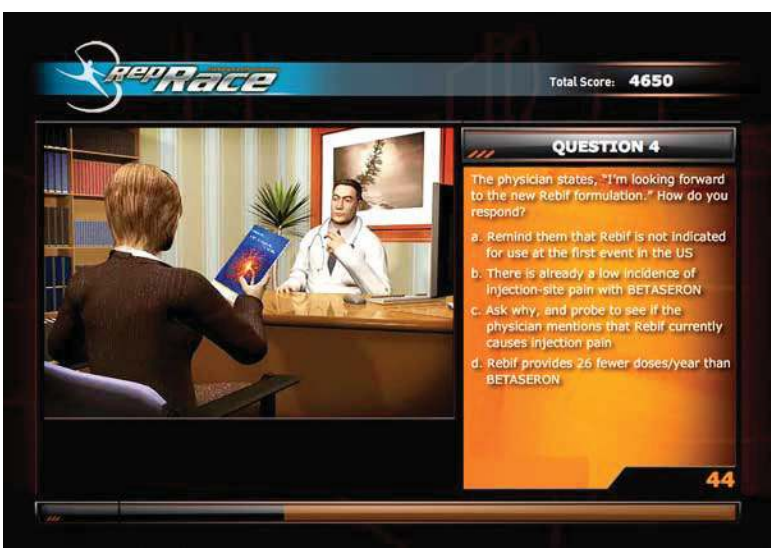
New salespeople may spend anywhere from a few weeks or months to a year or more in training. Then, most companies provide continuing sales training via seminars, sales meetings, and Web e-learning throughout the salesperson's career. In all, U.S. companies spend billions of dollars annually on training salespeople, and sales training typically captures the largest share of the training budget. For example, U.S. technology companies invest 29 percent of their training budgets on sales training. Although training can be expensive, it can also yield dramatic returns. For instance, one recent study showed that sales training conducted by ADP, an administrative services firm, resulted in an ROI of nearly 338 percent in only 90 days.[12]

Training programs have several goals. First, salespeople need to know about customers and how to build relationships with them. So the training program must teach them about different types of customers and their needs, buying motives, and buying habits. It must also teach them how to sell effectively and train them in the basics of the selling process. Salespeople also need to know and identify with the company, its products, and its competitors. So an effective training program teaches them about the company's objectives, organization, products, and the strategies of major competitors.

Today, many companies are adding e-learning to their sales training programs. Online training may range from simple text-based product training and Internet-based sales exercises that build sales skills to sophisticated simulations that re-create the dynamics of real-life sales calls. Training online instead of on-site can cut travel and other training costs, and it takes up less of a salesperson's selling time. It also makes on-demand training available to salespeople, letting them train as little or as much as needed, whenever and wherever needed. Most e-learning is Web-based, but many companies now offer on-demand training via smartphones and iPod-type devices.

Many companies are now using imaginative and sophisticated e-learning techniques to make sales training more efficient—and sometimes even more fun. For example, Bayer HealthCare Pharmaceuticals worked with Concentric RX, a healthcare marketing agency, to create a role-playing simulation video game to train its sales force on a new drug marketing program:[13]

> Most people don't usually associate fast-paced rock music and flashy graphics with online sales training tools. ◉ But Concentric RX's innovative role-playing video game—Rep Race: The Battle for Office Supremacy—has all that and a lot more. Rep Race gives Bayer sales reps far more entertainment than the staid old multiple-choice skills tests it replaces. The game was created to help breathe new life into a mature Bayer product—Betaseron, a 17-year-old multiple sclerosis (MS) therapy treatment. The aim was to find a fresh, more active way to help Bayer sales reps apply the in-depth information they learned about Betaseron to actual selling and objections-handling situations. Bayer also wanted to increase rep engagement through interactive learning and feedback through real-time results. Bayer reps liked Rep Race from the start. According to Bayer, when the game was first launched, reps played it as many as 30 times. In addition to its educational and motivational value, Rep Race allowed Bayer to measure sales reps' individual and collective performance. In the end, Bayer calculated that the Rep Race simulation helped improve the Betaseron sales team's effectiveness by 20 percent.



◉ E-training can make sales training more efficient—and more fun. Bayer HealthCare Pharmaceuticals' role-playing video game—Rep Race—helped improve sales rep effectiveness by 20 percent.

Compensating Salespeople

To attract good salespeople, a company must have an appealing compensation plan. Compensation consists of four elements: a fixed amount, a variable amount, expenses, and fringe benefits. The fixed amount, usually a salary, gives the salesperson some stable income. The variable amount, which might be commissions or bonuses based on sales performance, rewards the salesperson for greater effort and success.

Management must determine what *mix* of these compensation elements makes the most sense for each sales job. Different combinations of fixed and variable compensation give rise to four basic types of compensation plans: straight salary, straight commission, salary plus bonus, and salary plus commission. According to one study of sales force compensation, 18 percent of companies pay straight salary, 19 percent pay straight commission, and 63 percent pay a combination of salary plus incentives. A study showed that the average salesperson's pay consists of about 67 percent salary and 33 percent incentive pay.[14]

A sales force compensation plan can both motivate salespeople and direct their activities. Compensation should direct salespeople toward activities that are consistent with overall sales force and marketing objectives. For example, if the strategy is to acquire new business, grow rapidly, and gain market share, the compensation plan might include a larger commission component, coupled with a new-account bonus to encourage high sales performance and new account development. In contrast, if the goal is to maximize current account profitability, the compensation plan might contain a larger base-salary component with additional incentives for current account sales or customer satisfaction.

In fact, more and more companies are moving away from high commission plans that may drive salespeople to make short-term grabs for business. They worry that a salesperson who is pushing too hard to close a deal may ruin the customer relationship. Instead, companies are designing compensation plans that reward salespeople for building customer relationships and growing the long-run value of each customer.

When the times get tough economically, some companies are tempted to cut costs by reducing sales compensation. However, although some cost-cutting measures make sense when business is sluggish, cutting sales force compensation across the board is usually a "don't-go-there, last-of-the-last-resorts" action, says one sales compensation expert. "Keep in mind that if you burn the salesperson, you might burn the customer relationship." If the company must reduce its compensation expenses, says the expert, a better strategy than across-the-board cuts is to "keep the pay up for top performers and turn the [low performers] loose."[15]

Supervising and Motivating Salespeople

New salespeople need more than a territory, compensation, and training—they need supervision and motivation. The goal of *supervision* is to help salespeople "work smart" by doing the right things in the right ways. The goal of *motivation* is to encourage salespeople to "work hard" and energetically toward sales force goals. If salespeople work smart and work hard, they will realize their full potential—to their own and the company's benefit.

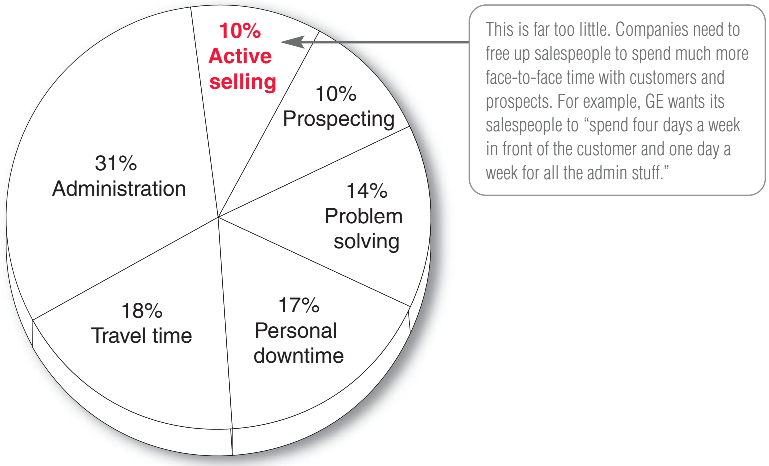
Supervising Salespeople

Companies vary in how closely they supervise their salespeople. Many help salespeople identify target customers and set call objectives. Some may also specify how much time the sales force should spend prospecting for new accounts and set other time management priorities. One tool is the weekly, monthly, or annual *call plan* that shows which customers and prospects to call on and which activities to carry out. Another tool is *time-and-duty analysis*. In addition to time spent selling, the salesperson spends time traveling, waiting, taking breaks, and doing administrative chores.

Figure 16.2 shows how salespeople spend their time. On average, active selling time accounts for only 10 percent of total working time! If selling time could be raised from 10 percent to 30 percent, this would triple the time spent selling.[16] Companies are always looking for ways to save time—simplifying administrative duties, developing better sales-call and routing plans, supplying more and better customer information, and using phone, e-mail,

FIGURE | 16.2
How Salespeople Spend Their Time

Source: Proudfoot Consulting. Data used with permission.



or video conferencing instead of traveling. Consider the changes GE made to increase its sales force's face-to-face selling time.[17]

> When Jeff Immelt became GE's new chairman, he was dismayed to find that members of the sales team were spending far more time on deskbound administrative chores than in face-to-face meetings with customers and prospects. "He said we needed to turn that around," recalls Venki Rao, an IT leader in global sales and marketing at GE Power Systems, a division focused on energy systems and products. "[We need] to spend four days a week in front of the customer and one day for all the admin stuff." GE Power's salespeople spent much of their time at their desks because they had to go to many sources for the information needed to sell multimillion-dollar turbines, turbine parts, and services to energy companies worldwide. To fix the problem, GE created a new sales portal, a kind of "one-stop shop" that connects the vast array of GE databases, providing salespeople with everything from sales tracking and customer data to parts pricing and information on planned outages. GE also added external data, such as news feeds. "Before, you were randomly searching for things," says Bill Snook, a GE sales manager. Now, he says, "I have the sales portal as my home page, and I use it as the gateway to all the applications that I have." The sales portal has freed Snook and 2,500 other users around the globe from once time-consuming administrative tasks, greatly increasing their face time with customers.

Many firms have adopted *sales force automation systems*: computerized, digitized sales force operations that let salespeople work more effectively anytime, anywhere. Companies now routinely equip their salespeople with technologies such as laptops, smartphones, wireless Web connections, Webcams for videoconferencing, and customer-contact and relationship management software. Armed with these technologies, salespeople can more effectively and efficiently profile customers and prospects, analyze and forecast sales, schedule sales calls, make presentations, prepare sales and expense reports, and manage account relationships. The result is better time management, improved customer service, lower sales costs, and higher sales performance.[18]

Selling and the Internet

Perhaps the fastest-growing sales technology tool is the Internet. The Internet offers explosive potential for conducting sales operations and interacting with and serving customers. Sales organizations are now both enhancing their effectiveness and saving time and money by using a host of Internet approaches to train sales reps, hold sales meetings, service accounts, and even conduct live sales meetings with customers. Some call it **Sales 2.0**, the merging of innovative sales practices with Web 2.0 technologies to improve sales force effectiveness and efficiency:[19]

Sales 2.0
The merging of innovative sales practices with Web 2.0 technologies to improve sales force effectiveness and efficiency.

> Web 2.0 enables a way of interacting, collaborating, and information sharing. With the Internet as a new business platform, now all stakeholders—prospects, customers,

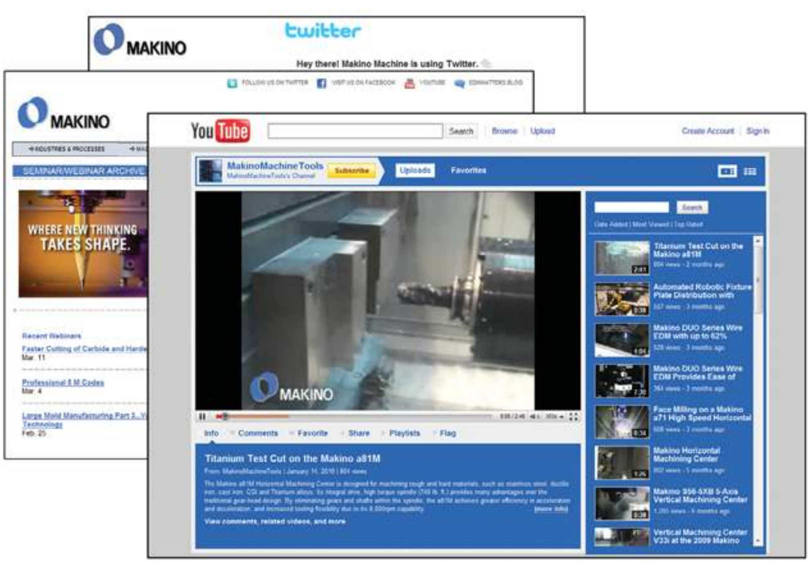
> salespeople, and marketers—can connect, learn, plan, analyze, engage, collaborate, and conduct business together in ways that were not even imaginable a few years ago. Sales 2.0 brings together customer-focused methodologies and productivity-enhancing technologies that transform selling from an art to an interactive science. Sales 2.0 has forever changed the process by which people buy and companies sell. Will all this new sales technology reduce the role of face-to-face selling? The good news is that Sales 2.0 will not make salespeople obsolete. It will make them a lot more productive and effective.

Web-based technologies can produce big organizational benefits for sales forces. They help conserve salespeople's valuable time, save travel dollars, and give salespeople a new vehicle for selling and servicing accounts. Over the past decade, customer buying patterns have changed. In today's Web 2.0 world, customers often know almost as much about a company's products as their salespeople do. This gives customers more control over the sales process than they had in the days when brochures and pricing were only available from a sales rep. Sales 2.0 recognizes and takes advantage of these buying process changes, creating new avenues for connecting with customers in the Internet age.

For example, sales organizations can now generate lists of prospective customers from online databases and networking sites, such as Hoovers and LinkedIn. They create dialogs when prospective customers visit their Web sites through live chats with the sales team. They can use Web conferencing tools such as WebEx or GoToMeeting to talk live with customers about products and services. Other Sales 2.0 tools allow salespeople to monitor Internet interactions between customers about how they would like to buy, how they feel about a vendor, and what it would take to make a sale.

Today's sales forces are also ramping up their use of social networking media, from proprietary online customer communities to webinars and even Twitter, Facebook, and YouTube applications. A recent survey of business-to-business marketers found that, whereas they have recently cut back on traditional media and event spending, 68 percent are investing more in social media. Consider Makino, a leading manufacturer of metal cutting and machining technology:[20]

> Makino complements its sales force efforts through a wide variety of social media initiatives that inform customers and enhance customer relationships. For example, it hosts an ongoing series of industry-specific webinars that position the company as an industry thought leader. Makino produces about three webinars each month and has archived more than 100 on topics ranging from how to get the most out of your machine tools to how metal-cutting processes are done. Webinar content is tailored to specific industries, such as aerospace or medical, and is promoted through carefully targeted banner ads and e-mail invitations. The webinars help to build Makino's customer database, generate leads, build customer relationships, and prepare the way for salespeople by serving up relevant information and educating customers online. Makino even uses Twitter, Facebook, and YouTube to inform customers and prospects about the latest Makino innovations and events and dramatically demonstrate the company's machines in action. "We've shifted dramatically into the electronic marketing area," says Makino's marketing manager. "It speeds up the sales cycle and makes it more efficient—for both the company and the customer. The results have been 'outstanding.'"



Selling on the Internet: Machinery manufacturer Makino makes extensive use of online social networking—everything from proprietary online communities and webinars to Twitter, Facebook, and YouTube.

Ultimately, "Sales 2.0 technologies are delivering instant information that builds relationships and enables sales to be more efficient and cost-effective and more productive," says one sales technology analyst. "Think of it as . . . doing what the best reps always did but doing it better, faster, and cheaper," says another.[21]

But the technologies also have some drawbacks. For starters, they're not cheap. And such systems can intimidate low-tech salespeople or clients. Even more, there are some things you just can't present or teach via the Web—things that require personal interactions. For these reasons, some high-tech experts recommend that sales executives use Web technologies to supplement training, sales meetings, and preliminary client sales presentations but resort to old-fashioned, face-to-face meetings when the time draws near to close the deal.

Motivating Salespeople

Beyond directing salespeople, sales managers must also motivate them. Some salespeople will do their best without any special urging from management. To them, selling may be the most fascinating job in the world. But selling can also be frustrating. Salespeople often work alone, and they must sometimes travel away from home. They may face aggressive competing salespeople and difficult customers. Therefore, salespeople often need special encouragement to do their best.

Management can boost sales force morale and performance through its organizational climate, sales quotas, and positive incentives. *Organizational climate* describes the feeling that salespeople have about their opportunities, value, and rewards for a good performance. Some companies treat salespeople as if they are not very important, so performance suffers accordingly. Other companies treat their salespeople as valued contributors and allow virtually unlimited opportunity for income and promotion. Not surprisingly, these companies enjoy higher sales force performance and less turnover.

Sales quota
A standard that states the amount a salesperson should sell and how sales should be divided among the company's products.

Many companies motivate their salespeople by setting **sales quotas**—standards stating the amount they should sell and how sales should be divided among the company's products. Compensation is often related to how well salespeople meet their quotas. Companies also use various *positive incentives* to increase the sales force effort. *Sales meetings* provide social occasions, breaks from the routine, chances to meet and talk with "company brass," and opportunities to air feelings and identify with a larger group. Companies also sponsor *sales contests* to spur the sales force to make a selling effort above and beyond what is normally expected. Other incentives include honors, merchandise and cash awards, trips, and profit-sharing plans.

Evaluating Salespeople and Sales Force Performance

We have thus far described how management communicates what salespeople should be doing and how it motivates them to do it. This process requires good feedback. And good feedback means getting regular information about salespeople to evaluate their performance.

Management gets information about its salespeople in several ways. The most important source is *sales reports*, including weekly or monthly work plans and longer-term territory marketing plans. Salespeople also write up their completed activities on *call reports* and turn in *expense reports* for which they are partly or wholly reimbursed. The company can also monitor the sales and profit performance data in the salesperson's territory. Additional information comes from personal observation, customer surveys, and talks with other salespeople.

Using various sales force reports and other information, sales management evaluates the members of the sales force. It evaluates salespeople on their ability to "plan their work and work their plan." Formal evaluation forces management to develop and communicate clear standards for judging performance. It also provides salespeople with constructive feedback and motivates them to perform well.

On a broader level, management should evaluate the performance of the sales force as a whole. Is the sales force accomplishing its customer relationship, sales, and profit objectives? Is it working well with other areas of the marketing and company organization? Are sales force costs in line with outcomes? As with other marketing activities, the company wants to measure its *return on sales investment*.

Author Comment | So far, we've examined how sales management develops and implements overall sales force strategies and programs. In this section, we'll look at how individual salespeople and sales teams sell to customers and build relationships with them.

The Personal Selling Process (pp 478–481)

We now turn from designing and managing a sales force to the personal selling process. The **selling process** consists of several steps that salespeople must master. These steps focus on the goal of getting new customers and obtaining orders from them. However, most salespeople spend much of their time maintaining existing accounts and building long-term customer *relationships*. We discuss the relationship aspect of the personal selling process in a later section.

Selling process
The steps that salespeople follow when selling, which include prospecting and qualifying, preapproach, approach, presentation and demonstration, handling objections, closing, and follow-up.

Steps in the Selling Process

As shown in **Figure 16.3**, the selling process consists of seven steps: prospecting and qualifying, preapproach, approach, presentation and demonstration, handling objections, closing, and follow-up.

Prospecting and Qualifying

Prospecting
A salesperson or company identifies qualified potential customers.

The first step in the selling process is **prospecting**—identifying qualified potential customers. Approaching the right potential customers is crucial to the selling success. As one sales expert puts it, "If the sales force starts chasing anyone who is breathing and seems to have a budget, you risk accumulating a roster of expensive-to-serve, hard-to-satisfy customers who never respond to whatever value proposition you have." He continues, "The solution to this isn't rocket science. [You must] train salespeople to actively scout the right prospects." Another expert concludes, "Increasing your prospecting effectiveness is the fastest single way to boost your sales."[22]

The salesperson must often approach many prospects to get only a few sales. Although the company supplies some leads, salespeople need skill in finding their own. The best source is referrals. Salespeople can ask current customers for referrals and cultivate other referral sources, such as suppliers, dealers, noncompeting salespeople, and Web or other social networks. They can also search for prospects in directories or on the Web and track down leads using telephone and e-mail. Or they can drop in unannounced on various offices (a practice known as *cold calling*).

Salespeople also need to know how to *qualify* leads—that is, how to identify the good ones and screen out the poor ones. Prospects can be qualified by looking at their financial ability, volume of business, special needs, location, and possibilities for growth.

Preapproach

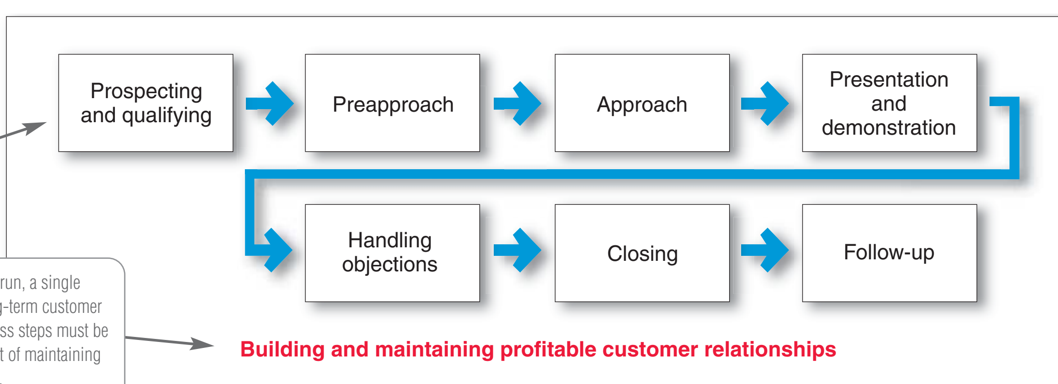
Preapproach
A salesperson learns as much as possible about a prospective customer before making a sales call.

Before calling on a prospect, the salesperson should learn as much as possible about the organization (what it needs, who is involved in the buying) and its buyers (their characteristics and buying styles). This step is known as **preapproach**. "Revving up your sales starts with your preparation," says one sales consultant. "A successful sale begins long before you set foot in the prospect's office." Preapproach begins with good research. The salesperson can consult standard industry and online sources, acquaintances, and others to learn about the company. Then the salesperson must apply the research to develop a customer strategy.

FIGURE | 16.3
Steps in the Selling Process

As shown here, these steps are transaction-oriented—aimed at closing a specific sale with the customer…

…but remember that in the long run, a single sale is only one element of a long-term customer relationship. So the selling process steps must be understood in the broader context of maintaining profitable customer relationships.



"Being able to recite the prospect's product line in your sleep isn't enough," says the consultant. "You need to translate the data into something useful for your client."[23]

The salesperson should set *call objectives*, which may be to qualify the prospect, gather information, or make an immediate sale. Another task is to determine the best approach, which might be a personal visit, a phone call, or a letter or an e-mail. The best timing should be considered carefully because many prospects are busiest at certain times. Finally, the salesperson should give thought to an overall sales strategy for the account.

Approach

Approach
A salesperson meets the customer for the first time.

During the **approach** step, the salesperson should know how to meet and greet the buyer and get the relationship off to a good start. This step involves the salesperson's appearance, opening lines, and follow-up remarks. The opening lines should be positive to build goodwill from the outset. This opening might be followed by some key questions to learn more about the customer's needs or by showing a display or sample to attract the buyer's attention and curiosity. As in all stages of the selling process, listening to the customer is crucial.

Presentation and Demonstration

Presentation
A salesperson tells the "value story" to the buyer, showing how the company's offer solves the customer's problems.

During the **presentation** step of the selling process, the salesperson tells the "value story" to the buyer, showing how the company's offer solves the customer's problems. The *customer-solution approach* fits better with today's relationship marketing focus than does a hard sell or glad-handing approach. "Stop selling and start helping," advises one sales consultant. "Your goal should be to sell your customers exactly what will benefit them most," says another.[24] Buyers today want answers, not smiles; results, not razzle-dazzle. Moreover, they don't want just products. More than ever in today's economic climate, buyers want to know how those products will add value to their businesses. They want salespeople who listen to their concerns, understand their needs, and respond with the right products and services.

This classic ad from Boise makes the point that good selling starts with listening. "Our account representatives have the unique ability to listen to your needs."

But before salespeople can *present* customer solutions, they must *develop* solutions to present. The solutions approach calls for good listening and problem-solving skills. The qualities that buyers *dislike most* in salespeople include being pushy, late, deceitful, unprepared, disorganized, or overly talkative. The qualities they *value most* include good listening, empathy, honesty, dependability, thoroughness, and follow-through. Great salespeople know how to sell, but more importantly they know how to listen and build strong customer relationships. Says one professional, "You have two ears and one mouth. Use them proportionally." Says another, "Everything starts with listening. I think the magic of these days is we've got so many more ways to listen."[25] A classic ad from office products maker Boise Cascade makes the listening point. It shows a Boise salesperson with huge ears drawn on. "With Boise, you'll notice a difference right away, especially with our sales force," says the ad. "At Boise . . . our account representatives have the unique ability to listen to your needs."

Finally, salespeople must also plan their presentation methods. Good interpersonal communication skills count when it comes to making effective sales presentations. However, today's media-rich and cluttered communications environment presents many new challenges for sales presenters. Today's information-overloaded customers demand richer presentation experiences. And presenters now face multiple distractions during presentations from cell phones, text messages, and mobile Internet devices. Salespeople must deliver their messages in more engaging and compelling ways.

Thus, today's salespeople are employing advanced presentation technologies that allow for full multimedia presentations to only one or a few people. The venerable old flip chart has been replaced with sophisticated presentation software, online presentation technologies, interactive whiteboards, and handheld computers and projectors.

Handling Objections

Handling objections
A salesperson seeks out, clarifies, and overcomes any customer objections to buying.

Customers almost always have objections during the presentation or when asked to place an order. The problem can be either logical or psychological, and objections are often unspoken. In **handling objections**, the salesperson should use a positive approach, seek out hidden objections, ask the buyer to clarify any objections, take objections as opportunities to provide more information, and turn the objections into reasons for buying. Every salesperson needs training in the skills of handling objections.

Closing

Closing
A salesperson asks the customer for an order.

After handling the prospect's objections, the salesperson now tries to close the sale. Some salespeople do not get around to **closing** or handle it well. They may lack confidence, feel guilty about asking for the order, or fail to recognize the right moment to close the sale. Salespeople should know how to recognize closing signals from the buyer, including physical actions, comments, and questions. For example, the customer might sit forward and nod approvingly or ask about prices and credit terms.

Salespeople can use one of several closing techniques. They can ask for the order, review points of agreement, offer to help write up the order, ask whether the buyer wants this model or that one, or note that the buyer will lose out if the order is not placed now. The salesperson may offer the buyer special reasons to close, such as a lower price or an extra quantity at no charge.

Follow-Up

Follow-up
A salesperson follows up after the sale to ensure customer satisfaction and repeat business.

The last step in the selling process—**follow-up**—is necessary if the salesperson wants to ensure customer satisfaction and repeat business. Right after closing, the salesperson should complete any details on delivery time, purchase terms, and other matters. The salesperson then should schedule a follow-up call after the buyer receives the initial order to make sure proper installation, instruction, and servicing occur. This visit would reveal any problems, assure the buyer of the salesperson's interest, and reduce any buyer concerns that might have arisen since the sale.

Personal Selling and Managing Customer Relationships

The steps in the selling process as just described are *transaction oriented*—their aim is to help salespeople close a specific sale with a customer. But in most cases, the company is not simply seeking a sale. Rather, it wants to serve the customer over the long haul in a mutually profitable *relationship*. The sales force usually plays an important role in customer relationship building. Thus, as shown in Figure 16.3, the selling process must be understood in the context of building and maintaining profitable customer relationships.

Today's large customers favor suppliers who can work with them over time to deliver a coordinated set of products and services to many locations. For these customers, the first sale is only the beginning of the relationship. Unfortunately, some companies ignore these relationship realities. They sell their products through separate sales forces, each working independently to close sales. Their technical people may not be willing to lend time to educate a customer. Their engineering, design, and manufacturing people may have the attitude that "it's our job to make good products and the salesperson's to sell them to customers." Their salespeople focus on pushing products toward customers rather than listening to customers and providing solutions.

Other companies, however, recognize that winning and keeping accounts requires more than making good products and directing the sales force to close lots of sales. If the company wishes only to close sales and capture short-term business, it can do this by simply slashing its prices to meet or beat those of competitors. Instead, most companies want their salespeople to practice *value selling*—demonstrating and delivering superior customer value and capturing a return on that value that is fair for both the customer and the company.

Unfortunately, in the heat of closing sales—especially in a tough economy—salespeople too often take the easy way out by cutting prices rather than selling value. Sales management's challenge is to transform salespeople from customer advocates for price cuts into company advocates for value. Here's how Rockwell Automation sells value and relationships rather than price:[26]

> Facing pressure from Walmart to lower its prices, a condiment producer hastily summoned several competing supplier representatives—including Rockwell Automation sales rep Jeff Policicchio—who were given full access to the plant for one day and asked to find ways to dramatically reduce the customer's operating costs. Policicchio quickly learned that a major problem stemmed from lost production and down time due to poorly performing pumps on 32 huge condiment tanks. Policicchio gathered relevant cost and usage data and then used a Rockwell Automation laptop value-assessment tool to construct the best pump solution for the customer.
>
> The next day, Policicchio and the competing reps presented their solutions to plant management. Policicchio's value proposition: "With this Rockwell Automation pump solution, through less downtime, reduced administrative costs in procurement, and lower spending on repair parts, your company will save at least $16,268 per pump—on up to 32 pumps—relative to our best competitor's solution." It turns out the Policicchio was the only rep to demonstrate tangible cost savings for his proposed solution. Everyone else made fuzzy promises about possible benefits or offered to save the customer money by simply shaving their prices.
>
> The plant managers were so impressed with Policicchio's value proposition that—despite its higher initial price—they immediately purchased one Rockwell Automation pump solution for a trial. When the actual savings were even better than predicted, they placed orders for the remaining pumps. Thus, Policicchio's value-selling approach rather than price-cutting approach not only landed the initial sale but also provided the basis for a profitable long-term relationship with the customer.

Value selling requires listening to customers, understanding their needs, and carefully coordinating the whole company's efforts to create lasting relationships based on customer value.

Author Comment | Sales promotion is the most short-term of the promotion mix tools. Whereas advertising or personal selling says "buy," sales promotions say "buy now."

Sales Promotion (pp 481–488)

Personal selling and advertising often work closely with another promotion tool, sales promotion. **Sales promotion** consists of short-term incentives to encourage the purchase or sales of a product or service. Whereas advertising offers reasons to buy a product or service, sales promotion offers reasons to buy *now*.

Sales promotion
Short-term incentives to encourage the purchase or sale of a product or a service.

Examples of sales promotions are found everywhere. A freestanding insert in the Sunday newspaper contains a coupon offering $1 off Pedigree GoodBites treats for your dog. A Bed Bath & Beyond ad in your favorite magazine offers 20 percent off on any single item. The end-of-the-aisle display in the local supermarket tempts impulse buyers with a wall of Coca-Cola cases—four 12-packs for $12. An executive buys a new HP laptop and gets a free memory upgrade. A hardware store chain receives a 10 percent discount on selected Stihl power lawn and garden tools if it agrees to advertise them in local newspapers. Sales promotion includes a wide variety of promotion tools designed to stimulate earlier or stronger market response.

Sales promotions are found everywhere. For example, your favorite magazine is loaded with offers like this one that promote a strong and immediate response.

The Rapid Growth of Sales Promotion

Sales promotion tools are used by most organizations, including manufacturers, distributors, retailers, and not-for-profit institutions. They are targeted toward final buyers (*consumer promotions*), retailers and wholesalers (*trade promotions*), business customers (*business promotions*), and members of the sales force (*sales force promotions*). Today, in the average consumer packaged-goods company, sales promotion accounts for 77 percent of all marketing expenditures.[27]

Several factors have contributed to the rapid growth of sales promotion, particularly in consumer markets. First, inside the company, product managers face greater pressures to increase current sales, and they view promotion as an effective short-run sales tool. Second, externally, the company faces more competition, and competing brands are less differentiated. Increasingly, competitors are using sales promotion to help differentiate their offers. Third, advertising efficiency has declined because of rising costs, media clutter, and legal restraints. Finally, consumers have become more deal oriented. In the current economy, consumers are demanding lower prices and better deals. Sales promotions can help attract today's more thrift-oriented consumers.

The growing use of sales promotion has resulted in *promotion clutter*, similar to advertising clutter. A given promotion runs the risk of being lost in a sea of other promotions, weakening its ability to trigger an immediate purchase. Manufacturers are now searching for ways to rise above the clutter, such as offering larger coupon values, creating more dramatic point-of-purchase displays, or delivering promotions through new interactive media—such as the Internet or cell phones.

In developing a sales promotion program, a company must first set sales promotion objectives and then select the best tools for accomplishing these objectives.

Sales Promotion Objectives

Sales promotion objectives vary widely. Sellers may use *consumer promotions* to urge short-term customer buying or enhance customer brand involvement. Objectives for *trade promotions* include getting retailers to carry new items and more inventory, buy ahead, or promote the company's products and give them more shelf space. For the *sales force*, objectives include getting more sales force support for current or new products or getting salespeople to sign up new accounts.

Sales promotions are usually used together with advertising, personal selling, direct marketing, or other promotion mix tools. Consumer promotions must usually be advertised and can add excitement and pulling power to ads. Trade and sales force promotions support the firm's personal selling process.

When the economy sours and sales lag, it's tempting to offer deep promotional discounts to spur consumer spending. In general, however, rather than creating only short-term sales or temporary brand switching, sales promotions should help to reinforce the product's position and build long-term *customer relationships*. If properly designed, every sales promotion tool has the potential to build both short-term excitement and long-term consumer relationships. Marketers should avoid "quick fix," price-only promotions in favor of promotions that are designed to build brand equity. Examples include the various "frequency marketing programs" and loyalty cards that have mushroomed in recent years. Most hotels, supermarkets, and airlines offer frequent-guest/buyer/flyer programs that give rewards to regular customers to keep them coming back. All kinds of companies now offer rewards programs. Such promotional programs can build loyalty through added value rather than discounted prices.

For example, Starbucks suffered sales setbacks resulting from the recent economic downturn, coupled with the introduction of cheaper gourmet coffees by a host of fast-food competitors. Starbucks could have lowered its prices or offered promotional discounts. But deep discounts might have damaged the chain's long-term premium positioning. So instead, Starbucks dropped its prices only slightly and ran ads telling customers why its coffee was worth a higher price. With headlines such as "Beware of a cheaper cup of coffee. It comes with a price," the ads laid out what separates Starbucks from the competition, such as its practices of buying fair-trade beans and providing health care for employees who work more than 20 hours a week. ● At the same time, to build loyalty, Starbucks promoted its Starbucks Card Rewards program:[28]

● **Customer loyalty programs: Rather than offering promotional discounts that might damage its premium positioning, Starbucks ran ads telling customers why its coffee is worth the higher price. Then, to build loyalty, the company promoted the Starbucks Card Rewards program.**

> In 1981, when American Airlines was struggling to differentiate itself in a newly deregulated industry, it invented the frequent flyer mile. Ten years later, American Express responded to its own competitive crisis by introducing what we now know as Membership Rewards. So it shouldn't come as any big surprise that Starbucks, facing its own troubled times, would also turn to a loyalty program, Starbucks Card Rewards. To fight off lower-priced competitors, such as Dunkin' Donuts and McDonald's, and keep its loyal customers, well, loyal, Starbucks unveiled a rewards card. Cardholders benefit from perks such as free in-store refills on coffee, paying with an iPhone, complementary in-store Wi-Fi for up to two hours per day, and a free cup of coffee with a purchase of a pound of coffee beans. Such perks increase customer value without big discounts or price reductions. "There is a need for Starbucks to win back customers," says a loyalty marketing consultancy. "The [loyalty] card is a vehicle for doing that."

Major Sales Promotion Tools

Many tools can be used to accomplish sales promotion objectives. Descriptions of the main consumer, trade, and business promotion tools follow.

Consumer Promotions

Consumer promotions
Sales promotion tools used to boost short-term customer buying and involvement or enhance long-term customer relationships.

Consumer promotions include a wide range of tools—from samples, coupons, refunds, premiums, and point-of-purchase displays to contests, sweepstakes, and event sponsorships.

Samples are offers of a trial amount of a product. Sampling is the most effective—but most expensive—way to introduce a new product or create new excitement for an existing one. Some samples are free; for others, the company charges a small amount to offset its cost. The sample might be sent by mail, handed out in a store or at a kiosk, attached to another product, or featured in an ad or an e-mail. Sometimes, samples are combined into sample packs, which can then be used to promote other products and services. Sampling can be a powerful promotional tool.

Coupons are certificates that give buyers a saving when they purchase specified products. Most consumers love coupons. U.S. package-goods companies distributed more than 367 billion coupons last year with an average face value of $1.44. Consumers redeemed more than 3.3 billion of them for a total savings of about $3.5 billion.[29] Coupons can promote early trial of a new brand or stimulate sales of a mature brand. However, as a result of coupon clutter, redemption rates have been declining in recent years. Thus, most major consumer-goods companies are issuing fewer coupons and targeting them more carefully.

Marketers are also cultivating new outlets for distributing coupons, such as supermarket shelf dispensers, electronic point-of-sale coupon printers, and online and mobile coupon programs. According to a recent study, digital coupons now outpace printed newspaper coupons by 10 to 1. Almost one-third of all U.S. coupon users are digital coupon users who get coupons only online or by phone via sites such as Coupons.com, Groupon, McCoupster, and Cellfire (see Real Marketing 16.2).

Cash refunds (or *rebates*) are like coupons except that the price reduction occurs after the purchase rather than at the retail outlet. The customer sends a "proof of purchase" to the manufacturer, which then refunds part of the purchase price by mail. For example, Toro ran a clever preseason promotion on some of its snowblower models, offering a rebate if the snowfall in the buyer's market area turned out to be below average. Competitors were not able to match this offer on such short notice, and the promotion was very successful.

Price packs (also called *cents-off deals*) offer consumers savings off the regular price of a product. The producer marks the reduced prices directly on the label or package. Price packs can be single packages sold at a reduced price (such as two for the price of one) or two related products banded together (such as a toothbrush and toothpaste). Price packs are very effective—even more so than coupons—in stimulating short-term sales.

Premiums are goods offered either free or at low cost as an incentive to buy a product, ranging from toys included with kids' products to phone cards and DVDs. A premium may come inside the package (in-pack), outside the package (on-pack), or through the mail. For example, over the years, McDonald's has offered a variety of premiums in its Happy Meals—from *Avatar* characters to *My Little Pony* and *How to Train Your Dragon* toy figures. Customers can visit www.happymeal.com and play games and watch commercials associated with the current Happy Meal sponsor.[30]

Advertising specialties, also called *promotional products*, are useful articles imprinted with an advertiser's name, logo, or message that are given as gifts to consumers. Typical items include T-shirts and other apparel, pens, coffee mugs, calendars, key rings, mouse pads, matches, tote bags, coolers, golf balls, and caps. U.S. marketers spent more than $18 billion on advertising specialties last year. Such items can be very effective. The "best of them stick around for months, subtly burning a brand name into a user's brain," notes a promotional products expert.[31]

Point-of-purchase (*POP*) *promotions* include displays and demonstrations that take place at the point of sale. Think of your last visit to the local Safeway, Costco, CVS, or Bed Bath & Beyond. Chances are good that you were tripping over aisle displays, promotional signs, "shelf talkers," or demonstrators offering free tastes of featured food products. Unfortunately, many retailers do not like to handle the hundreds of displays, signs, and posters they receive from manufacturers each year. Manufacturers have responded by offering better POP materials, offering to set them up, and tying them in with television, print, or online messages.

Contests, *sweepstakes*, and *games* give consumers the chance to win something, such as cash, trips, or goods, by luck or through extra effort. A *contest* calls for consumers to submit an entry—a jingle, guess, suggestion—to be judged by a panel that will select the best entries. A *sweepstakes* calls for consumers to submit their names for a drawing. A *game* presents consumers with something—bingo numbers, missing letters—every time they buy, which may or may not help them win a prize. Such promotions can create considerable brand attention and consumer involvement.[32]

> For its 60th birthday, Dunkin' Donuts wanted to celebrate being the world's largest doughnut maker. ◉ At the heart of its "donut domination" campaign is a "Create Dunkin's Next Donut" annual contest that urges people to visit the contest Web site and design their own doughnuts. "Put on your apron and get creative," the campaign urges. At the site, entrants selected from a list of approved ingredients to create the new doughnut, give it a name, and write a 100-word essay about why they think their doughnut creation is the best. Online voting selected a dozen semifinalists, who then cooked up their creations at a bake-off in the company's test kitchens at Dunkin' Donuts University in Braintree, Massachusetts. Last year's grand winner received $12,000, and the winning doughnut—Monkey-see Monkey Donut—was added to the

Real Marketing 16.2

Mobile Coupons: Reaching Customers Where They Are—Now

As cell phones become appendages that many people can't live without, businesses are increasingly eyeing them as prime real estate for marketing messages. Whether it's to build a brand, boost business, or reward loyalty, more merchants are using mobile marketing to tap into the cell-phone's power of immediacy.

"It's cool," said Kristen Palestis at her local Jamba Juice recently after she opted in to receive a 20-percent-off coupon on her cell phone. "I'm spending less money and it was real easy," she said after she used the coupon to buy a smoothie. Palestis received the coupon within seconds of texting a special five-digit code from her cell phone.

Retailers' mobile marketing messages can include text messages with numeric "short codes" that customers dial to receive a promotion, bar-coded digital coupons, Web site links, and display advertisements. "We know the most effective way to reach the customer is to be where they are," says a marketer at Jamba Juice, a national chain that sells smoothies and other "better-for-you" beverages and foods. "For our customers this means both on the Internet and on their mobiles."

Jamba Juice and a growing host of other retailers want to get special offers quickly into the hands of the consumers who are most apt to use them. These mobile social users—as they're called—represent 11 percent of online adults in the United States, but their ranks are growing. They're more likely to respond to ads on their cell phones, buy mobile content and services, and access the mobile Web.

Mobile marketing can be very effective. For example, Fresh Encounter Community Markets, an Ohio grocery chain, uses mobile messages to help customers plan their meals. When Fresh Encounter sends out an urgent same-day offer, as in a chicken promotion, redemptions can exceed 30 percent.

Companies that embrace mobile marketing know they have to be careful not to abuse the access consumers have granted, so permission-based offers are becoming the standard. Trade groups, such as the Mobile Marketing Association in New York, have set guidelines for marketers that are designed to protect the consumer, including opt-in, opt-out, and message delivery frequency standards.

Coupons by phone offer an alluring opportunity. Worldwide, the number of mobile coupon users is forecast to triple by 2014 to more than 300 million people. In the United States alone last year, 45 million consumers used digital coupons, up almost 20 percent over the previous year. Of that group, almost one-third used *only* digital coupons, meaning that they didn't clip coupons from newspapers or magazines.

Still, mobile coupons aren't for everyone. Some consumers just don't want marketing messages delivered to their phones. So many digital coupon marketers include print and e-mail delivery options as well. Challenges aside, companies ranging from Sears and JCPenney to Wendy's and Chick-fil-A are testing the digital couponing waters. For example, Dunkin' Donuts recently sent out free iced coffee coupons to customers living near several Florida stores who'd already opted-in for promotional text messages. The digital promotion generated buzz and also let Dunkin' Donuts learn more about area customers' demographics and shopping psyche.

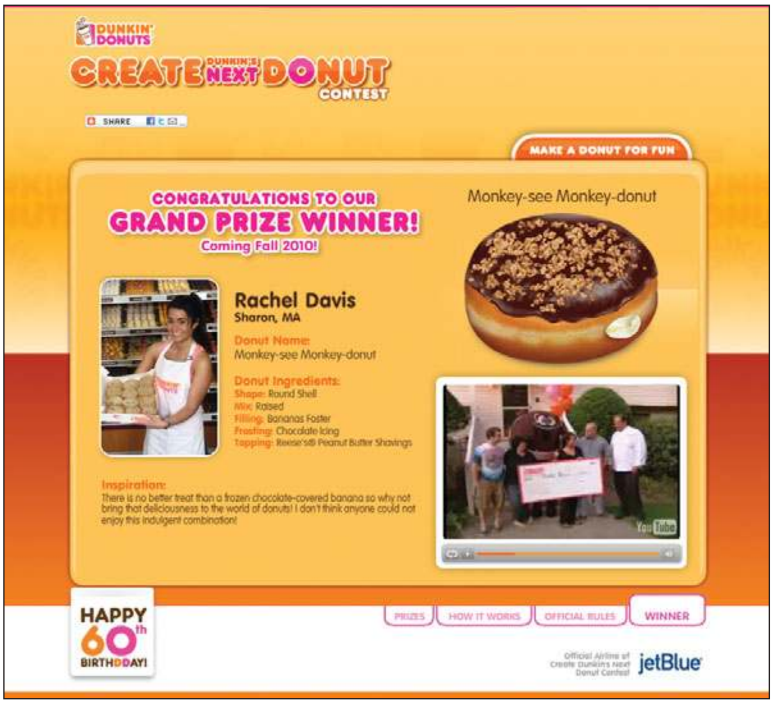
Over the past few years, a growing list of online coupon sites—such as Coupons.com, MyCoupster, Groupon, and Cellfire—have sprung up and allow consumers to find coupons online and download them to mobile devices, print them out at home, or transfer them to store loyalty cards for later redemption at stores. Consider Cellfire:

> Cellfire (www.cellfire.com) distributes digital coupons to the cell phones of consumers nationwide who sign up for its free service. Cellfire's growing list of clients ranges from Domino's Pizza, T.G.I. Friday's, Sears, Kroger, and Hardee's to Kimberly-Clark, Verizon, and Enterprise Rent-A-Car. Cellfire sends an ever-changing assortment of digital coupons to users' cell phones. To use the coupons, users simply call up the stored coupon list, navigate to the coupon they want, press the "Use Now" button, and show the digital coupon to the store cashier.
>
> Coupons distributed through Cellfire offer distinct advantages to both consumers and marketers. Consumers don't have to find and clip paper coupons or print out Web coupons and bring them along when they shop. They always have their cell phone coupons with them. For marketers, mobile coupons allow more careful targeting and eliminate the costs of printing and distributing paper coupons. The redemption rates can be dazzling—as high as 20 percent—whereas the industry average paper response is less than 1 percent.

Thus, when properly used, mobile coupons can both cost less and be more immediate and effective. When it comes to digital couponing, marketers are increasingly echoing the sentiments of Jamba Juice customer Kristen Palestis. "It's cool."

Sources: Portions adapted from Arlene Satchel, "More Merchants Embrace Mobile Coupons," *McClatchy-Tribune News Service*, February 10, 2010; with information from Erik Sass, "Is Digital Coupons' Rise Print Inserts' Demise?" *MediaDailyNews*, February 17, 2010, accessed at http://tinyurl.com/25vh966. The extract is based on information from Alice Z. Cuneo, "Package-Goods Giants Roll Out Mobile Coupons," *Advertising Age*, March 10, 2008, p. 3; and www.cellfire.com, accessed October 2010.

Mobile coupons: Redemptions of a Fresh Encounter Community Markets urgent same-day offer like this one can exceed 30 percent.



Contests can create considerable consumer involvement: The most recent "Create Dunkin's Next Donut" contest generated 90,000 online creations.

company's menu for a limited time. In all, contestants submitted more than 90,000 creations online. "We were absolutely amazed at the number of entries into our contest," says a Dunkin' Donuts marketing executive.

Finally, marketers can promote their brands through **event marketing** (or **event sponsorships**). They can create their own brand-marketing events or serve as sole or participating sponsors of events created by others. The events might include anything from mobile brand tours to festivals, reunions, marathons, concerts, or other sponsored gatherings. Event marketing is huge, and it may be the fastest-growing area of promotion, especially in tough economic times.

Event marketing can provide a less costly alternative to expensive TV commercials. When it comes to event marketing, sports are in a league of their own. Marketers spent more than $8.7 billion last year to associate their brands with sporting events. For example, Sprint is paying $700 million over 10 years to sponsor the NASCAR Sprint Cup Series. Kraft sponsors NASCAR drivers Tony Stewart and Ryan Newman, and its Oreo and Ritz brands are the official cookie and cracker of NASCAR. Kraft also recently teamed with the NCAA and CBS Sports to make several of its flagship brands—including Oreo, Planters, Ritz, and Wheat Thins—the NCAA's official cookie, nut, and cracker partners. The company promotes these sponsorships through in-store promotions and advertising at major NCAA events. According to Kraft's senior director of marketing alliances, the sponsorships give Kraft "an opportunity to connect our . . . snack brands with key audiences in a big way."[33]

Event marketing (or event sponsorships)
Creating a brand-marketing event or serving as a sole or participating sponsor of events created by others.

Procter & Gamble creates numerous events for its major brands. Consider this example:

> For the past few years, P&G has sponsored a holiday event promotion for its Charmin brand in New York's Times Square, where it can be very difficult to find a public restroom. P&G sets up 20 free, sparkling clean Charmin-themed mini-bathrooms, each with its own sink and a bountiful supply of Charmin. The event is the ultimate in experiential marketing—touching people in places advertising wouldn't dare go. Over the past three holiday seasons, the event has been flush with success. More than one million people have gratefully used the facilities.[34]

Trade Promotions

Manufacturers direct more sales promotion dollars toward retailers and wholesalers (81 percent) than to final consumers (16 percent).[35] **Trade promotions** can persuade resellers to carry a brand, give it shelf space, promote it in advertising, and push it to consumers. Shelf space is so scarce these days that manufacturers often have to offer price-offs, allowances, buy-back guarantees, or free goods to retailers and wholesalers to get products on the shelf and, once there, to keep them on it.

Trade promotions
Sales promotion tools used to persuade resellers to carry a brand, give it shelf space, promote it in advertising, and push it to consumers.

Manufacturers use several trade promotion tools. Many of the tools used for consumer promotions—contests, premiums, displays—can also be used as trade promotions. Or the manufacturer may offer a straight *discount* off the list price on each case purchased during a stated period of time (also called a *price-off*, *off-invoice*, or *off-list*). Manufacturers also may offer an *allowance* (usually so much off per case) in return for the retailer's agreement to feature the manufacturer's products in some way. An advertising allowance compensates retailers for advertising the product. A display allowance compensates them for using special displays.

Manufacturers may offer *free goods*, which are extra cases of merchandise, to resellers who buy a certain quantity or who feature a certain flavor or size. They may offer *push money*—cash or gifts to dealers or their sales forces to "push" the manufacturer's goods. Manufacturers may give retailers free *specialty advertising items* that carry the company's name, such as pens, pencils, calendars, paperweights, matchbooks, memo pads, and yardsticks.

Business Promotions

Business promotions
Sales promotion tools used to generate business leads, stimulate purchases, reward customers, and motivate salespeople.

Companies spend billions of dollars each year on promotion to industrial customers. **Business promotions** are used to generate business leads, stimulate purchases, reward customers, and motivate salespeople. Business promotions include many of the same tools used for consumer or trade promotions. Here, we focus on two additional major business promotion tools: conventions and trade shows and sales contests.

Many companies and trade associations organize *conventions and trade shows* to promote their products. Firms selling to the industry show their products at the trade show. Vendors receive many benefits, such as opportunities to find new sales leads, contact customers, introduce new products, meet new customers, sell more to present customers, and educate customers with publications and audiovisual materials. Trade shows also help companies reach many prospects not reached through their sales forces.

Some trade shows are huge. At this year's International Consumer Electronics Show, 3,000 exhibitors attracted more than 112,000 professional visitors.

Some trade shows are huge. For example, at this year's International Consumer Electronics Show, 3,000 exhibitors attracted some 120,000 professional visitors. Even more impressive, at the BAUMA mining and construction equipment trade show in Munich, Germany, more than 3,100 exhibitors from 53 countries presented their latest product innovations to more than 415,000 attendees from more than 200 countries. Total exhibition space equaled about 5.9 million square feet (more than 124 football fields).[36]

A *sales contest* is a contest for salespeople or dealers to motivate them to increase their sales performance over a given period. Sales contests motivate and recognize good company performers, who may receive trips, cash prizes, or other gifts. Some companies award points for performance, which the receiver can turn in for any of a variety of prizes. Sales contests work best when they are tied to measurable and achievable sales objectives (such as finding new accounts, reviving old accounts, or increasing account profitability).

Developing the Sales Promotion Program

Beyond selecting the types of promotions to use, marketers must make several other decisions in designing the full sales promotion program. First, they must determine the *size of the incentive*. A certain minimum incentive is necessary if the promotion is to succeed; a larger incentive will produce more sales response. The marketer also must set *conditions for participation*. Incentives might be offered to everyone or only to select groups.

Marketers must determine how to *promote and distribute the promotion* program itself. A $2-off coupon could be given out in a package, at the store, via the Internet, or in an advertisement. Each distribution method involves a different level of reach and cost. Increasingly, marketers are blending several media into a total campaign concept. The *length of the promotion* is also important. If the sales promotion period is too short, many prospects (who may not be buying during that time) will miss it. If the promotion runs too long, the deal will lose some of its "act now" force.

Evaluation is also very important. Many companies fail to evaluate their sales promotion programs, and others evaluate them only superficially. Yet marketers should work to measure the returns on their sales promotion investments, just as they should seek to assess the returns on other marketing activities. The most common evaluation method is to compare sales before, during, and after a promotion. Marketers should ask: Did the promotion attract new customers or more purchasing from current customers? Can we hold onto these new customers and purchases? Will the long-run customer relationship and sales gains from the promotion justify its costs?

Clearly, sales promotion plays an important role in the total promotion mix. To use it well, the marketer must define the sales promotion objectives, select the best tools, design the sales promotion program, implement the program, and evaluate the results. Moreover, sales promotion must be coordinated carefully with other promotion mix elements within the overall IMC program.

REVIEWING Objectives AND KEY Terms

This chapter is the third of four chapters covering the final marketing mix element—promotion. The previous two chapters dealt with overall integrated marketing communications and with advertising and public relations. This one investigated personal selling and sales promotion. Personal selling is the interpersonal arm of the communications mix. Sales promotion consists of short-term incentives to encourage the purchase or sale of a product or service.

Objective 1 Discuss the role of a company's salespeople in creating value for customers and building customer relationships. (pp 464–467)

Most companies use salespeople, and many companies assign them an important role in the marketing mix. For companies selling business products, the firm's sales force works directly with customers. Often, the sales force is the customer's only direct contact with the company and therefore may be viewed by customers as representing the company itself. In contrast, for consumer-product companies that sell through intermediaries, consumers usually do not meet salespeople or even know about them. The sales force works behind the scenes, dealing with wholesalers and retailers to obtain their support and helping them become more effective in selling the firm's products.

As an element of the promotion mix, the sales force is very effective in achieving certain marketing objectives and carrying out such activities as prospecting, communicating, selling and servicing, and information gathering. But with companies becoming more market oriented, a customer-focused sales force also works to produce both customer satisfaction and company profit. The sales force plays a key role in developing and managing profitable customer relationships.

Objective 2 Identify and explain the six major sales force management steps. (pp 468–477)

High sales force costs necessitate an effective sales management process consisting of six steps: designing sales force strategy and structure, recruiting and selecting, training, compensating, supervising, and evaluating salespeople and sales force performance.

In designing a sales force, sales management must address various issues, including what type of sales force structure will work best (territorial, product, customer, or complex structure), how large the sales force should be, who will be involved in the selling effort, and how its various salespeople and sales-support people will work together (inside or outside sales forces and team selling).

To hold down the high costs of hiring the wrong people, salespeople must be recruited and selected carefully. In recruiting salespeople, a company may look to the job duties and the characteristics of its most successful salespeople to suggest the traits it wants in its salespeople. It must then look for applicants through recommendations of current salespeople, employment agencies, classified ads, the Internet, and college recruitment/placement centers. In the selection process, the procedure may vary from a single informal interview to lengthy testing and interviewing. After the selection process is complete, training programs familiarize new salespeople not only with the art of selling but also with the company's history, its products and policies, and the characteristics of its market and competitors.

The sales force compensation system helps to reward, motivate, and direct salespeople. In compensating salespeople, companies try to have an appealing plan, usually close to the going rate for the type of sales job and needed skills. In addition to compensation, all salespeople need supervision, and many need continuous encouragement because they must make many decisions and face many frustrations. Periodically, the company must evaluate their performance to help them do a better job. In evaluating salespeople, the company relies on getting regular information gathered through sales reports, personal observations, customers' letters and complaints, customer surveys, and conversations with other salespeople.

Objective 3 Discuss the personal selling process, distinguishing between transaction-oriented marketing and relationship marketing. (pp 478–481)

The art of selling involves a seven-step selling process: prospecting and qualifying, preapproach, approach, presentation and demonstration, handling objections, closing, and follow-up. These steps help marketers close a specific sale and, as such, are transaction oriented. However, a seller's dealings with customers should be guided by the larger concept of relationship marketing. The company's sales force should help to orchestrate a whole-company effort to develop profitable long-term relationships with key customers based on superior customer value and satisfaction.

Objective 4 **Explain how sales promotion campaigns are developed and implemented.** (pp 481–488)

Sales promotion campaigns call for setting sales promotions objectives (in general, sales promotions should be *consumer relationship building*); selecting tools; and developing and implementing the sales promotion program by using *consumer promotion tools* (from coupons, refunds, premiums, and point-of-purchase promotions to contests, sweepstakes, and events), *trade promotion tools* (from discounts and allowances to free goods and push money), and *business promotion tools* (conventions, trade shows, and sales contests), as well as determining such things as the size of the incentive, the conditions for participation, how to promote and distribute the package, and the length of the promotion. After this process is completed, the company must evaluate its sales promotion results.

KEY Terms

OBJECTIVE 1

Personal selling (p 464)
Salesperson (p 465)

OBJECTIVE 2

Sales force management (p 468)
Territorial sales force structure (p 468)
Product sales force structure (p 468)
Customer (or market) sales force structure (p 469)
Outside sales force (or field sales force) (p 470)
Inside sales force (p 470)
Team selling (p 471)
Sales 2.0 (p 475)
Sales quota (p 477)

OBJECTIVE 3

Selling process (p 478)
Prospecting (p 478)
Preapproach (p 478)
Approach (p 479)
Presentation (p 479)
Handling objections (p 480)
Closing (p 480)
Follow-up (p 480)

OBJECTIVE 4

Sales promotion (p 481)
Consumer promotions (p 483)
Event marketing (p 486)
Trade promotions (p 486)
Business promotions (p 487)

PEARSON mymarketinglab

- Check your understanding of the concepts and key terms using the mypearsonmarketinglab study plan for this chapter.
- Apply the concepts in a business context using the simulation entitled **Personal Selling**.

DISCUSSING & APPLYING THE Concepts

Discussing the Concepts

1. Discuss the role of personal selling in the promotion mix. In what situations is it more effective than advertising? (AACSB: Communication; Reflective Thinking)
2. Compare and contrast the three sales force structures outlined in the chapter. Which structure is most effective? (AACSB: Communication; Reflective Thinking)
3. What role does an inside sales force play in an organization? (AACSB: Communication)
4. Define *sales promotion* and discuss its objectives. (AACSB: Communication)
5. Name and describe the types of consumer promotions. (AACSB: Communication; Reflective Thinking)
6. Name and describe the types of trade sales promotions. (AACSB: Communication)

Applying the Concepts

1. Although many manufacturers maintain their own sales forces, many use the services of sales agents in the channel of distribution. Discuss the pros and cons of using sales agents compared to a company sales force. Who will best fulfill the channel functions for the manufacturer? (AACSB: Communication; Reflective Thinking)
2. Select a product or service and role-play a sales call—from the approach to the close—with another student. Have one member of the team act as the salesperson with the other member acting as the customer, raising at least three objections. Select another product or service and perform this exercise again with your roles reversed. (AACSB: Communication; Reflective Thinking)
3. Design a sales promotion campaign for your local animal shelter with the goal of increasing pet adoption. Use at least three types of consumer promotions and explain the decisions regarding this campaign. (AACSB: Communication; Reflective Thinking)

FOCUS ON Technology

Want to improve your business's operations? Hold a contest and get some of the best and brightest minds in the world working on it! That's what Netflix did—and it wasn't your everyday contest, either. Netflix, the video streaming and DVD rental company, held a three-year, $1 million contest with the goal of improving its movie-recommendation system by 10 percent. The company wanted to improve its system for predicting what customers might like based on their ratings of previous movies rented or viewed. The contest garnered more than 51,000 contestants from almost 200 countries. The contest attracted entries from scientists, researchers, and engineers, and the winning team consisted of one-time competitors who joined forces to submit the best solution within a few minutes of the contest's deadline. The sequel—Netflix Prize 2—aimed to improve the movie-recommendation system for Netflix customers who do not regularly rate movies on Netflix, but this contest hit a legal roadblock and was discontinued.

1. Using Google, search for "Netflix Prize" to learn about this contest and the subsequent troubles Netflix experienced with Netflix Prize 2. Write a brief report on what you find and argue for or against cancellation of the second contest. (AACSB: Communication; Use of IT; Reflective Thinking)
2. What other contests or sweepstakes has Netflix sponsored? Discuss the rules of the promotion and winners, if the promotion is complete. (AACSB: Communication; Reflective Thinking)

FOCUS ON Ethics

Hank is a sales representative for a CRM software company and makes several cold calls each day prospecting for customers. He usually starts his call to a technology professional in a company by introducing himself and asking the person if he or she would take a few moments to participate in a survey on technology needs in companies. After a few questions, however, it becomes obvious that Hank is trying to sell software solutions to the potential customer.

1. Is Hank being ethical? Discuss other sales tactics that might be unethical. (AACSB: Communication; Ethical Reasoning; Reflective Thinking)
2. What traits and behaviors should an ethical salesperson possess? What role does the sales manager play in ethical selling behavior? (AACSB: Communication; Ethical Reasoning; Reflective Thinking)

MARKETING & THE Economy

Procter & Gamble

Historically, consumer goods companies fare well during hard economic times. Such items are relatively inexpensive to begin with, brand loyalty is strong, and no one wants to give up clean clothes and healthy teeth. But as the sluggish economy has lasted longer than anticipated, the rules are changing. Consumers remain more price sensitive, even on small purchases. For P&G, that means that even brands such as Tide and Crest are experiencing fallout. To keep volume up, P&G has cut prices on existing products *and* introduced cheaper items. Although this may protect sales volume, both tactics result in thinner margins and lower profits—as much as 18 percent lower. And the new cheaper-item strategy may cause customers to trade down, eroding profits even more. P&G says it plans to raise prices in 2011. But the price cutting cycle may be hard to stop. Not only do consumers get used to lower prices, but retailers also get into the habit of awarding shelf space to manufacturers who provide lower wholesale prices. There will likely always be manufacturers willing to meet such retailer demands, adding pressure on P&G to continue offering its premium brands at cheaper prices.

1. What can a P&G sales rep do, apart from product and pricing strategies, to boost sales?
2. What should P&G do to boost profits in these and future economic times?

MARKETING BY THE Numbers

FireSpot Inc. is a manufacturer of drop-in household fireplaces sold primarily in the eastern United States. The company has its own sales force that does more than just sell products and services; it manages relationships with retail customers to enable them to better meet consumers' needs. FireSpot's sales reps visit customers several times per year—often for hours at a time. Thus, sales managers must ensure that they have enough salespeople to adequately deliver value to customers. Refer to Appendix 2 to answer the following questions.

1. Determine the number of salespeople FireSpot needs if it has 1,000 retail customer accounts that need to be called on five times per year. Each sales call lasts approximately 2.5 hours, and each sales rep has approximately 1,250 hours per year to

devote to customers. (AACSB: Communication; Analytical Reasoning)

2. FireSpot wants to expand to the Midwest and western United States and intends to hire ten new sales representatives to secure distribution for its products. Each sales rep earns a salary of $50,000 plus commission. Each retailer generates an average $50,000 in revenue for FireSpot. If FireSpot's contribution margin is 40 percent, what increase in sales will it need to break even on the increase in fixed costs to hire the new sales reps? How many new retail accounts must the company acquire to break even on this tactic? What average number of accounts must each new rep acquire? (AACSB: Communication; Analytical Reasoning)

VIDEO Case

Nestlé Waters

Who sells more bottled water than any other company? It isn't Coca-Cola with its Dasani line. It isn't PepsiCo with its Aquafina line. Surprisingly, it's Nestlé. With brands like Arrowhead, Poland Spring, Ice Mountain, and Nestlé Pure Life, Nestlé Waters easily outsells its top competitors.

Nestlé Waters hasn't achieved market leadership simply by advertising to consumers. In fact, it does very little advertising. Nestlé Waters understands that for a product like bottled water, success is all about shelf space. The Nestlé Waters video illustrates how the brand's managers developed a sales force strategy that focuses on maximizing relationships with major retailers. Nestlé Waters has a unique approach to personal selling that has solidified its presence in the marketplace. After viewing the video featuring Nestlé Waters, answer the following questions about the company.

1. How is the sales force at Nestlé Waters structured?
2. Discuss Nestlé Waters' unique approach to personal selling. How does this affect the manner in which the company carries out each step of the selling process?
3. How has Nestlé Waters' unique approach enabled it to maintain customer relationships?

COMPANY Case

HP: Overhauling a Vast Corporate Sales Force

Imagine this scenario: You need a new digital camera. You're not sure which one to buy or even what features you need. So you visit your nearest electronics superstore to talk with a salesperson. You walk through the camera section but can't find anyone to help you. When you finally find a salesperson, he yawns and tells you that he's responsible for selling all the products in the store, so he doesn't really know all that much about cameras. Then he reads some information from the box of one of the models that you ask about, as if he is telling something that you can't figure out for yourself. He then suggests that you should talk to someone else. You finally find a camera-savvy salesperson. However, after answering a few questions, she disappears to handle some other task, handing you off to someone new. And the new salesperson seems to contradict what the first salesperson said, even quoting different prices on a couple of models you like.

That imaginary situation may actually have happened to you. If so, then you can understand what many business buyers face when attempting to buy from a large corporate supplier. This was the case with business customers of technology giant Hewlett-Packard before Mark Hurd took over as HP's CEO a few years ago. Prior to Hurd assuming command, HP's revenues and profits had flattened, and its stock price had plummeted. To find out why, Hurd first talked directly with 400 corporate customers. Mostly what he heard were gripes about HP's corporate sales force.

Customers complained that they had to deal with too many salespeople, and HP's confusing management layers made it hard to figure out whom to call. They had trouble tracking down HP sales representatives. And once found, the reps often came across as apathetic, leaving the customer to take the initiative. HP reps were responsible for a broad range of complex products, so they sometimes lacked the needed depth of knowledge on any subset of them. Customers grumbled that they received varying price quotes from different sales reps, and it often took weeks for reps to respond to seemingly simple requests. In all, HP's corporate customers were frustrated, not a happy circumstance for a company that gets more than 70 percent of its revenues from businesses.

But customers weren't the only ones frustrated by HP's unwieldy and unresponsive sales force structure. HP was organized into three main product divisions: the Personal Systems Group (PSG), the Technology Solutions Group (TSG), and the Image and Printing Group (IPG). However, HP's corporate sales force was housed in a fourth division, the Customer Sales Group (CSG). All salespeople reported directly to the CSG and were responsible for selling products from all three product divisions. To make matters worse, the CSG was bloated and underperforming. According to one reporter, "of the 17,000 people working in HP's corporate sales, only around 10,000 sold directly to customers. The rest were support staff or in management." HP division executives were frustrated by the CSG structure. They complained that they had little or no direct control over the salespeople who sold their products. And multiple layers of management slowed sales force decision making and customer responsiveness.

Finally, salespeople themselves were frustrated by the structure. They weren't being given the time and support they needed to serve their customers well. Burdened with administrative tasks and bureaucratic red tape, they were spending less than one-third of their time with customers. And they had to work through multiple layers of bureaucracy to get price quotes and sample products for customers. "The customer focus was lacking," says an HP sales vice president. "Trying to navigate inside HP was difficult. It was unacceptable."

As Hurd peeled back the layers, it became apparent that HP's organizational problems went deeper than the sales force. The entire company had become so centralized, with so many layers of management, that it was unresponsive and out of touch with customers. Hurd had come to HP with a reputation for cost-cutting and ruthless efficiency. Prior to his new position, he spent 25 years at NCR, where he ultimately headed the company. Although it was a considerably smaller company than HP, Hurd had it running like a well-oiled machine. Nothing bothered him more than the discoveries he made about HP's inefficient structure.

Thus began what one observer called "one of Hurd's biggest management challenges: overhauling HP's vast corporate sales force." For starters, Hurd eliminated the CSG division, instead assigning salespeople directly to the three product divisions. He also did away with three layers of management and cut hundreds of unproductive sales workers. This move gave divisional marketing and sales executives direct control over a leaner, more efficient sales process, resulting in speedier sales decisions and quicker market response.

Hurd also took steps to reduce salesperson and customer frustrations. Eliminating the CSG meant that each salesperson was responsible for selling a smaller number of products and was able to develop expertise in a specific product area. Hurd urged sales managers to cut back on salesperson administrative requirements and improve sales support so that salespeople could spend more quality time with customers. As a result, salespeople now spend more than 40 percent of their time with customers, up from just 30 percent before. And HP salespeople are noticing big changes in the sales support they receive:

> Salesman Richard Ditucci began noticing some of the changes late last year. At the time, Ditucci was trying to sell computer servers to Staples. As part of the process, Staples had asked him to provide a sample server for the company to evaluate. In the past, such requests typically took two to three weeks to fulfill because of HP's bureaucracy. This time, Ditucci got the server he needed within three days. The quick turnaround helped him win the contract, valued at several million dollars.

To ensure that important customers are carefully tended, HP assigned each salesperson three or fewer accounts. The top 2,000 accounts were assigned just one salesperson—"so they'll always know whom to contact." Customers are noticing differences in the attention that they get from HP salespeople:

> James Farris, a senior technology executive at Staples, says HP has freed up his salesman to drop by Staples at least twice a month instead of about once a month before. The extra face time enabled the HP salesman to create more valuable interactions, such as arranging a workshop recently for Staples to explain HP's technology to the retailer's executives. As a result, Farris says he is planning to send more business HP's way. Similarly, Keith Morrow, chief information officer of convenience-store chain 7-Eleven, says his HP sales representative is now "here all the time" and has been more knowledgeable in pitching products tailored to his business. As a result, last October, 7-Eleven began deploying in its U.S. stores 10,000 HP pen pads—a mobile device that helps 7-Eleven workers on the sales floor.

A SALESMAN AT HEART

Once the new sales force started to take shape, Hurd began to focus on the role of the client in the sales process. The fact that HP refers to its business buyers as "partners" says a lot about its philosophy. "We heavily rely on [our partners]. We look at them as an extension of the HP sales force," Hurd said. To strengthen the relationship between HP and its partners, HP has partners participating in account planning and strategy development, an activity that teams the partners with HP sales reps and its top executive team.

Because Hurd wants the sales force to have strong relationships with its partners, he practices what he preaches. He spends up to 60 percent of the year on the road with various channel partners and *their* customers. Part of his time is funneled through HP's Executive Connections program, roundtable meetings that take place worldwide. But many of Hurd's interactions with HP partners take place outside that program as well. This demonstration of customer commitment at the highest level has created some fierce customer loyalty toward HP.

"I've probably met Mark Hurd more times in the last three or four years than all the CEOs of our other vendors combined," said Simon Palmer, president of California-based STA, one of HP's fastest growing solution provider partners. "There's no other CEO of any company that size that's even close. He's such a down-to-earth guy. He presents the HP story in very simple-to-understand terms." Mark Sarazin, executive vice president of AdvizeX Technologies, an HP partner for 25 years, sings similar praises. "He spent two-and-a-half hours with our customers. He talked in terms they could relate with, about his own relationship with HP IT. He knocked the ball out of the park with our 25-plus CIOs who were in the room. One said it was the best event he'd been to in his career."

In the four years since Hurd took over as CEO, HP's revenues, profits, and stock price have increased by 44 percent, 123 percent, and 50 percent, respectively. Still, with HP's markets as volatile as they've been, Hurd has taken HP into new equipment markets as well as gaining a substantial presence in service solutions. Each time the company enters a new market and faces new competitors, the HP sales force is at the center of the activity. In an effort to capture market share from Dell, Cisco, and Lexmark in the server market, HP opened a new sales operation in New Mexico called the SMB Exchange. It combines a call center, inside sales, and channel sales teams. Observers have noted that whereas HP's sales force was known for being more passive in the past, it is now much more aggressive—like Cisco's.

Hurd knows that because of HP's enormous size, it walks a fine line. In fact, he refers to the company's size as a "strange friend." On the one hand, it allows the company to offer a tremendous portfolio of products and services with support from a massive sales force. On the other hand, multiple organizational layers can make it more difficult to create solutions for partners and customers. Hurd is doing everything he can to make HP leaner and meaner so that it can operate with the nimbleness and energy of a much smaller company.

The changes that have taken place at HP have made most everyone more satisfied. And happier salespeople are more productive, resulting in happier customers. That should mean a bright future for HP. Hurd knows that there's still much more work to be done. But with a continued focus on the sales force and the sales process, HP is creating a structure that creates better value for its business customers. Now, if your local electronics superstore could only do the same for you. . . .

Questions for Discussion

1. Which of the sales force structures described in the text best describes HP's structure?

2. What are the positive and negative aspects of HP's new sales force structure?

3. Describe some of the differences in the selling process that an HP sales rep might face in selling to a long-term established customer versus a prospective customer.

4. Given that Hurd has an effective sales force, does he really need to meet with HP partners as much as he does?

5. Is it possible for HP to function like a smaller company? Why or why not?

Sources: Quotes and adapted examples from Pui-Wing Tam, "System Reboot: Hurd's Big Challenge at HP: Overhauling Corporate Sales," *Wall Street Journal*, April 3, 2006, p. A1; Christopher Hosford, "Rebooting Hewlett-Packard," *Sales & Marketing Management*, July–August 2006, pp. 32–35; Steven Burke, "HP vs. Cisco: It's Personal," *Computer Reseller News*, November 1, 2009, p. 8; Damon Poeter, "Never Enough," *Computer Reseller News*, April 1, 2010, p. 24.