4 Sales settings

OBJECTIVES

After studying this chapter, you should be able to:

1. Understand the forces that impact on selling and sales management
2. Appreciate why channels are structured in different ways
3. Evaluate push and pull promotional strategies and tactics
4. Understand the unique problems and forces that surround organisational and service sales settings
5. Evaluate the usefulness and application of exhibitions as a promotional medium
6. Understand the nature and role of public relations as a selling tool

KEY CONCEPTS

- channels of distribution
- environmental and managerial forces
- exhibitions
- franchising/vertical marketing system (VMS)
- physical distribution management (PDM)
- public relations
- 'pull' techniques
- 'push' techniques
- sales channels
- sales promotions
- services
- strategic customer management
- supply chain integration (SCI)
- trade marketing
- unique sales proposition (USP)

In this chapter we analyse the major forces that affect selling and sales management. We then consider specific sales settings such as sales channels, industrial/commercial/public authority, retail and services selling. Related activities that support selling activities, namely sales promotions, exhibitions and public relations, are also examined.

4.1 ENVIRONMENTAL AND MANAGERIAL FORCES THAT IMPACT ON SALES

A number of major environmental (behavioural and technological) and managerial forces impact on how selling and sales management are and will be carried out.[1, 2] These are outlined in Table 4.1.

Behavioural forces

As customers adjust to a changing environment, so sales have to adapt to a variety of influences:

(a) rising consumer and organisational buyer expectations;
(b) customer avoidance of buyer–seller negotiations;
(c) expanding power of major buyers;
(d) globalisation of markets;
(e) fragmentation of markets.

Rising consumer/organisational buyer expectations and fulfilment of higher order needs

As consumers experience higher standards of product quality and service, so their expectations are fuelled to expect even higher levels in the future. This process may be hastened by experiences abroad, and new entrants to industries (possibly from abroad) that set new standards of excellence. The chief executive of customer satisfaction research firm J.D. Power explained: 'What makes customer satisfaction so difficult to achieve is that you constantly raise the bar and extend the finish line. You never stop. As your customers get better treatment, they demand better treatment.'[3] The implication for salespeople is that they must accept that both consumer and organisational buyer expectations for product quality, customer service and value will continue to rise. They must respond to this challenge by advocating and implementing continuous improvements in quality standards. The same is of course true in respect of organisational buyers, especially in view of trends highlighted in Chapter 7.

Technological advances have created new higher customer expectations. The existence of the internet means that customers expect salespeople calling on them for the first time (and after) to be familiar with their firms, its products and personnel. Improvements in communication through email and the internet have increased

Table 4.1 Forces affecting selling and sales management

Behavioural forces
Rising customer expectations and being concerned with fulfilling more than basic needs More professionally minded organisational buyers Customer avoidance of buyer–seller negotiations Expanding power of major buyers Globalisation of markets Fragmentation of markets
Technological forces
Sales force automation • laptop computers and more sophisticated software • electronic data interchange • desktop video conferencing • extranet Virtual sales offices Widespread adoption of credit cards as charging platforms and use of such facilities as opportunities for creation of databases Electronic sales channels • internet • television home shopping
Managerial forces
Direct marketing • direct mail • telemarketing Blending of sales and marketing • intranet Qualifications for salespeople and sales managers

Source: Adapted and updated from Anderson, R.E. (1996) 'Personal selling and sales management in the new millennium', *Journal of Personal Selling and Sales Management*, 16 (4), pp. 17–52, and Jones, E., Brown, S.P., Zoltners, A.A., and Weitz, B.A. (2005) 'The changing environment of selling and sales management', *Journal of Personal Selling and Sales Management*, 25 (2), pp. 105–11.

customer expectations regarding response time to their requests and inquiries.[4] Furthermore, customers are increasingly demanding customised solutions to their problems, which often takes the form of buying a system rather than individual components.

As corporate scandals appear in the media, customers are expecting greater transparency in company operations and more ethical practices. Consequently, sales management has a responsibility to train their sales teams in ethical selling practices and salespeople need to be careful about the arguments they use and the inducements they offer when attempting to secure a sale.

Customer avoidance of buyer–seller negotiations

Studies have shown that the purchase of a car is the most anxiety-provoking and least satisfying experience in retail buying.[5] Some car salespeople are trained in the art of negotiation supported by high pressure sales tactics. Consequently, customers have taken to viewing the purchase as an ordeal to be tolerated rather than a pleasurable occasion to be savoured. In response, some car companies have moved to a fixed price, no pressure and full book value for the trade-in approach. This was used for the successful launch of the Saturn by General Motors in the United States and is the philosophy of Daewoo cars in Britain.

Expanding power of major buyers

The growing dominance of major players in many sectors (notably retailing) is having a profound influence on selling and sales management. Their enormous purchasing power means that they are able to demand and get special services, including special customer status (key account management), just-in-time inventory control, category management and joint funding of promotions. Future success for salespeople will be dependent on their abilities to respond to increasing demands of major customers, and to co-ordinate the efforts of selling and technical people in their firm to meet their needs.[6]

Globalisation of markets

As domestic markets saturate, companies are expanding abroad to achieve sales and profit growth. Large companies such as Coca-Cola, Colgate-Palmolive and Avon Products now earn the largest proportion of their revenues in foreign markets. The global challenge includes a correct balance between expatriate and host country sales personnel, adapting to different cultures, lifestyles and languages, competing against world-class brands and building global relationships with customers based in many countries. For example, 3M has a variety of global strategic accounts from industrial high-tech (e.g. Motorola, Hewlett-Packard, IBM, Texas Instruments) to original equipment manufacturers in electronics, appliances, automotive, electrical, aerospace, furniture, consumer products and health care.[7] A major challenge for such transnational corporations is the co-ordination of global sales teams that sell to companies such as Nortel, Samsung, Siemens or P&G, where the customer may be located in over 20 countries and require special terms of sale, technical support, pricing and customisation of products. This complexity means that strategic account managers require both enhanced teamwork and co-ordination skills to ensure that customers receive top-quality service.

As companies expand into new overseas markets, there is a need to understand different cultural expectations and to give thought to various cultural issues (e.g. Guanxi networks in China). Ethical differences are also important considerations: what is ethical in one country may be unethical in another.[8]

Fragmentation of markets

Driven by differences in income levels, lifestyles, personalities, experiences and race, markets are fragmenting to form market segments. This means that markets are likely to become smaller with an increasing range of brands marketed to cater for the diverse needs (both functional and psychological) of customers. Marketing and sales managers need to be adept at identifying changes in consumer tastes and developing strategies that satisfy an increasingly varied and multicultural society.

Technological forces

The importance of technological forces on selling and sales management is reflected in the attention given to this topic in Chapter 12. Three major forces are at play:

- salesforce automation;
- virtual sales offices;
- electronic sales channels.

Salesforce automation includes laptop and palmtop computers, mobile telephones, fax, email and more advanced sales software which aid such tasks as journey and account planning, and recruitment, selection and evaluation of sales personnel. In addition, electronic data interchange (EDI) provides computer links between manufacturers and resellers (retailers, wholesalers and distributors), allowing direct exchange of information. For example, purchase orders, invoices, price quotations, delivery dates, reports and promotional information can be exchanged. Technological innovations have made desktop video conferencing possible, enabling sales meetings, training and customer interaction to take place without the need for people to leave their offices. Customer relationship management technology allows salespeople to provide in buyers' offices company and product information, video material and testimonials all at the click of a laptop button. Furthermore, it enables all supplier personnel to have access to the same database enabling the customer to be presented with a unified message and image.

Improved technology has encouraged the creation of virtual offices, allowing sales personnel to keep in contact with head office, customers and co-workers. The virtual office can be home or even a car. This means cost and time savings and enhanced job satisfaction for salespeople who are spared time waiting in traffic that is a feature of the job.

The fastest growing electronic sales channel is undoubtedly the internet, which will be discussed in Chapter 12. Its impact is not simply to reduce the size of salesforces but also to change the focus of the sales team. For example, the Dell salesforce are encouraged to convert customers to buy using the internet. The objective is to free expensive salesperson time from transactional selling (which Dell's website does better, faster and more cheaply) so that more time can be devoted to closing major new orders.[9] As discussed earlier, the internet has also raised customer expectations regarding salesperson knowledge about their company and responsiveness.

However, another emerging channel is worthy of mention as it will reduce the need for field salesforces. This is television home shopping, which is popular in the United States. Viewers watch cable television presenters promote anything from jewellery to consumer electronics and order by telephone. In effect, the presenter is the salesperson.

Managerial forces

Managers can respond to the changes in the environment by developing new strategies and tactics to enhance sales effectiveness, including:

(a) employing direct marketing techniques;
(b) improving co-operation between sales and marketing;
(c) encouraging salespeople to attend training programmes and acquire professional qualifications.

The increased role of direct marketing, including direct mail and telemarketing, will be discussed in Chapter 12. However, an emerging change is the use of computer stations, especially in US retail outlets, to replace traditional salespeople. In Europe the serious use of computer stations began in car showrooms with Daewoo's employment of kiosks where customers obtain product and price information. The process has moved further in the United States where several Ford dealerships have installed computer stations that fully replace salespeople. Customers can compare features of competitive models, calculate running costs, compute monthly payments, and use the computer to write up the order and transmit this to the factory, without the intervention of a salesperson.

The development of effective relationships between sales and marketing is recognised, but in practice, blending the two functions into an effective whole is sometimes hampered by poor communication. The establishment of intranets that link employees, suppliers and customers through their PCs can improve links and information exchange. Intranets are used for such functions as email, team projects and desktop publishing. Their adoption can enhance the effectiveness of the field salesforce that requires fast access to rapidly changing information such as product specifications, competitor news and price updates, and allows the sharing of information between sales and marketing.

Finally, sales management is responding to the new challenges by recognising the importance of training and professional qualifications. In Britain, the Chartered Institute of Marketing (CIM) offers the following qualifications: the introductory and professional certificates, and the professional diploma in marketing; followed by the professional postgraduate diploma in marketing. The aim is to enhance salespeople's and sales managers' professionalism, skills and competencies.

The result of these forces is to change the role and operation of the traditional sales organisation from a focus on order-taking and order-making to **strategic customer management**.[10] The challenge is to reposition sales as a core element of a firm's competitiveness, where the sales organisation is closely integrated into marketing strategy and planning.[11] This process places the customer at the centre of the company's focus with the sales organisation charged with taking a strategic view of designing and implementing superior customer relationships.[12] This requires sales management to work towards the total integration of how customer relationships are designed, established, managed and sustained. For example, companies such as Cisco have developed sales strategies that use personal selling when the purchase is important, complicated and the decision uncertain – usually the first sale to a customer or a new application – leaving subsequent purchases to be made via the internet.[13]

Strategic customer management requires three activities to be performed:[14]

- *Intelligence:* enhancing customer knowledge to add value to customer relationships. A key finding in an investigation into corporate purchasers' views of world-class sales organisations is that their salespeople show a deep understanding of the customer's business, so that they can identify needs and opportunities ahead of the customer.[15] The idea is that sellers can gain competitive advantage by identifying new opportunities in the end-user markets of their customers. This requires the seller to move from a simple knowledge of the customer's organisation to understanding the customer's markets. For example, when Johnson Controls in the United States won the business for the seats and electronic controls in Ford's F-series trucks, it was not by discussing seats and switches with Ford. Johnson's competitive advantage was a better understanding of truck driver's seating and control preferences than Ford.
- *Interfaces:* refocusing salesforce efforts into the management and exploitation of critical interfaces that affect customer value (for example, with customer relationship management and key account management).

  Strategic customer management requires that the traditional salesperson and sales management processes integrate with the new challenges of doing business that have emerged through developments in technology. For example, the US firm Western and Southern Financial Group has added call centre and online sales operations to its field salesforce of 2,200 representatives. The challenges include developing a new collaborative sales representative role, working with and through the new channels, relying on building salesperson trust to encourage information sharing and a seamless customer relationship across all the channels.[16] The aim is to produce an effective customer relationship management system that allows customer choice of channel while creating an efficient system of delivering customer value.
- *Integration:* the process of welding all the company's activities and processes that affect customer value into a single, integrated and sustained point of value delivery to customers. Similar to the previous activity but broader in scope is the need for cross-functional and cross-border integration to deliver superior customer value. The lack of such co-ordination has proven harmful to customer relations. For example, the lack of integration between sales and supply chain management caused problems for one company when the sales director realised that a major customer was ordering irregularly as and when stock control indicated the need for more supplies. He recognised that his stock cover could be reduced if the customer could be persuaded to adopt continuous replenishment. Two days after the customer agreed to move to the new system, the sales director received a telephone call from the distraught customer complaining that he was almost out of stock and on the point of taking his business elsewhere. The sales director ran to the distribution depot to identify the problem. The answer was simple: the distribution system placed highest priority on large orders. Unfortunately the change to continuous replenishment meant that the customer was placing many small orders which received lowest priority and were often not fulfilled by the end of the day.

Another example shows the dramatic consequences of a lack of integration between sales and operations.[17] In a major clothing company, the sales manager was instructed to increase sales targets irrespective of production capacity. Encouraged by his sales manager, a salesperson secured a major order from a national retailer. The result was that production could not deliver, the customer was furious, the salesperson was demotivated, and the sales manager was acutely embarrassed.

Having examined the major forces that impact on the sales function, we will now consider the specific settings where selling takes place, and some of the activities, such as sales promotions and exhibitions, that support selling activities.

4.2 SALES CHANNELS

Distribution channels involve two separate, yet closely connected, activities: logistics, or **physical distribution management (PDM)**, and **channels of distribution**. Historically, distribution was simple, with producers selling to their immediate neighbours, who often collected goods themselves. Modern-day manufacturing, more cosmopolitan consumers, better transportation and communications, and business specialisation have meant that channel decisions are now quite complex. Distribution costs have risen relative to production. However, as a result of automation and computerisation, production costs as a percentage of total cost are now considerably lower than they were only a few years ago. Each of the two elements of distribution is now considered.

Logistics or physical distribution management (PDM)

The terms *logistics* and *PDM* are interchangeable, although some writers infer that logistics is more concerned with strategic issues whereas PDM relates to tactics. Basically, logistics means the effective and economic planning, implementation and control of the physical flow of materials in their unprocessed state through to finished goods from the point of origin to delivery to the end-consumer. Logistics conventionally starts with customers and works back towards the original source of supply. The term **supply chain integration (SCI)** is sometimes used to describe its effective co-ordination, and this is discussed in detail in Chapter 10.

The logistics mix describes the functional elements involved in this process and each of these is now considered:

1. *Order processing:* this first stage calls for close liaison with the customer. A well-designed system should have simple administrative procedures and be speedy and effective.
2. *Materials handling:* this is usually a function of the product in terms of physical chacteristics such as weight, bulk related to value and perishability, all of which

will determine how the product is stored and transported. Here, a balance between levels of service that the company provides (e.g. ex-stock delivery as opposed to, say, one month) and costs is a decisive factor.

3. *Warehousing:* the location of depots and warehouses relative to end-customers is very important in some industries (e.g. agricultural machinery where spare parts must be immediately available during the harvesting period). Warehouses can carry buffer stock and help to even out peaks and troughs in production. Again, this process requires a balance between service levels and costs.
4. *Inventory control:* with the widespread adoption of just-in-time, or lean, manufacturing, this has become a critical issue. It is now customary to think of stockholding in terms of hours rather than days or weeks. An accounting rule of thumb suggests that the physical act of stockholding can add 25 per cent to the costs of inventory without adding to its value, so the advantages of lean manufacturing are understandable.
5. *Transportation:* this involves the physical delivery of goods to customers, and the organisation of materials from suppliers to be used in the production process. It is, of course, a critical factor in companies that operate a lean manufacturing system and this usually means that it is more costly because of smaller batch and load sizes, often resulting in partial loads.
6. *Packaging:* packaging design for the container that is displayed on the shelf of a supermarket is normally a marketing communications issue, but in terms of outer containers and appropriate packaging for shipping via various modes of transport, this falls under the logistics mix classification.

There are two philosophical standpoints in relation to logistics. One considers it as a 'systems concept' whereby management regards logistics as a system of interrelated components. The other views it as a total cost approach where management attempts to minimise the cost of using the components taken as a whole.

Channels of distribution

Management should constantly reappraise channels of distribution to make cost savings. Marketing channels are determined by company policy and this determines how the salesforce should be organised.

A **sales channel** is the route that goods take through the selling process from supplier to customer. Sometimes the channel is direct, especially where goods sold are incorporated into a manufacturing process. Final goods might then be sold through a different channel. A product example is fuel injection systems that are sold to automobile manufacturers; automobiles are then sold to car distributors and the car distributors sell to end-consumers. When we consider a product from the raw material stage to the end product, many different sales channels can be involved at different stages of manufacturing. A sales channel can also be indirect, whereby a manufacturer sells to a wholesaler or agent, who sells in smaller lots to other customers. This is known as 'breaking bulk'.

Research has shown that channel management is a key role of the sales manager.[18] This is a major responsibility, since for most manufacturers success or failure is partially determined by how efficiently and effectively their products are sold through

Relationships with suppliers – the foundations of success

Good supply chain management is seen as both a key driver of business and one of the toughest problems for UK managers. Procurement is an often neglected part of business. A survey of chief executives and finance directors by the Chartered Institute of Purchasing and Supply found that 48 per cent could not recall their annual expenditure on goods and services, yet had no problem listing turnover, sales, profits and salary costs. This was odd, considering that most companies spend more on goods and services than on wages.

The starting point for managers should be in understanding how goods flow through the firm. This means mapping out the connections from suppliers to the company and on to customers, then charting the flow of information: orders, schedules, shipping notes, invoices, and so on. With a clearer picture of the supply chain, a company can work out a strategy that fits an overall scheme for the enterprise.

Marks and Spencer (M&S) the UK retailer, have recently returned to their earlier successes through several changes to strategy and improved management systems and practices. However M&S are a company that has never lost sight of the importance of effective supply systems and relationships with their suppliers.

This applies to all the products sold in store, but they are particularly effective in one of their major product categories, namely underwear. They work very closely with suppliers of these products to ensure they are up to date with the latest trends and developments including new fabrics and fibres for their products, which is probably the foundation of their success in this product category.

their marketing channel members (e.g. agents, wholesalers, distributors and retailers). The implication is that sales managers require training in how to deal with issues related to channel management.[19]

Selecting/reappraising sales channels

When selecting or reappraising channels, the company must take into consideration:

- the market;
- channel costs;
- the product;
- profit potential;
- channel structure;
- product life-cycle; and
- non-marketing factors.

The market

This must be analysed to ensure that as many potential consumers as possible will have an opportunity to purchase the product or service. Channel compatibility with similar products in the marketplace is important. Consumers tend to be conservative and any move from the accepted norm can be viewed with suspicion. Unless there are sound reasons for so doing, it does not make sense to go outside the established channel. For instance, a canned food producer would not normally consider selling through mail order unless the company was providing a very specialist type of food or perhaps providing it as part of a hamper pack. Instead, the company would use traditional distribution outlets such as food multiples and cash and carry.

Channel costs

Generally, short channels are the costliest. A company selling direct may achieve large market coverage, but in addition to increased investment in the salesforce, the firm also incurs greater transportation and warehousing costs. This is balanced against the fact that there will be a greater profit margin, by virtue of the fact that distributive intermediaries are obviated and their margins will not have to be met. In addition to such financial criteria, short channels have an advantage of being nearer to end-users, which means the company is in a better position to anticipate and meet their needs.

There has been a trend in recent years for manufacturers to shorten their channels to control more effectively distribution of their products, particularly where advertising has been used to pre-sell the goods to consumers.

The product

Normally, low-cost, low-technology items are better suited to longer channels. More complex items, often requiring much after-sales service, tend to be sold through short channels, which is why most industrial products are sold direct from the producer to user. The width of the product line is important, in that a wide product line may make it worthwhile for the manufacturer to market direct because the salesperson has a larger product portfolio with which to interest the customer, which makes for more profit-earning potential.

A narrow product line is more suited to a longer channel because along the distribution chain it can be combined with complementary products of other manufacturers, resulting in a wider range of items with which to interest the customer. In this case, distributive intermediaries and not manufacturers are performing the final selling function. An example here is a manufacturer of bathroom fittings who sells through builders' merchants. Builders' merchants then sell these fittings to builders alongside other materials they require.

Profit potential

There comes a point when the costs of obtaining more sales through a channel outweigh revenue and profits to be gained from increased sales. For instance, a manufacturer of an exclusive perfume would not distribute through supermarkets or advertise during peak-time television viewing. If the company did so, then sales would no doubt increase, but the costs involved in achieving those sales would make it unprofitable. It is an accounting problem and a balance must be struck between channel expense, profit and gross margins.

A manufacturer using short channels is more likely to have high gross margins, but equally higher channel expenses. A manufacturer using longer channels will have relatively lower gross margins, coupled with lower channel expenses.

Channel structure

To some extent a manufacturer's choice of distributive intermediaries is governed by the members in that channel. If members of the channel are strong (by virtue of, say, their size), then it will be difficult for a manufacturer to go outside the established channel.

In some cases it may be difficult to gain entry to the channel unless the product is differentiated by way of uniqueness or lower price from those products already established in the channel. An example is the potential difficulty that a new detergent manufacturer would have in attempting to sell products through larger supermarkets. The manufacturer would have to convince members of the channel that the detergent was in some way better than those already on the market, or offer advantageous prices and terms. In addition, detergent is mainly marketed using a '**pull**' strategy that relies on consumer advertising to create brand loyalty and pre-sell the product to end-customers. A new manufacturer would have to spend a lot on mass advertising to create brand loyalty for the product, or attempt to '**push**' the product through the channel by providing trade incentives, with probably a lower end price than competitive products coupled with larger profit margins for retailers. It can be seen that it would be a daunting task for a new detergent manufacturer to enter the market in a big way without large cash resources at its disposal.

Product life-cycle

Consideration must be given to how far the product is along the product life-cycle. A new concept or product just entering the life-cycle might need intensive distribution to start with to launch it on the market. As it becomes established it may be that after-sales service criteria become important, leading to a move to selective distribution, with only those dealers that are able to offer the necessary standard of after-sales service being allowed to sell the product. Conversely, sales are low initially in keeping with diffusion theory discussed in Chapter 1. It would then be the case that only a select few distributors are needed in the early stages of the life-cycle.

In the case of televisions the wheel has turned full circle, from intensive distribution to selective distribution (for reasons just mentioned) and back to intensive distribution. This is because servicing of televisions is now relatively simple, in that televisions are constructed similarly and standard units are replaced when repairs are needed. A television repairer no longer needs to be a specialist in one particular model. Television manufacturers realise that with comparative parity between models, consumers are less likely to be drawn towards a particular brand because of its supposed technical superiority or standard of after-sales service. The most crucial factor now is ensuring the customer is able to see the brand and compare it with competitors' brands. Thus, maximum exposure at point of sale is a manufacturer's distribution objective.

Non-marketing factors

Non-marketing factors relate to the amount of finance available. In the case of an innovative product, it could be that the firm is unable to exploit this to its fullest advantage because of financial constraints. The firm may have to distribute through a middleman because it cannot afford to employ a field salesforce. Conversely, the firm may use a non-conventional channel such as mail order, which requires minimal investment in salespeople, although the physical characteristics of the product might not make it suitable for mail order.

Non-marketing factors often apply when selling internationally, as many companies view export orders as a supplement to home trade and are prepared to offer an agency to anybody who is likely to obtain orders, irrespective of their commercial standing. A fuller discussion of international aspects can be found in Chapter 5, but it should be noted that there are cases of companies that entered into export agency agreements when they were small and exporting was relatively unimportant. As the companies grew they came to regard exporting as essential, but it proved difficult and expensive to unwind hastily-entered-into agency agreements. Such companies in many cases had to persevere with the original arrangements, often against their long-term best interests.

Characteristics of sales channels

Marketing channels are one of the more stable elements in the marketing mix. A channel is costly and complex to change, unlike price, which is relatively easy to manipulate. For instance, a switch from selective to intensive distribution is a policy decision that will have a direct effect upon salesforce numbers, and even upon the type of selling methods to be used.

The main problem that companies have to face is in choosing the most appropriate channel. From the viewpoint of sales management this includes the type of sales outlet that must be serviced. Basically, a manufacturer has the choice of one of four types of distribution:

1. *Direct:* the manufacturer does not use a middleman and sells and delivers direct to the end-customer.
2. *Selective:* the manufacturer sells through a limited number of middlemen who are chosen because of special abilities or facilities to enable the product to be better marketed.
3. *Intensive:* maximum exposure at the point of sale is needed and the manufacturer sells through as many outlets as possible. Servicing and after-sales aspects are less important. Examples are cigarettes, breakfast cereals and detergents.
4. *Exclusive:* the manufacturer sells to a restricted number of dealers. An example is the car industry where distributors must provide levels of stockholding, after-sales service, etc., deemed appropriate by manufacturers as their reputations depend ultimately upon service back-up provided by distributors.

4.3 INDUSTRIAL/COMMERCIAL/PUBLIC AUTHORITY SELLING

These categories are grouped together as the sales approach is similar and behavioural patterns exhibited by each conform to organisational behaviour (discussed in Chapter 3). A number of characteristics in these types of market distinguish them from consumer markets.

Fewer customers

Institutions and businesses purchase goods either for use in their own organisations or for use in the manufacture of other goods. There are few potential purchasers, each making high-value purchases.

Concentrated markets

Industrial markets are often highly concentrated, an example being the UK textile industry which is centred in Lancashire and Yorkshire. An industrial salesperson who sells into one industry may deal with only a few customers in a restricted geographical area.

Complex purchasing decisions

Buying decisions often involve a large number of people, particularly in the case of a public authority where a purchasing committee may be involved in a major purchase.

Many industrial buying decisions involve more than the buyer; in some cases the technical specifier, production personnel and finance personnel are involved and this is where the decision-making unit (as discussed in Chapter 3) can be seen in practice. This can prolong negotiation and decision-making processes. Salespeople have to work and communicate with people in a variety of positions and tailor their selling approaches to satisfy individual needs. For example, specifiers need to be convinced of the technical merits of the product, production people want to be assured of guaranteed delivery and buyers will be looking for value for money.

For technically complicated products, selling is sometimes performed by a sales team, with each member working with their opposite number in the buying team, e.g. a sales engineer works with engineers in the buying company.

Long-term relationships

A life insurance policy salesperson might make a sale and never meet the customer again. The nature of selling in industrial, commercial and public authority settings is that long-term relationships are established and both parties become dependent upon each other, one for reliable supplies and the other for regular custom.

There is a tendency to build up strong personal relationships over a long time and high pressure sales techniques could be counter-productive. A more considered approach involving salespeople identifying needs of individual customers and selling the benefits of the product to satisfy those needs is more likely to be successful. The ability of salespeople to deal with complaints and provide a reliable after-sales service is important. It is suggested that the effective salesperson must understand how to develop and sustain relationships with key customer groups, along the lines of relationship selling (Chapter 10).

Reciprocal trading

This is an arrangement whereby company A purchases certain commodities manufactured by company B and vice versa. Such arrangements tend to be made at senior management level and are often entered into when there is a financial link between the companies, such as those within the same group (referred to as intergroup trading) or between companies whose directors simply want to formalise an arrangement to purchase as much of each other's products as possible.

Such arrangements can be frustrating for salespeople and buyers alike, as they deter free competition. Buyers do not like to be told where they must purchase from, just as salespeople do not like having a large part of a potential market permanently excluded because of a reciprocal trading arrangement.

Types of production

This relates mainly to industrial sales. The type of production operated by the firm to whom the salesperson is selling can determine the type of selling approach to be used. There are a number of different types of production:

1. *Job (or unit or project) production:* an item is produced or constructed to individual customer requirements. It is difficult to forecast demand in such circumstances. Examples are ships, tailormade suits and hospital construction.
2. *Batch production:* a number of products or components are made at the same time, but not on a continuous basis. As with job production, batches are normally made to individual customer requirements, but sometimes batches are produced in anticipation of orders. Product examples are books, furniture and clothes.
3. *Flow (or mass or line) production:* this is continuous production of identical or similar products that are made in anticipation of sales. Examples are motor cars, video recorders and washing machines.
4. *Process (or continuous) production:* the production unit has raw materials coming into the manufacturing process and a finished product emerging at the end. Examples are chemicals, brewing and plastic processes.

Salespeople selling in a combination of such settings have to adopt a different approach for each. With flow production the salesperson has to anticipate model changes to ensure the firm is invited to quote at the outset, and follow up the quotation in the expectation of securing an order that will be fulfilled over the life of the product. If the salesperson is unsuccessful at this stage, they may not have the opportunity of selling to the firm again until the next model change, when it will be difficult to dislodge an established supplier.

Just-in-time manufacturing is normally operated in flow production situations. As will be discussed in Chapter 10, reliability of quality and delivery are of prime importance as manufacturers work on minimal stockholding of components and raw materials. Long-term relationships with suppliers are prevalent. 'Zero defects' is the goal suppliers must strive to achieve in terms of quality.

With job production, losing an order is not normally as critical, because as long as the firm has been professionally represented, it should be invited to quote for the next order and perhaps be successful then. Losing a potential order is serious, but with job production it might mean waiting a short period before being asked to quote again for a different job, whereas with flow production it might be years before the model is changed and an opportunity provided to quote again (by which time the buyer might have forgotten the existence of the salesperson).

4.4 SELLING FOR RESALE

This includes selling to retailers, most of whom are multiples like Tesco, Sainsbury's and Asda, which effectively perform their own wholesaling functions. Independents purchase from wholesalers or cash and carry operators such as Makro. Some retailers belong to voluntary chains like SPAR. Much buying is centralised and in many cases the buyer visits the seller (unlike industrial selling when the seller normally visits the buyer). A look at changing patterns of retailing since the end of the Second World War illustrates how retailing has been revolutionised.

Before examining these changing patterns of retailing, we first categorise seven different types of selling outlet:

1. *Multiples:* classed as belonging to a retail organisation with ten or more branches, each selling a similar range of merchandise. This has been one of the fastest growing areas of retailing, and in Britain multiples now dominate fast-moving consumer goods (FMCG) retail trading.
2. *Variety chains:* similar to multiples except that the qualifying number of branches is five and they sell a wider range of merchandise.
3. *Co-operative societies:* owned and controlled by the people who shop there, each society is governed by a board of directors elected from its own members. Anybody can be a member by purchasing one share. The movement can be traced back to 1844 when it started in Rochdale. Its principles are:
   - open membership;
   - democratic control (one person, one vote);
   - payment of limited interest on capital;
   - surplus arising out of the operation to be distributed to members in proportion to their purchases – originally distributed through dividends, but later paid through trading stamps – this has been generally abandoned in favour of lower prices;
   - provision of education;
   - co-operation among societies, both nationally and internationally.
4. *Department stores:* stores with five or more departments under one roof and at least 25 employees, selling a wide range of commodities, including significant amounts of household goods and clothing.

5. *Independents:* traders who own their own retail outlets. There are variations, the first being where the independent belongs to a retail buying association. This is an informal grouping whereby retailers (usually within a specific geographical area) group together to make bulk purchases. A higher-profile arrangement is when a wholesaler or group of wholesalers invites retailers to affiliate to them and agree to take the bulk of their purchases from them. Such arrangements are termed voluntary groups (individual wholesaler-sponsored) or voluntary chains (group wholesaler-sponsored). Participating independent retailers have an identifying symbol (and for this reason they are termed 'symbol shops' – such as SPAR) in addition to their customary title. Retailers voluntarily agree to abide by the rules of the group or chain, including matters of accounting procedures, shop facilities and group marketing/promotional schemes.
6. *Mail order:* this activity has expanded significantly in recent years. The most popular type of arrangement is the mail order warehouse that carries a large range of goods. Business is conducted through the medium of glossy catalogues held by appointed commission agents who sell to families and friends. Mail order is also carried out by commodity specialists dealing in items such as gardening produce, government surplus and hi-fi. They advertise in appropriate specialist press and through direct mail. This type of business has expanded largely as a result of the expansion of Sunday colour supplements. Many companies deal in more general ranges of goods and use such colour supplements to advertise. Some department stores offer postal services and sometimes provide catalogues.
7. *Direct selling:* party plan companies have sold direct to customers in their homes for a number of years. Tupperware produces a range of high-quality kitchenware and other merchandise for food and drink storage. A direct salesperson demonstrates products to a group of guests, invited by the host in whose home the demonstration takes place. The host's compensation is a percentage commission on orders taken. A long-established company in the field of direct selling is Avon Cosmetics, whose part-time agents sell to people in a specific locality through the medium of a catalogue. This company is the subject of a case study at the end of this chapter. Buying from a 'travelling shop' was popular after the Second World War, but as people became more mobile its popularity waned. However, there is now a new trend to sell bespoke items through this medium.

Fashion on wheels

The Polyanna boutique zooms about Britain bringing rails of designer labels to its clients. The company was formed 40 years ago as Barnsley's first fashion boutique and has now expanded to include lifestyle menswear and accessories departments, and an in-house café. The operation includes a mobile shop which zooms around the country packed with high-fashion labels, visiting clients as far afield as Glasgow and London. The company's clients largely find out about the company from the website www.pollyanna.com and from style programmes such as UKTV style.

The success of the multiples has meant that manufacturers have had to reappraise their sales channels, with the concentration of purchasing power in fewer hands. In the FMCG field, manufacturers have become increasingly involved in controlling distribution of their products and in merchandising activities to support their 'pull' marketing strategies. This has meant heavy advertising expenditures, and concurrent merchandising activity at point of sale has been necessary to ensure that goods are promoted in-store to back up national advertising. As a result, large manufacturers operating a 'pull' strategy have been able to exercise control over their distributive intermediaries; such intermediaries could only dismiss demand created through advertising and branding at the risk of losing custom. This control has meant lower margins for retailers, with manufacturers being able to dictate the in-store location of their particular products. The weight of advertising put behind major brands has given these manufacturers influence over their distributive outlets.

Although there was initially some resistance on the part of manufacturers to the development of the multiples, they eventually found it to their advantage to deal with them directly. This was because multiples purchased in bulk, often for delivery to a central depot, and placed large orders well in advance of the delivery date, thus enabling the manufacturer to organise production more efficiently.

The implications for selling as a result of these developments have been that salespeople of FMCGs are no longer compelled to sell the products in the old-fashioned 'sales representational' sense as advertising has already pre-sold goods for them. Selling to multiples is more a matter of negotiation at higher levels whereby the buyer and the sales manager negotiate price and delivery and salespeople merely provide an after-sales service at individual outlets. Sometimes salespeople carry out merchandising activities such as building up shelf displays, providing window stickers and in-store advertising, although such duties may also be carried out by separate merchandiser teams, particularly when some form of demonstration or product promotion is required.

The growing importance of retailers is reflected in the formation of **trade marketing** teams to service their needs. A combination of key account management on the part of the salesforce and brand management's lack of appreciation of what retailers actually want has prompted many European consumer goods companies to set up a trade marketing organisation. A key role is to bridge the gap between key account management and the salesforce. Trade marketers focus on retailer needs:

- the kinds of products they want;
- in which sizes;
- with which packaging;
- at what prices; and
- with what kind of promotion.

Information on trade requirements is fed back to brand management, who develop new products, and to the salesforce, who can then better communicate with retailers. An important role for trade marketers is to develop tailored promotions for supermarkets.

Wholesalers have suffered since and many have gone out of business because their traditional outlet post-Second World War (independents) have also suffered. This is why wholesalers established voluntary groups or chains, in order to meet the

Tailored promotion

A supermarket chain that owned a group of hotels demanded from a drinks supplier that the next competition promotion offer holiday breaks in its hotels as prizes (paid for by the supplier).

challenge of multiples and offer a similar type of image to the public. However, this has largely failed because of inferior purchasing power and because wholesalers must try to make their independent retailing members behave like multiples, using voluntary means. The wholesaler's only sanction against non-co-operating members is to expel them from the group, whereas in the case of multiples a store manager can be quickly removed.

Since the late 1960s we have witnessed the growth of large-scale retailing, including growth in the size of retail establishments, first to supermarkets, then to superstores, then hypermarkets and finally to megastores. Because of the large size of site required for such outlets, but also for customer convenience, the trend has been towards out-of-town sites where easy parking is facilitated. Patterns of shopping have changed, with shoppers for most goods prepared to dispense with the personal service of the shopkeeper, and self-service and self-selection readily accepted in the interests of lower overheads and more competitive prices. There has been a growth in mass marketing because improved standards of living have meant that products that were once luxury goods are now utility goods and required by the mass of the population, e.g. cars, foreign holidays, televisions, telephones and mobile phones. Because supply normally exceeds demand for consumer goods, there has been a large increase in advertising and other forms of promotion in an attempt to induce brand loyalty, with FMCGs being pre-sold to consumers by means of 'pull' promotional strategies. At the same time retailers have encouraged shoppers to become 'store loyal' through the introduction of loyalty card schemes. Thus, retailing has undergone dynamic changes that have affected ways in which salespeople operate.

Franchising

A more recent trend in European retailing has been contractual systems of **franchising**. It is a corporate **vertical marketing system (VMS)** as its power is based at a point in the channel that is one or more stages removed from the end-customer. The franchisor initiates the franchise and provides the link to the ultimate franchisee in specific stages of the manufacturing/distribution process. Franchising was originally a British development under the 'tied public house' system. Landlords who owned their own premises were tied to a brewery under an agreement to purchase only that brewery's products. However, modern franchising is a US phenomenon that was introduced to Britain in the 1950s. Since then it has grown enormously and now has a code of conduct that is administered through a voluntary body called the British Franchising Association. Franchising comes in a number of forms:

1. *From manufacturers to retailers:* e.g. a car manufacturer (the franchisor) licenses car distributors (franchisees) to sell its products.
2. *From manufacturers to wholesalers:* popular in the soft drinks industry, here manufacturers sometimes supply concentrate (i.e. the 'secret recipe') which wholesalers then mix with water and bottle for distribution to local retail outlets (e.g. Pepsi Cola, Coca-Cola). Manufacturers are the driving force behind the brand image of the product and stringent consistency and control of quality is of paramount importance.
3. *From wholesalers to retailers:* in decline for a number of years as a result of the rise of the multiples mentioned. The most successful example is the voluntary group 'SPAR', which does not manufacture, but its large wholesale buying power means it can pass on cost savings to independent retailers who join the group and display the SPAR logo. They must abide by the rules of the group in relation to matters such as price promotions, standards of store layout and opening hours that the group uses as part of advertising: 'SPAR – your eight 'til late shop'.
4. *Service firm sponsored franchises to retailers:* this area has achieved the largest growth over recent years. Examples are found in the fast food business (e.g. Burger King, McDonald's, Little Chef, KFC, Spud-U-Like, Pizza Hut); car rentals (e.g. Avis, Budget, Hertz); office services (e.g. Prontaprint); hotels and resorts (e.g. some Sheraton and Holiday Inn hotels are owned by individuals or groups who operate on a franchise basis).

Franchising arrangements have a common set of procedures:

1. The franchisor offers expert advice on such matters as location, finance, operational matters and marketing.
2. The franchisor promotes the image nationally or internationally and this provides a well-recognised name for the franchisee.
3. Many franchise arrangements have a central purchasing system where franchisees buy at favourable rates or where a successful 'formula' is central to the operation of the franchise (e.g. KFC).
4. The franchise agreement provides a binding contract to both sides. This contract governs such matters as hours of opening, hygiene and how the business is operated in terms of its dealings with customers. Indeed, on this latter point, organisations such as Little Chef employ 'mystery shoppers' who call unannounced and order a meal anonymously. They check up on the operation of franchisees to ensure they are following the franchise rules of operation. The mystery shopper investigates matters such as how the customer is greeted, whether or not they were kept waiting, whether or not certain extra items of food were offered, cleanliness of restroom facilities and if such facilities were checked in the last two hours from a chart that is displayed on the wall.
5. The franchisor often provides initial start-up and then continuous training to the franchisee.
6. A franchise arrangement normally requires the franchisee to pay a royalty or franchise fee to the franchisor. However, the franchisee owns the business and is not employed by the franchisor.

This system of marketing has become popular over recent years. It provides an advantage to both large-scale business (the franchisor) and the small-scale business (the franchisee). In the case of the latter, the opportunity to become self-employed and in control of their own destiny is a strong motivating factor to work hard and make a success of the business. The fact that the name is internationally recognised means that business is assured straight away.

Example of franchising

McDonald's is an example of brand franchising. McDonald's, the franchisor, grants the right to sell McDonald's branded goods to someone wishing to set up their own business, the franchisee. The licence agreement allows McDonald's to insist on manufacturing or operating methods and the quality of the product. This is an arrangement that can suit both parties.

Under this franchise, McDonald's owns or leases the site and the restaurant building. The franchisee buys the fittings, the equipment and the right to operate the franchise for 20 years. To ensure uniformity throughout the world, all franchisees must use standardised McDonald's branding, menus, design layouts and administration systems.

Source: http://www.thetimes100.co.uk/case_study with permission.

4.5 SELLING SERVICES

As with tangible products, a service must satisfy needs of buyers. However, the benefits are less tangible than with physical products in that they cannot be stored or displayed and satisfaction is achieved through activities (e.g. transportation from one place to another rather than, say, a seat on a train). **Services** come in many forms and examples include:

- transportation – air, sea, rail and road
- power – electricity, gas and coal
- hotels and accommodation
- restaurants
- communications – telephone, fax, email, text messages
- television and radio services
- banking
- insurance
- clubs – social, keep fit, sporting, special interests
- repair and maintenance
- travel agencies
- accounting services

- business consultancy – advertising, marketing research, strategic planning
- architectural
- cleaning
- library
- public (local) authority services and undertakings – disposal of refuse and road repairs
- computing services
- stockbroking services.

There are more and they can be applied to both consumer and industrial users. The selling approach to each category differs, depending upon customer needs, just as selling approaches differ when considering physical products.

In Britain the service sector has grown tremendously over recent years, so much so that it is now primarily a service rather than a manufacturing economy. There are many reasons for this. For example, more women work full-time and the division of responsibilities between men and women is breaking down more equitably. This has put pressure on the service sector to provide services that can perform tasks that have hitherto been seen as the province of being provided in the home (e.g. more eating out in restaurants and more holidays – often two per year – because of increased disposable income).

Better technology has assisted the development and provision of a more comprehensive range of services (e.g. banks offer internet banking, credit cards, instant statements, quicker decisions on loans and longer-term services such as house loans). Building societies now provide a broader range of services and have moved into areas traditionally viewed as the province of the banks, and the major ones have now become banks. This has been a result of the 'liberalisation' of their activities through the Financial Services Act (1986).

In addition to expansion of existing services in the financial sector, more services are now available (e.g. professional drain-clearing through the 'Dyno-rod' franchise). Public services have become more marketing orientated and have to be seen to be more accountable to the publics (e.g. the police service is now more public relations conscious than in the past). Local authorities spend money that is raised through council tax and the public now questions more closely how money they have contributed is being spent. Thus, these organisations have to be seen to be spending money wisely as they are publicly accountable. They have to communicate with their public and explain how services they provide are of value. Special characteristics of services include:

(a) intangibility;
(b) the difficulty of separating production from consumption as many services are consumed as they are produced;
(c) services are not as 'standard' as products and are more difficult to assess (in terms of value);
(d) it is not possible to 'stock' services (e.g. unsold hotel rooms) unlike products.

Table 4.2 illustrates these characteristics more graphically.

The final criterion, ownership, shows that, unlike a product, the consumer does not secure ownership of the service, but pays to secure access to the use of the service (e.g. a recreational facility such as exercise in a gymnasium).

Table 4.2 Characteristics of services and products

Products		Services
Low	Intangibility	High
Low	Inseparability	High
Low	Variability (i.e. non-standard)	High
Low	Perishability (i.e. inability to stock)	High
Yes	Ownership	No

The four Ps have been extended to include an extra three Ps; thus we have the 'seven Ps' of service marketing. The three extra Ps are People, Process and Physical evidence.

- *People* are an important element in carrying out a service, especially those who are directly involved with customers. Employees must be well trained and have a friendly demeanour when handling customers.
- *Process* relates to how the service is provided and it deals with customers at the point of contact in the supply of the service. Consistency and quality of service must be well planned and managed.
- *Physical evidence* is included because of the intangibility of services. Marketing should highlight the nature of the service being offered. This should be communicated to customers by emphasising such matters as levels of quality, types of equipment and physical facilities.

With this background in mind, the task of selling services is perhaps more difficult than selling products because of its more abstract nature. A distinguishing feature is that those who provide the service are often the ones who sell that service. Thus, providers of services must be more highly trained in sales technique, and sales negotiation forms an important part of such interaction. It is also important that close attention is paid to image building (e.g. banks and insurance companies must be seen to be stable, reliable institutions, but with a friendly, non-intimidating attitude – an image on which banks in particular have spent a lot of money). Above all, as McDonald has pointed out, unlike a physical product, it is never possible to know precisely what will be received until the service is rendered, so an element of trust is essential in selling services.[20]

Extended marketing mix

People: Argos places great emphasis on training staff and ensuring they provide good customer service. If staff are friendly, know what they are talking about and are eager to serve customers this can provide an important competitive advantage in retailing.

Extended marketing mix (*continued*)

Process (i.e. the buying process): Argos introduced 'Text and Take Home' which allows potential buyers to text at any time to discover if a product is available in their local store, and, if they wish, reserve it to pick up later. Over 60 million text messages are sent in the UK every day so the potential is huge and Argos is tapping into this growth area. Alongside the Argos website and telephone service, 'Text and Take Home' is designed to make buying more convenient.

Argos also improved the in-store buying experience by introducing 'Quick Pay' – a system that enabled customers in-store to check availability, order and pay for goods themselves by credit or debit card, thereby avoiding the tills.

This service made shopping easier for customers and reduced queues in-store during busy periods. Given the growth of Internet shopping, where customers can buy direct at any time of the day or night, Argos has responded by being technologically innovative to ensure the process of buying is as easy as possible. The success of these developments has been recognised with many top awards.

Physical environment: In retailing, the look and layout of stores can be an important factor when attracting customers. Argos has always invested heavily in store improvements to ensure customers are attracted.

Over the years the evidence is that Argos certainly knows how to use the extended marketing mix.

Source: adapted from http://www.thetimes100.co.uk/case_study with permission.

4.6 SALES PROMOTIONS

Sales promotions include techniques that organisations can use as part of their marketing effort. Objectives that can be achieved through sales promotional activities include:

- encouragement of repeat purchases;
- building of long-term customer loyalty;
- encouragement of consumers to visit a particular sales outlet;
- building up of retail stock levels;
- widening or increasing the distribution of a product or brand.

Sales promotions include:

- price reductions;
- vouchers or coupons;
- gifts;
- competitions;
- lotteries;
- cash bonuses.

Techniques cover:

- consumer promotions;
- trade promotions;
- salesforce promotions.

The importance of sales promotions has increased since the 1960s, as has the sophistication of methods used. It is sometimes implied that sales promotion is a peripheral marketing activity, but companies are increasingly realising the importance of a well-planned and co-ordinated programme of sales promotion.

In Britain, sales promotional activities have matured since the 1970s. At that time few attempts were made to measure their effectiveness. Advertising agencies branched out into sales promotions with the aim of offering an all-inclusive package to clients in an attempt to combat competition from emerging sales promotion agencies. The mid-1980s brought increased economic pressure to bear on business activities, which had the effect of making advertising agencies become more concerned about reductions in company advertising budgets. They began to pay more attention to the effectiveness of sales promotions and adopted a more integrated approach to advertising. There was a move towards fee-based sales promotional agencies, which implied a longer-term relationship between agency and client, rather than the existing ad hoc commission structure.

As a result of increased competition from sales promotional agencies, advertising agencies have tended since the mid-1980s to take sales promotion seriously and now offer sales promotion alongside advertising as an integrated communications package. Since the late 1970s there has been a gradual erosion of the line between sales promotion and advertising. Sales promotions can be divided into three main areas of activity:

- consumer promotions;
- trade promotions; and
- personnel motivation.

Consumer promotions

These are often referred to as **pull techniques**, since they are designed to stimulate final demand and move products through the sales channel, with consumers providing the impetus. The most widely used consumer promotion is the price reduction or price promotion:

1. The item is marked '*x* pence off'. This can be manufacturer or retailer originated. This technique has to be used with caution by UK manufacturers, as recent legislation now makes it illegal to state this unless the previous price has been applied for a substantial period of time.
2. An additional quantity is offered for the normal price, e.g. 'buy one get one free (BOGOF)' or '10 per cent bigger – same price as usual'.
3. Price-off coupons, either in- or on-pack, may be redeemed against future purchases.
4. Introductory discount price offers on new products.

A view held by many organisers of such promotions is that the consumer, in economically difficult times, is more likely to be attracted by the opportunity to save money than by incidental free offers or competitions. Price promotions are predominantly used by FMCG producers, especially in the grocery trade.

Premium offers

Premium offers are techniques that give extra value to goods or services in the short term as part of a promotional package:

1. *Self-liquidating premiums.* An offer of merchandise is communicated to the customer on or off the pack. The price charged to the customer covers the cost of the item to the promoter. The promoter is able to purchase such merchandise in bulk and pass savings on to customers, who feel that they are getting something of additional value. These promotions are usually linked with the necessity to collect labels or cut out tokens from a number of purchases of the same, or same range of, products. The premium need not be connected with the product that carried the premium. The idea is to stimulate purchases of the product and selling the premium is of secondary importance.
2. *On-pack gifts.* Here the premium is usually attached to the product. The premium may be product-related, e.g. a toothbrush attached to toothpaste, or not product-related, e.g. an item of merchandise such as a CD taped to a magazine.
3. *Continuities.* These are sets of merchandise that can be collected through a series of purchases, e.g. picture cards, chinaware, glassware, etc. The premium is either with the product or the purchaser has to send off for the premium.
4. *Coupon plans.* Coupons, contained within the pack, may be collected over time and exchanged for a variety of products in a catalogue. Coupon techniques may be used by one producer or supplier as a promotion for its goods or services, or the plan may include a number of different producers' products under one name. These schemes have in the main replaced trading stamps, which were used in a similar way. However, trading stamps and purchase vouchers that can be redeemed for cash or goods are making a comeback in specialist retailing situations (e.g. petrol purchases).
5. *Free samples.* These are sample packs of products offered with brand-related products, attached to magazines, given away separately in retail outlets, delivered door-to-door, etc.

Merchandise as a premium does not have the appeal of money, but it may have a more pointed appeal than cash or a price reduction. The premium chosen, and the way it is offered, may preselect a specific type of customer, but the offer can at least be targeted at the right market segment. Providing the additional response generated more than covers the cost of the premium and administration/distribution costs, the promotion should be cost effective.

The choice of premium and sales promotional technique is crucial. The problem is to find a premium that is 'different' or unusual, has broad customer appeal and is available in sufficient quantity to meet demand.

Competitions are popular in Britain and Germany. The advantage of running a competition is that it should be cost effective if the cost of the prizes is spread over a large enough number of entrants. Competitions for consumer goods are usually promoted on the pack concurrent with in-store promotion, with an entry form located on or near the product. It is usually required that each entry is accompanied by proof of purchase. More recently, free draws have become popular whereby a purchase is not necessary and the shopper merely fills in his or her name on an entry form and 'posts' it in an entry box in the retail outlet.

There is scope for individuality and creativity in this method of promotion. It needs much pre-planning and administration, which is probably the reason why competitions tend to be aimed at the national level and involve high value prizes such as holidays and cars, so that consumer response is great enough to cover the costs of the promotion. Lotteries and sweepstakes are also used as promotional techniques, particularly by retail outlets, which use them to attract custom into the store.

Joint promotions are not specific to consumer goods and are used increasingly as companies attempt to find new promotional techniques. They can involve two or more companies, which tend to be related not by product type but rather by similar customer profiles (e.g. the gin and tonic campaign that links two manufacturers – Gordons and Schweppes). There are a number of such arrangements:

(a) Between retailers and producers, where a branded good may carry a voucher redeemable at a particular retail outlet.
(b) Between two or more producers, where one manufacturer's product carries a promotion for the other, and vice versa. Here the relation is by customer profile and not by product.
(c) Between a service organisation and a producer, e.g. between a travel company and a breakfast cereal manufacturer, or a dry cleaner and a clothes manufacturer.

Trade promotions

The aim is usually to **push** products through the channel towards the customer. Similar to consumer promotions, incentives are offered through extra rewards such as discounts, increased margins on sales, dealer competitions, exhibitions, provision of demonstrators and free holidays (often in the guise of a conference or product launch). The objectives of retailer–distributor promotions are:

- to achieve widespread distribution of a new brand;
- to move excess stocks onto retailers' shelves;
- to achieve required display levels of a product;
- to encourage greater overall stockholding of a product;
- to encourage salespeople at distributor levels to recommend the brand – particularly in the case of non-consumer products;
- to encourage support for overall promotional strategy.

There are problems associated with trade promotions. Too frequent use can mean that a salesperson directs attention to the product involved and neglects other products in the line. The objectives of the promoter may conflict with those of the retailer or distributor; some sales employees are not permitted to accept incentives or participate in trade contests because their management wishes to maintain control over their selling activities. There is also a danger that a trade promotion may be used to push another brand or inferior product. Consequently, long-term measures to promote sales are not feasible and manufacturers would be better advised to look to product improvement as part of long-term strategy. The British Code of Sales Promotion Practice states:

> No promotion directed towards employees should be such as to cause conflict with their loyalty to their employer. In case of doubt, the prior permission of the employer, or the responsible manager, should be obtained.

Although business gifts are not strictly sales promotions, they are relevant here. The business gift sector is characterised by seasonal demand and it is estimated that 80 per cent of this business is conducted in the last two months of every year. Apart from the obvious connotation that it puts the recipient under some moral obligation to purchase, it also serves as an advertising medium if the company logo is incorporated in the gift. From as early as 1981 the Chartered Institute of Purchasing and Supply took a serious and critical interest in the use of business gifts, especially where the 'giving' was tied to the placing of orders. They argued that such gifts could influence the buyer's objectivity and should be restricted to nominal items such as calendars, diaries, pens, etc. Recently, the giving of business gifts has declined as employers have placed restrictions upon what their employees may receive. The Chartered Institute of Purchasing and Supply has published a 'blacklist' of companies operating what they consider to be gift schemes over and above items of nominal value.

Personnel motivation

These are promotions to the salesforce, but some apply to distributors and retailers. The most widely used salesforce promotion is the sales incentives scheme. Rewards are offered to participants on an equal basis which are over and above normal sales compensation. They can be prizes in a competition to individuals or groups who perform best against specific objectives. The problem is that average or below-average performers may not feel sufficiently motivated to put in any extra effort if they consider that only top performers are likely to win. Thus, competitions tend to be used for group or area salesforce motivation.

When establishing a salesforce incentive scheme one must consider objectives, timing, scoring methods and prizes/rewards. Typical objectives of such schemes include:

- introduction of a new product line;
- movement of slow-selling items;
- to obtain wider territory coverage;
- development of new prospects;
- to overcome seasonal sales slumps;
- to obtain display; and
- development of new sales skills.

The timing of the scheme may depend on the size of the salesforce, the immediacy of action required and the nature of the objectives to be achieved. An incentive programme runs on average for between two and six months.

Scoring or measuring performance may be based upon value or unit sales. In order to overcome territorial differences, quotas may be established for individual regions, areas or salespeople. Points, stamps, vouchers, etc., may be awarded on the achievement of a pre-stated percentage of quotas or level of sales, and continue to be awarded as higher levels are achieved. Such tokens may then be exchanged for merchandise, cash, etc., by the recipient. Sometimes catalogues are supplied giving a range of merchandise for the salesperson or family to choose from. Vouchers for redemption or exchange in retail stores can be used as prizes or rewards.

During a scheme, additional bonus points may be awarded for the attainment of more specific short-term objectives such as increased sales of a particular product, increased numbers of new customers or training and display objectives. In this way a long-running scheme can be kept active and exciting for participants. Another form of motivation is the award of recognition in the form of a trophy or 'sales-person of the year' award.

4.7 EXHIBITIONS

Exhibitions are tangentially related to sales settings as the objective is not to sell from display stands, although in some circumstances (e.g. glassware and decorative ware sales from importers and manufacturers to the trade) exhibitions and trade fairs are where most business takes place. Generally speaking, their function is to build up goodwill and prepare the way for future sales. Exhibitions were once regarded as a luxury item in a company's marketing budget and exhibition stand personnel often looked upon staffing an exhibition stand as an easy option to their normal duties. They were regarded as being a public relations tool. Companies are now more aware of their value as part of overall marketing and sales efforts.

The term *exhibitions* covers a wider spectrum than that described. At a simple level *event management* concerns activities that promote the organisation, but it is often an excuse to provide hospitality to customers. *Corporate hospitality* is an honest definition, but for reasons of not wishing to draw attention to marketing expenditure that might be regarded as trivial, this term is rarely used. This can take the form of the provision of seats or a box for invited guests at an event such as Royal Ascot, the Grand Prix at Silverstone or a Test match. At a more sophisticated level, *conferences* can be sponsored that reflect the interests of the sponsoring company, but provide a more serious forum for participants.

A study was undertaken by one of the authors to investigate how trade exhibitions could be better used as part of a communications programme. These results (Lancaster and Baron, 1977) are now presented together with updating information.[21]

Characteristics of a good exhibition include:

- a wide range of products;
- a large number of competitors;
- a good amount of information on the products on show made available beforehand (emphasising the importance of pre-exhibition mailing);
- a large number of new products;
- nearness to the buyer's home base;
- good exhibition hall facilities;
- a simple stand that is always neat (no personal effects on display) and not cluttered with unsuitable display material.

Characteristics of a good exhibitor include:

- exhibiting a full range of products, particularly large items that cannot be demonstrated by a travelling representative;
- stand always staffed by personnel who do not spend time conversing with colleagues;
- well-informed and approachable stand staff;

- informative literature available;
- seating area or an office provided on the stand;
- refreshments for visitors (and stand staff only using refreshment facility when with customers);
- staff not using mobile telephones in public when on duty;
- staff spending time with potential and known customers, making future appointments and filtering away time-wasters and freeloaders;
- actively following up sales leads and debriefing the stand team afterwards.

The use of trade exhibitions is on the increase and companies increasingly need to establish a more scientific method of managing this function, as it requires an understanding of how an exhibition stand communicates itself to the public. Setting exhibition objectives and measuring results are important, as are the identification and comprehension of elements in the exhibition event. Management should plan, co-ordinate and control the exhibition mix. Figure 4.1 explains how the exhibition communication process works.

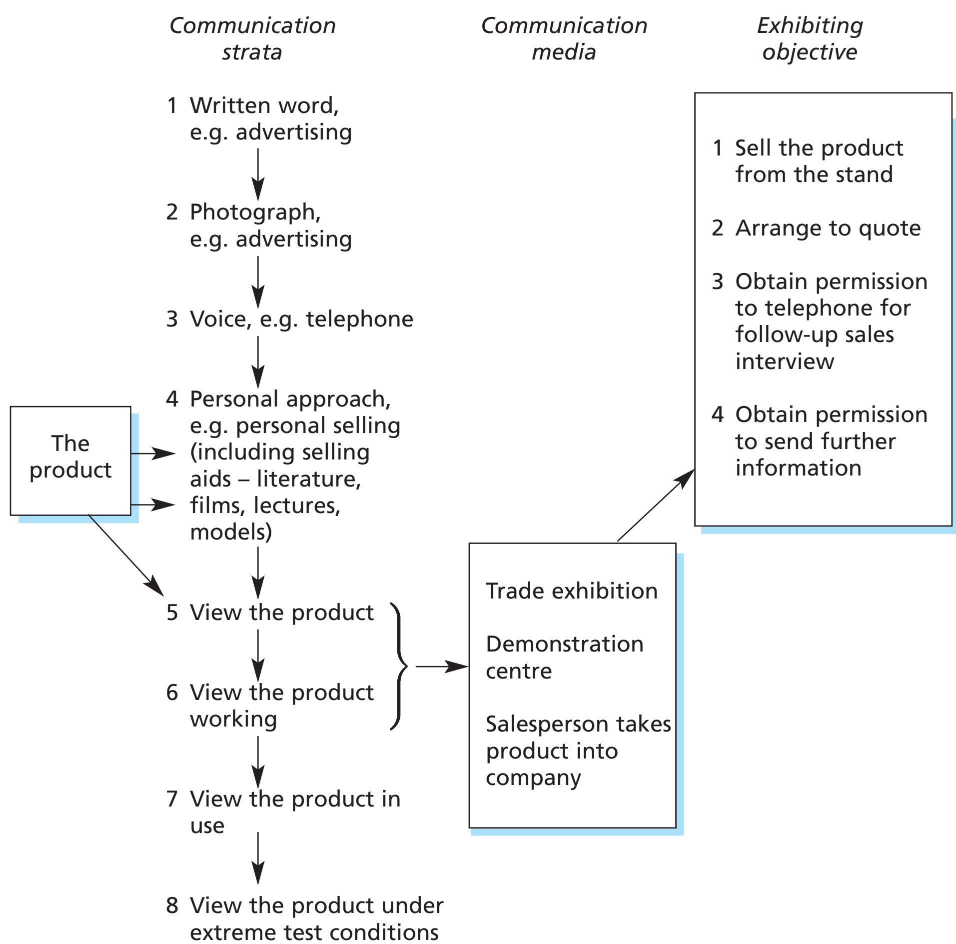

Figure 4.1 A model of the exhibition communication process

Different communication problems exist for different types of product, including materials, services and small or large, simple or complex machinery. With materials the selling feature or **unique sales proposition (USP)** may be communicated quite simply or through a low communication medium, e.g. the written word. The USP of a large piece of complex machinery might only be communicated by the potential customer viewing the machinery working. The different methods of communicating the USP of different types of product are termed *communication strata*. A product with a simple USP can be communicated through a low communication stratum, whereas a product with a complex USP can best be communicated through a high communication stratum.

Having selected the stratum needed to put across the USP, the other methods of communication used must be organised to complement it. For example, if trade exhibitions are selected as the ultimate communication medium, all other marketing inputs, e.g. salesforce and media advertising, must be co-ordinated with the programmed trade exhibition. If strata 5 or 6 (see Figure 4.1) are needed, there are three communication media that can be used, such as trade exhibitions, demonstration centres or the salesperson taking the product into the firm.

In the management of any function, the setting of objectives is vital; without this, there is no basis for planning, co-ordination, control or measurement of results. Such objectives can be enumerated as follows:

1. Define the market with which it is intended to communicate by region, by product or by any other segmentation method.
2. Define the value of potential purchases. Is the exhibition effort to be aimed at potentially small or large users?
3. Define the status of contact at whom to aim, e.g. purchasing manager, managing director, etc. High-status contacts cannot normally be attracted to small exhibitions – they may wish to speak to top management or require a personal invitation plus entertainment.
4. Define the preference towards company products. Is the exhibition effort to be aimed at present customers? Is it principally to launch a new product? The danger is that stand personnel time can be taken up talking to the converted, whereas the objective should be to interest potential customers.
5. Define the communication level at which to aim:
   - to sell the product from the stand (the ultimate);
   - to obtain permission to quote;
   - to obtain permission to telephone for a follow-up sales interview;
   - to obtain permission to send further information.

   Methods used to attract visitors to a particular stand include the following:
   - direct mail;
   - telephoning;
   - a personal sales call before the event;
   - an advertisement in the technical or trade press.

   Once there, attractions can include the following:
   - a buffet;
   - give-aways;
   - advertising material;

- films and seminars at the exhibition;
- attention-gaining exhibits on the stand.

The exhibition stand itself should have a number of elements:

1. *Products on show will depend upon the target market.* The more products, the higher the number of prospects that will be interested, although a balance has to be struck in order not to provide so wide a range as to make it confusing.
2. *Literature should not be on a self-service display.* When a prospect comes to the stand looking for literature, this should be an ideal opportunity for the salesperson to establish contact and obtain details of the prospect.
3. *Graphics should include at least a display board featuring the product literature.* Such aids make the stand look more attractive. Models of the item being marketed are useful when the product being sold is too large or bulky to be physically displayed.
4. *An office or interview room can take up a lot of expensive display space.* An alternative is to demonstrate the product and then invite the visitor to a nearby seating area to conduct the interview.
5. *Refreshment facilities on the stand are good attractors* and from the results of the study were a major drawing force.
6. *An area should be designated for storage* of coats, briefcases, literature, materials, etc., to avoid clutter and distractions from the main aim of the exhibition.
7. *An expensive, eye-catching stand can be a double-edged weapon.* It might attract visitors, but the study indicated that visitors' attitudes towards such ostentation were that it might be reflected in the price of products.

The stand should be planned as early as possible by drawing up a checklist of everything required, checking limitations on stand design, drawing up a checklist of stand services required and a progress chart for the preparation of all products and exhibits, including their manufacture, transportation to the exhibition, assembly and dismantling.

Exhibition stand personnel must be able to communicate the USP of the products and have a sound commercial and technical knowledge. They may come from a variety of backgrounds such as sales, marketing and technical, and should be briefed upon a number of areas beforehand:

1. Objectives of the exhibition and set procedures to be used in achieving these objectives.
2. Features of the stand, who else is on the stand and the geography of the stand in the exhibition complex. Who is the exhibition stand manager?
3. How to approach stand visitors, how to interview them and how to deal with irrelevant visitors.
4. Tips on physical appearance before staffing the exhibition stand.

With professional pre-planning and management, exhibitions can be a powerful sales tool and not the expensive luxury that many companies once regarded them to be.

4.8 PUBLIC RELATIONS

Nature and role of public relations

Public relations covers a broader spectrum than selling or, indeed, marketing. Its application is wider and encompasses the entire organisation and its various external and internal 'publics'. Its role, however, is increasingly important as an ancillary to selling, both in the receiving and giving senses. Selling needs public relations to assist it in its everyday operation and selling is often called upon to disseminate a public relations message. Since the first edition of this book was published, there has been a general recognition of the strategic role of public relations; no longer is it viewed as a means of 'covering up' when something has gone wrong. It has a positive role to play in an organisation and that role is now emphasised.

The public relations practitioner has to conduct activities that concern every public with which the organisation has contact. The specific nature of such groups will vary according to circumstances. Jefkins identifies seven basic publics:[22]

- the community;
- employees;
- government;
- the financial community;
- distributors;
- consumers; and
- opinion leaders.

Definition

The task of defining the exact nature of PR is difficult. A number of definitions exist, each emphasising a slightly different approach and each attempting to arrive at a simple, yet brief and accurate, description. The difficulty in developing a single acceptable definition reflects the complexity and diversity of the subject. We look at three definitions:

> PR practice is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its public.
>
> (Chartered Institute of Public Relations, CIPR)

The essential features of this definition are first that PR practice should be *deliberate*, *planned* and *sustained* – not haphazard (e.g. when responding to the accidental pollution of a river). Second, *mutual understanding* is necessary in order to ensure that the communication between the organisation and its publics is clear (i.e. the receiver perceives the same meaning as the sender intended).

An alternative definition is given by the late Frank Jefkins who wrote widely on this subject:

> PR consists of all forms of planned communication, outwards and inwards, between an organisation and its publics for the purpose of achieving specific objectives concerning mutual understanding.[23]

This modified version of the IPR definition adds two dimensions:

(a) *Public* becomes *publics*, since PR addresses a number of audiences.
(b) The inclusion of *specific objectives* makes PR a tangible activity.

If we accept Jefkins's definition, then we accept its further implication – that PR exists whether an organisation likes it or not. Simply by carrying out its day-to-day operations, an organisation necessarily communicates certain messages to those with whom it interacts. Opinions are formed about the organisation and its activities. It is thus necessary that PR orchestrates these messages in order to help develop a *corporate identity* or *personality*.

A more precise and comprehensive description of PR is provided by the Public Relations Society of America:

1. Anticipating, analyzing and interpreting public opinion, attitudes and issues which might impact, for good or ill, on the operations and plans of the organization.
2. Counseling management at all levels with regard to policy decisions, courses of action and communication.
3. Researching, conducting and evaluating, on a continuing basis, programs of action and communication to achieve informed public understanding necessary for the success of the organization's aims.
4. Planning and implementing the organization's efforts to influence or change public policy.
5. Managing the resources needed to perform the functions of public relations.

(Public Relations Society of America http://www.prsa.org/)

Communication is central to PR. The purpose of PR is to establish a two-way communication process to resolve conflicts by seeking common ground or areas of mutual interest. This is, of course, best achieved by word of mouth and is why the role of selling as the communication medium is so potentially important for PR to be successful.

Corporate identity

The concept of corporate identity, or personality, is inextricably linked to PR. All PR activities must be carried out within the framework of an agreed and understood corporate personality. This personality must develop to reflect the style of the top management, since they control the organisation's policy and activities.

A corporate personality can become a tangible asset if it is managed properly and consistently. However, it cannot be assumed that all managers will consider the role of personality when they make decisions. A PR executive thus needs to be placed so that they are aware of all issues, policies, attitudes and opinions that exist in the organisation and that have a bearing upon how it is perceived by the organisation's publics.

The use of the word *personality* rather than *image* is deliberate. An image is a reflection or an impression that may be a little too polished or perfect. True PR goes deeper than this. To use a common denigrating quote of a 'PR job' implies that somehow the truth is being hidden behind a glossy or false facade. Properly conducted, PR emphasises the need for *truth* and full information. The public relations executive, as a manager of the corporate personality, can only sustain in the long term an identity that is based upon reality.

What public relations is not

Misunderstanding as to the nature of PR has led to confusion about its role. Certain distinctions are clarified here:

1. *PR is* not *free advertising.* Advertising complements selling. PR is informative, educational and creates understanding through knowledge. PR is not free. It is time consuming and costs money in terms of management expertise. Editorial space and broadcasting time have more credibility than advertisements. Every organisation, consciously or unconsciously, has PR. PR involves communications with many groups and audiences, not just potential customers.
2. *PR is* not *propaganda.* Propaganda is designed to indoctrinate with the aim of attracting followers. It does not necessarily call for an ethical content, so facts can be distorted or falsified for self-interest. PR, on the other hand, seeks to persuade by securing the willing acceptance of attitudes and ideas.
3. *PR is* not *publicity.* Publicity is a result of information being made known. The result may be uncontrollable and either good or bad. PR is concerned with the behaviour of an organisation, product or individual that leads to publicity. It will clearly seek to control behaviour in such a way as to attempt to ensure that the publicity is good.

Objectives of public relations

PR is used in order to create a better environment for the organisation and its activities. The objectives may include the following:

- attract sales inquiries;
- reinforce customer loyalty;
- attract investors;
- attract merger partners or smooth the way for acquisition;
- attract better employees;
- dissolve or block union problems;
- minimise competitor advantage while you catch up;
- open a new market;
- launch a new product;
- reward key people with recognition;
- bring about favourable legislation.

In order to achieve such objectives, PR is viewed as part of a total marketing communications strategy, the principal part of which is the selling function. At any point in a marketing programme there can be PR activity, for the reason that PR is concerned with human relations and is a two-way process. There is a PR element in every facet of marketing (e.g. a salesperson who exaggerates, cheats or lets down customers is a PR liability).

Manufacturers have to get closer to people. In order to reach different groups, each with separate interests, they must employ the techniques of press relations, house journals, seminars, works visits, private demonstrations, exhibitions, videos, professionally designed websites, and other aids. Moreover, they have to consider those who influence opinion, sales channels and all communication media that express ideas and news.

Corporate public relations

This is concerned with group image and based on a long-term, carefully planned programme designed to achieve maximum recognition and understanding of the organisation's objectives and performance that is in keeping with realistic expectations.

The main medium for corporate PR is prestige advertising (e.g. ICI's 'pathfinders', which present to the public a progressive image of the huge conglomerate). Another medium is house style (e.g. a specific logo such as the Woolmark sign devised by the International Wool Secretariat and displayed on hats and uniforms worn by people they sponsor). Sponsorship is important for such sporting activities as golf, football, cricket and motor racing. It can include partial funding for, and the resultant publicity of, such events as concerts and community projects.

Sponsorship is defined by Meenaghan as 'an investment in cash or in kind, in an activity, in return for access to the exploitable commercial potential associated with that activity'.[24]

Effective public relations

Effective PR depends upon the following:

- setting specific objectives that are capable of evaluation;
- fully integrating the PR function into the organisation;
- selecting the right personnel to carry out the PR function.

We now examine each in more detail.

Objective setting

This is an essential requirement of PR practice. Bowman and Ellis state:

> If a PR programme is to be effective, then it is vital that its objectives be defined; that means of achieving them shall then be determined . . . and that progress, success and failure be reviewed.[25]

Although it is sometimes difficult to decide how an objective can be measured, an obvious objective can be cited in terms of increased sales, although it is sometimes difficult to determine whether such an increase in sales was due to PR activity or to some other marketing activity.

Crisis PR tends to dictate its own objectives. If information is to be prevented from reaching the press, then the yardstick that determines success or failure is whether that information reaches the press. If the objective is to maintain the company's reputation, then some attempt must be made to define 'reputation' in useful terms such that it can be measured and evaluated.

A traditional method of measuring PR activity is in terms of column centimetres gained from press coverage. This method does not, however, account for the quality of such coverage. Furthermore, the value of editorial cannot be quantified against equivalent advertising cost because of the greater credibility of editorial.

As PR matures, the call for more objectivity is likely to become greater. As Worcester and English state:

> Just as it is now difficult to conceive of marketing without measurement, a PR agency seeking to change the perception of its clients . . . will begin by quantifying the scale of the problem . . . and the effect of its activities over time.[26]

Integration

The integration of the PR function into the organisation is important. It should be decided whether PR should act in a 'technician' or 'policy-making' role, the implication being that a technician simply carries out top management orders whereas the policy-maker inputs into corporate strategic plans. Modern thinking favours the latter role because every decision has PR implications. If PR is not involved in policy formation, then top management is implicitly assuming the PR mantle.

The role that is suggested for PR is far-reaching, involving communication with large numbers of people. This requires co-operation with other organisational functions. PR must then be a reasonably autonomous unit so that it can serve all departments equally. A staff function should be positioned so that it can funnel its services to the organisational levels that may be the public face of the organisation to outside groups. The importance of PR at lower hierarchical levels cannot be overstated (e.g. from the way the secretary answers the telephone to the attitude of the company's delivery person).

The extent of PR responsibility has to be established initially by senior management and this can be achieved by objective setting and well-defined job analyses. PR as a staff function exists to serve and facilitate line functions. Such lack of PR authority is desirable since it minimises conflict and ensures that the emphasis is on co-operation and consultation between line and staff. It also recognises that day-to-day business and executive authority are vested in line management. It does, however, mean that it is essential that PR has direct access to the board in order that PR programmes can be sanctioned and executed with full backing from top management.

Selection

The selection of the 'right' personnel is especially important for potential PR practitioners. The practice of PR covers such a wide diversity of tasks that flexibility is very important. The Institute of Public Relations (IPR) recognises: 'There is no single set of ideal qualifications and no formal path into the profession.'

The IPR even states that formal qualifications are not necessary for PR personnel. However, such a view sugggests that you 'learn by your mistakes' which can be costly. There are clearly some PR principles that can be formally taught and it may be that PR as a profession has now 'come of age' because Stirling University introduced the first Master's degree in Public Relations back in 1988 and Bournemouth University introduced the first Bachelor's degree in 1989.

Practitioners have identified a number of skills and attributes necessary to be successful:

- sound judgement;
- personal integrity;
- communications skills;
- organisational ability;
- strong personality; and
- team player.

The traditional importance of media relations has resulted in a strong journalist contingent in the PR profession. However, some find it hard to adapt, as the required writing style is different, as are planning horizons and work routines. As the wide range of necessary qualities and skills illustrates, relevant experience can be obtained from almost any background. Personality is really of far more importance, together with a sense of empathy and the ability to be adaptable. It goes without saying that an ability to write and speak fluently is vital.

The use of public relations consultancies

In some situations, it is more cost effective to use a PR consultancy, especially in areas where the organisation is inexperienced (e.g. the City or Parliament). Quite often larger companies find that a better interaction comes from an in-house PR department and an external specialist. Consultancies are an integral part of the PR industry and possess certain advantages of experience, independence and specialist skills that may not be evident internally. External PR activities can be grouped as follows:

1. *Freelance writers/consultants:* who are generally technical authors able to produce PR feature articles.
2. *PR departments of advertising agencies:* which can vary from a small press office handling product publicity to augment an advertising campaign, to a large comprehensive PR department not unlike the agency set-up itself.
3. *PR subsidiary of an advertising agency:* where there is a desire to permit a fuller development of PR activity on the part of the advertising agency and, indeed, whose clients will provide a useful source of potential business. Its association with an advertising agency can have benefits through shared services such as art studios and production.
4. *Independent PR consultants:* who usually specialise in a particular class of business, which clients can take advantage of for ad hoc or short-term assignments. Such consultants specialise in charities and appeals, theatre, finance, agriculture, building, shipping, travel, fashion, etc.
5. *PR counsellors:* who advise, but do not carry out the PR work.

4.9 CONCLUSIONS

This has been a lengthy chapter of necessity as it has placed sales settings in their respective contexts. It has been shown that different selling approaches must be adopted, depending on the situation in which one is selling.

Environmental and managerial forces have been discussed and their importance illustrated. Various sales settings including sales channels, industrial/commercial/public authority, reseller and services selling have been examined.

Sales promotions relate to all types of sales setting and their growth and importance have been shown in respect of consumer markets, trade markets and as an aid to sales personnel motivation. The role of exhibitions has also been examined.

Public relations has been discussed in some detail, as this area has expanded most over recent years and its relationship to the selling function is very direct, as the salesforce is increasingly being called upon to carry out PR activity.

Chapter 5 is concerned with international selling, which is a further example of a sales setting. It is, however, treated separately because of its diversity and ever-increasing importance, especially in view of European Union legislation and changes that impact on the selling function.

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PRACTICAL EXERCISE

Yee Wo Plastic Piping Components Ltd

Johnny Tan is the sales manager for Yee Wo Plastic Piping Components Ltd, a subsidiary of a Taiwanese multinational that manufactures a large range of diverse products. Their markets are mainly in the civil and chemical engineering industries.

Yee Wo Plastic Piping Components is solely involved in the manufacture and sale of plastic pumps, valves, fittings, pipes and gauges. Such products have applications in, for example, chemical plants, dyehouses and swimming baths. Their growth in the marketplace is virtually assured because they are largely replacing steel and malleable cast iron products at less cost and with greater efficiency.

In the ASEAN region, five manufacturers market similar products. The two largest are Yee Wo Plastic Piping Components and Shun Tak Fittings, each with about 40 per cent of the ASEAN market, with the remaining 20 per cent being shared among the other three. Each of the five manufacturers charges around the same price for their products, but the smaller companies are more prone to negotiation downwards on the factory price.

Distribution is almost wholly through stockists and the sales representatives' tasks are twofold:

1. To persuade stockists to hold a full range of the company's products to ensure a complete service to the end-user.
2. To persuade end-users to specify the company's products when purchasing from distributors.

Only Yee Wo Plastic Piping Components and Shun Tak Fittings provide a complete product range and this probably accounts for their success. However, a disturbing trend has emerged among the smaller distributors, and this has been to stock only the fastest moving lines from marginally cheaper sources from smaller manufacturers. Yee Wo's representatives are increasingly being called on to supply less popular lines at very short notice.

Several of Yee Wo's representatives have become disturbed by this trend and two have recently resigned because of the adverse effects on their sales commission. Replacing these with the right calibre people will be difficult and Johnny Tan realises that there are three courses of action to help solve this problem:

- restrict supplies to licensed distributors only;
- persuade representatives to concentrate more on the productive market sectors (e.g. large chemical plants);
- sell direct and cut out distributors.

Discussion questions

1 What can Johnny Tan do to revitalise his demoralised salesforce?
2 What are the implications of pursuing each of the three courses of action suggested by Johnny Tan?

PRACTICAL EXERCISE

Gardnov Ltd

Richard Booth is worried. It is the end of his first month as the newly appointed sales manager of Gardnov Ltd and things have not gone as well as expected. He joined the company with considerable enthusiasm and optimism, feeling that his experience and logical, positive approach would stand him in good stead in his new post, even though he had not previously worked for a company dealing with similar types of merchandise. His selling background was based in the more aggressive product fields of double glazing and home security products.

Gardnov Ltd was established ten years ago to supply garden products to the retail trade. Essentially a wholesaler, Gardnov stocks a very comprehensive range of garden products including garden tools, pumps and pond products, barbecues and garden furniture. It carries a Gardnov branded line of garden ornaments and these are made by manufacturers to Gardnov designs and specifications – the most popular being a range of garden gnomes featuring the likenesses of famous political figures. Most leading UK branded products are carried, together with some of the major overseas suppliers' brands. All these products are included in the company's annual catalogue which is mailed out to garden centres and retail outlets throughout Britain, regardless of whether or not they are existing customers.

Although retail customers may order direct from the catalogue (and a number do), some 90 per cent of all sales are obtained through the company salesforce of six salespeople, all male, organised to cover Britain on a regional basis. The salesforce are each paid a straight salary which in 2008 averaged £31,600 each, within a range of £22,000 to £39,000. The position of a salesperson within this range depends on his age and the length of time he has been with the company. A mid-range company car is provided, together with an expense account that covers fuel costs and a modest entertainment allowance.

Richard Booth has worked in sales for some 20 years and had previously been regional sales manager for a leading manufacturer of double glazing and home security products. On commencing his appointment at Gardnov Ltd (the previous sales manager having retired), Booth decided that he would spend his first four weeks simply observing how the salesforce operated by accompanying them on sales visits and talking to customers. He felt this would give him a sound basis on which to assess the current situation and he could then put together a strategic sales plan for the future.

What he found out during those four weeks now forms the basis of his present worries. Essentially, what he has seen and heard suggests that the company salesforce is generally lethargic and lacking in motivation. Although sales have increased by some 5 per cent on average over each of the past ten years, the total market, as Booth established from secondary marketing research data, has been growing at an annual rate of over 10 per cent.

Some of the more worrying elements that Booth established in his first four weeks are as follows. Each salesperson is assigned a region to cover. In each region the previous sales manager had divided accounts into three categories – A, B, C – according to their sales potential. A accounts are major customers to be visited weekly. B accounts are visited once every two weeks and C accounts once a month. Booth also established that each salesperson had been allocated a non-incentivised target for opening new accounts in his region.

What Booth has discovered is that over the past two years virtually all of the salesforce had only called regularly on A category customers, while B category customers were being visited about once in six weeks and C category customers were hardly ever visited. In addition, only one new account had been opened during the past four months, against five that had been lost.

Even worse, Booth visited a sample of customers in each region and was dismayed to hear that even regular customers felt that they did not relate closely to Gardnov's salesforce. A number of customers commented that recently the salesforce had been more like order-takers rather than order-makers. In addition, a high proportion of the customers suggested that Gardnov's salesmen were unable to answer questions about some of the products in the catalogue. They felt that the salesmen showed little interest in their customers and had little enthusiasm for the products they were selling. Their main aim seemed to be to minimise the time spent with the customer, even when a visit *was* made.

Booth knew that all six of the salesforce were experienced salesmen and had been with the company for an average of five years, falling within a range of 2–12 years, in an industry where the average length of stay for sales representatives was only three years. He was not sure what the problem was but knew that he would have to take immediate steps to improve sales performance.

His problem is that he does not want to start his career with Gardnov by antagonising the salesforce, but he is determined to increase motivation and ultimately sales. First, he needs to gain their co-operation and confidence. Then he hopes to be able to remedy the present situation.

Discussion questions

1. What steps should Richard Booth take to investigate further the problems highlighted by his initial research, while at the same time gaining the co-operation of the salesforce? In your answer indicate what information Booth will require.
2. What are the disadvantages of the present salary-only compensation plan? What advice would you give to Booth about devising and implementing a new system of compensation for the salesforce?

PRACTICAL EXERCISE

Quality Chilled Foods Ltd

The company manufactures a range of up-market chilled foods in a market that covers the counties of Norfolk, Suffolk, Essex, parts of Cambridgeshire and parts of north-east London. The region consists of more than 10 million people. The company's customers are quality delicatessens and some of the smaller non-chain supermarkets.

The following report has been published in the local regional newspaper, a newspaper covering the area in which the company's products are sold. This paper is an evening paper and has a very high readership.

> Listeria bacteria have been found in a high percentage of chilled foods throughout East Anglia. This information comes from a report published by Essex County Council and it is confirmed by Norfolk and Cambridgeshire County Councils.
>
> The report says that the virulent bacteria – which is particularly dangerous to children, elderly people and pregnant women – has been found in food such as cooked chickens, cooked meats and pâtés in supermarkets and stores. The report is to be studied in more detail later in the month by Essex authority's environmental health sub-committee. It has been drawn up following a widespread survey in the towns of Chelmsford, Southend and Colchester. At the same time similar surveys have been conducted in Ipswich and Cambridge, and although these results are not fully confirmed, their respective county councils state that their findings are likely to be similar to the findings from Essex.

It concludes: 'The relatively high percentage of commercial chilled foods which were positive gives cause for concern – not least because the large majority of these foods were ready to eat without further cooking or reheating.'

The Chief Environmental Health Officer for the area said: 'The report is hardly a shock – it confirms a similar government finding of last year.'

Discussion question

1 Quality Chilled Foods has asked you, a public relations consultant, to advise it what to do in relation to its retail customers in particular and the public in general. The company has absolute proof that none of its products contains listeria bacteria because its chilling process is unique and has in-built safety checks to ensure against this kind of eventuality. Prepare your advice in the form of a report, with special reference to the role which could be played by the salesforce.

Examination questions

1 In the context of sales channels why is it important to engage in segmentation and targeting?

2 How can sales promotion techniques be used to help the sales effort?

3 Using appropriate illustrations, explain how PR assists the sales function.

4 Explain the meaning of 'push' and 'pull' promotional techniques. How can each help the salesperson to plan sales more effectively?

5 What is meant by the USP? How is it of use to the salesperson?

6 How can new methods of promotion through the internet assist the sales process?