

# Part 3

## Sales technique

Part Three deals with the basics of selling. It begins with an overview of sales responsibilities including prospecting, customer records and information feedback, managing the sales cycle, self-management, dealing with complaints, the provision of service and the implementation of sales strategies. Sales preparation issues such as product knowledge, knowledge of competitors' products and planning sales presentations are considered, along with preparation for sales negotiations. In addition, negotiation techniques, including assessment of power, determination of negotiating objectives, concession analysis and proposal analysis are examined.

Chapter 8 explains personal selling skills and covers the 'sales routine' through the individual phases and associated tactics related to opening, need and problem identification, presentation and demonstration, handling objections, negotiation, closing the sale and follow up.

Chapter 9 is devoted to the important issue of key account management (KAM) and how this is applied in practice. The KAM relational development model gives a strategic overview of this process and this leads to an explanation of the operation of the key account information and planning system.

Relationship selling is then discussed in Chapter 10 from a historical perspective, beginning with its roots in total quality management to customer care. 'Just-in-time' or 'lean' manufacturing has been the medium through which relationship marketing has developed and the notion of 'reverse marketing' introduced earlier is considered in greater detail. The concept of supply chain integration is discussed, along with the fact that powerful buyers wield increasing power in this relationship. Tactical issues in relationship selling are examined, along with the task of the field salesforce becoming increasingly occupied in the process of gathering marketing information as an input to the company's marketing information system. Finally, the important role of the field salesforce in the task of servicing is considered.

Direct marketing is an element of modern marketing communications and this is looked at in Chapter 11 from the point of view of how this affects the selling process. The management of a direct marketing campaign is examined, as is the practical application of database marketing, including such techniques as direct mail, telemarketing, catalogue marketing and direct response advertising.

Part three concludes by considering how the internet complements selling activity. It is explained in terms of how this has impacted on the roles of selling and sales management. An overview of IT techniques and their application to selling activities is provided. CRM is explained in terms of IT capabilities being used by firms to manage customer relationships. A separate discussion is provided in relation to how IT has affected retail selling, including issues such as EPOS, space management systems, category management, electronic data interchange, intranets and extranets.

# 7

## Sales responsibilities and preparation

### OBJECTIVES

After studying this chapter, you should be able to:

1. Itemise sales responsibilities
2. Evaluate sources of sales prospects
3. Understand the meaning and importance of the sales cycle
4. Take a systematic approach to keeping customer records
5. Understand the importance of self-management in selling
6. Assess what preparation is needed prior to selling
7. Understand the issues in cold canvassing
8. Understand the art of negotiation
9. Plan individual sales interviews

### KEY CONCEPTS

- complaint handling
- diversion
- preparation
- presentation planning
- prospecting
- pure selling
- sales cycle
- sales negotiation

## 7.1 SALES RESPONSIBILITIES

The *primary* responsibility of a salesperson is to conclude a sale successfully. This task will involve the identification of customer needs, presentation and demonstration, negotiation, handling objections and closing the sale. These skills are discussed in detail in Chapter 8. In order to generate sales successfully, a number of *secondary* functions are also carried out by most salespeople. Although termed secondary, they are vital to long-term sales success. These are:

- prospecting;
- database and knowledge management;
- self-management;
- handling complaints;
- providing service; and
- relationship management.

Salespeople are also responsible for implementing sales and marketing strategies. This issue will be considered later in this chapter. Figure 7.1 illustrates the key responsibilities of salespeople.

### Prospecting

**Prospecting** is the searching for and calling upon customers who, hitherto, have not purchased from the company. This activity is not of uniform importance across all branches of selling. It is obviously far more important in industrial selling than retail

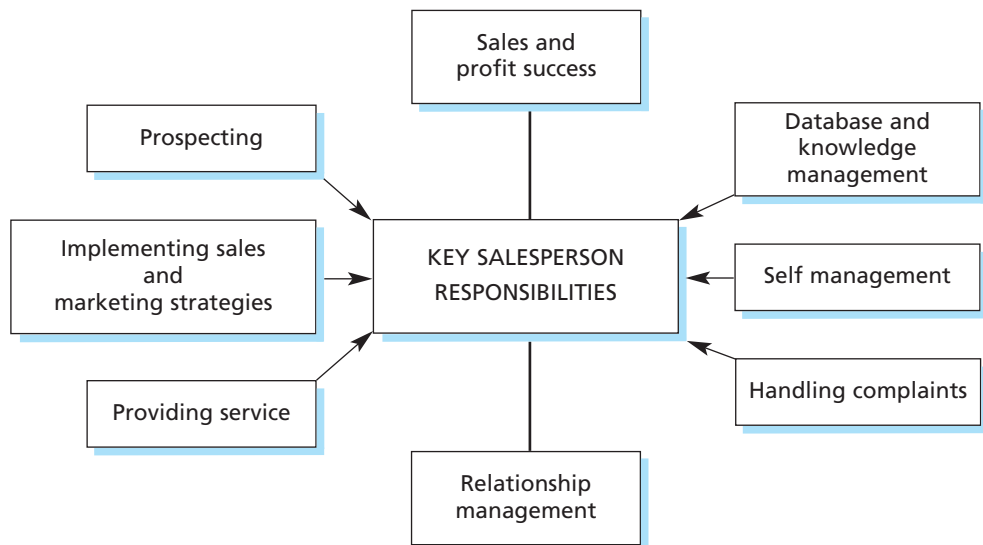


Figure 7.1 Key responsibilities of salespeople

selling; for example, a salesperson of office equipment may call upon many new potential customers, whereas a furniture salesperson is unlikely to search out new prospects – they come to the shop as a result of advertising and, perhaps, high street location.

A problem sometimes associated with salespeople who have worked for the same company for many years is that they rely on established customers to provide repeat orders rather than actively seeking new business. Certainly, it is usually more comfortable for the salesperson to call upon old contacts, but the nature of much industrial selling is that, because product life is long, sustained sales growth depends upon searching out and selling to new customers.

## Sources of prospects

1. *Existing customers.* This is a highly effective method of generating prospects and yet tends to be under-used by many. A wealth of new prospects can be obtained simply by asking satisfied customers if they know of anyone who may have a need for the kinds of products or services being sold. This technique has been used successfully in life insurance and industrial selling, but also has applications in many other areas.

Having obtained the names of potential customers, the salesperson, if appropriate, can ask the customer if they may use the customer's name as a reference. The use of reference selling in industrial marketing can be highly successful since it reduces the perceived risk for a potential buyer.

2. *Trade directories.* A reliable trade directory such as *Kompass* or *Dun and Bradstreet* can prove useful in identifying potential industrial buyers. The *Kompass* directory, for example, is organised by industry and location and provides such potentially useful information as:
  - name, address and telephone number of companies;
  - names of board members;
  - size of firm, by turnover and number of employees;
  - type of products manufactured or distributed.

For trade selling, the *Retail Directory* provides information regarding potential customers, organised by various types of retail outlet. Thus a salesperson selling a product suitable for confectioners and newsagents could use the listing of such retailers under the CTN heading (confectioners, tobacconists and newsagents) to obtain relevant names, addresses, telephone numbers and, also, an indication of size through the information given regarding number of branches.

3. *Enquiries.* Enquiries may arise as a natural consequence of conducting business. Satisfied customers may, by word-of-mouth create enquiries from 'warm' prospects. Many companies stimulate enquiries, however, by advertising (many industrial advertisements use coupon return to stimulate leads), direct mail and exhibitions. This source of prospects is an important one and the salesperson should respond promptly. The enquirer may have an urgent need seeking a solution and may turn to the competition if faced with a delay. Even if the customer's problem is not so urgent, slow response may foster unfavourable attitudes towards the salesperson and their company's products.

The next priority is to screen out those enquiries that are unlikely to result in a sale. A telephone call has the advantage of giving a personalised response and yet is relatively inexpensive and not time consuming. It can be used to check how serious the enquiry is and to arrange a personal visit should the enquiry prove to have potential. This process of checking leads to establish their potential is known as *qualifying*. For potential business customers the internet can be useful in qualifying customers. For example, online financial ratings services can be used to check on the prospect's financial resources. Salespeople may also inspect the prospect's corporate website and blogs.

4. *The press and the internet.* Perhaps under-used as a source of prospects, the press is nevertheless important. Advertisements and articles can provide clues to potential new sources of business. Articles may reveal diversification plans that may mean a company suddenly becomes a potential customer. Advertisements for personnel may reveal plans for expansion, again suggesting potential new business. The internet is also a vast resource for identifying new potential customers. For example, salespeople may use electronic versions of product directories (e.g. *Thomson Register*) to identify companies that carry out certain types of operations and therefore may need specific products or services. Also, online databases (e.g. *ABI Inform*) can be used to gather detailed data on industries together with information on trends for products and industries.<sup>1</sup>
5. *Cold canvassing/cold calling.* These terms are used interchangeably and as the words suggest involve calling on potential new customers 'cold' i.e. without prior contact or even an appointment. Although widely used in some forms of selling, such as 'door-to-door' or telephone selling, it can be an ineffective and thus frustrating approach to generating sales. In fact, only a relatively small number of individuals are able to cope with the stresses, strains and challenges of cold canvassing, making them very special and valuable types of salespeople. Indeed, the process of cold canvassing can be so stressful that someone once suggested that it was 'God's punishment' for the salesperson.

So why is cold canvassing potentially so ineffective and stressful, and, come to that, is it always so?

The major problem in cold canvassing lies with the potential reaction, or perhaps lack of it, on the part of the customer.

Cold canvassing means approaching customers who at the extreme have never heard of the company, have never heard of its products, have never met or spoken to the salesperson before and may have no conceivable interest in, or need for, the product or service in question. Imagine the difficulties of trying to sell in this situation.

Furthermore, the customer may strongly resent being approached without prior warning or permission. This is particularly the case where customers are approached in their own time and/or in their own homes as is the case with much consumer product cold canvassing. Even organisational buyers though, who may well have extremely busy schedules and, let's face it, are probably inundated with unsolicited approaches from companies wishing to sell them something, may strongly resent being cold called.

In fact, there are major potential ethical and regulatory issues associated with some types of cold calling, especially where the approach to the potential customer

is made via the internet or by telephone. Consequently, any marketer intending to use these contact methods for cold calling must be familiar with, and careful to adhere to, any legal or industry regulations and guidelines pertaining to the cold calling process.

Resentment and possible anger on the part of the customer at being cold called obviously make it much more difficult for the sales person to initiate the selling process, never mind make a sale. In addition, the lack of pre-qualification on the part of the seller with regard to the customer's needs, wants and circumstances often means that, even if the customer does not resent being approached in this way, they may simply have no need of the product or service under any circumstances.

One can understand then that the cold calling salesperson faces being rebuffed, or often rebuked, much more frequently, which is why cold calling is so stressful and potentially so ineffective. As mentioned earlier, because of this it takes a very special type of person to cope with the stress of cold calling. In particular, cold calling means that the salesperson must be able to deal with high rates of rejection and must be extremely self-motivated. Contrary to popular opinion, however, qualities that are not required are aggressiveness or pushiness. If anything, these traits in the cold calling salesperson tend to increase the likelihood of customer resentment and rejection.

But if cold calling is potentially so ineffective and stressful, why do many companies continue to practise it? Is there anything to recommend it? The answer is, quite simply, yes!

Cold calling allows a company the potential to expand its customer base. If companies restricted their sales efforts to existing customers, they would find it much more difficult to grow. In addition, cold calling evidences a proactive approach by a company towards its markets. Some argue that the marketer should wait for the customer to come to the company before trying to sell to them, on the basis that if somebody wants something they will ask. However, we all know that this is not always the case – customers often want marketers to present them with solutions to their purchasing problems. Finally, for at least some salespeople cold calling represents the challenge they need to keep them motivated. Especially where they are suitably rewarded for success.

All in all, it would be a mistake to rule out cold calling as a way generating new sales. However, cold calling activity does need to be carefully planned and managed. Some of the ways in which cold calling can be made more effective include the following:

1. Try to make cold calling as unintrusive as possible for the customer. For example, do not cold call at what are known to be busy or inconvenient times for the customer.
  2. Related to the above, in the case of domestic customers try to avoid cold calling very early or very late in the day.
  3. At all times respect the privacy of the customer and always respect their wish not to be bothered.
  4. Do not ever try to bully a customer into speaking to or seeing you.
  5. Use cold calling to secure a future appointment, or to gain an agreement to send further information, rather than immediately trying to secure an order.
- The business customer in particular is much more likely to welcome a letter in

advance explaining the business the seller is in, followed by a call to make an appointment.<sup>2</sup>

6. Find out as much as possible about the prospective customer and use this to plan the cold call approach and content. In particular, the effectiveness of cold canvassing can be improved where information is used to identify customers who are more likely to buy because of some attribute or characteristic that can be identified in advance. For example, we might select only companies over a certain size, or perhaps consumers in a certain income bracket or lifestyle group.

This last point about building customer databases and developing as much knowledge about customers as possible is obviously applicable to all types of prospecting, but it also applies to repeat-call salespeople. An area to which we now turn our attention.

## Database and knowledge management

Databases and customer knowledge are not just essential for prospecting. A systematic approach to customer record-keeping is also to be recommended to all repeat-call salespeople. An industrial salesperson should record the following information:

1. name and address of company;
2. name and position of contact(s);
3. nature of business;
4. date and time of interview;
5. assessment of potential;
6. buyer needs, problems and buying habits;
7. past sales with dates;
8. problems/opportunities encountered; and
9. future actions on the part of salesperson (and buyer).

The almost universal use of laptops now enables salespeople to record key information, which is then stored for future use.

Salespeople should also be encouraged to send back to head office information that is relevant to the marketing of company products. Test market activity by competition, news of imminent product launches, rumours of policy changes on the part of trade and industrial customers and competitors, and feedback on company achievement regarding product performance, delivery and after-sales service are just some of the kinds of information that may be useful to management.

## Self-management

This aspect of the sales job is of particular importance, since a salesperson often works alone with the minimum of personal supervision. A salesperson may have to organise their own call plan, which involves dividing territory into sections to be covered day by day and deciding the best route to follow between calls. Often it makes sense to divide a territory into segments radiating outwards, which the salesperson's home at the centre. Each segment is designed to be small enough to be covered by the salesperson during one day's work.



Many salespeople believe that the most efficient routing plan involves driving out to the furthest customer and then zigzagging back to home base. However, it can be shown that adopting a round-trip approach will usually result in lower mileage. Such considerations are important with respect to efficiency, as an alarming amount of time can be spent on the road as opposed to face-to-face with buyers. A survey conducted on behalf of the Chartered Institute of Marketing<sup>3</sup> into UK selling practice found that, on average, only 20–30 per cent of a salesperson's normal working day is spent face-to-face with customers. Although this study was conducted almost 30 years ago, matters have not improved since. In fact, this figure is now nearer 20 rather than 30 per cent because salespeople are increasingly being called upon to carry out ancillary work such as customer surveys, service work and merchandising. Some companies take this responsibility out of the salesperson's hands and produce daily worksheets showing who is to be called on and in what order.

Another factor, which may be the responsibility of the salesperson, is deciding on call frequency. It is sensible to grade customers according to potential. For example, consumer durable salespeople may categorise the retail outlets they are selling to into A, B and C grades. This is dealt with in greater detail later under 'sales journey cycle' issues, but in this context, grade A outlets may be visited every fortnight, grade B every month and grade C once every three months. The principle applies to all kinds of selling, however, and may either be left to the salesperson's discretion or organised centrally as part of the sales management function. The danger of delegating responsibility to salespeople is that the criteria used to decide frequency of visit are 'friendliness with the buyer' or 'ease of sale' rather than sales potential. On the other hand, it can be argued that a responsible salesperson is in the best position to decide how much time needs to be spent with each customer.

## Handling complaints

**Handling complaints** may seem at first to be a time-consuming activity that diverts a salesperson from the primary task of generating sales. A marketing orientation for a salesforce, however, dictates that the goal of an organisation is to create customer satisfaction in order to generate profit. When dissatisfaction identifies itself in the form of a complaint, this necessary condition for long-term survival is clearly not being met.

Complaints vary in their degree of seriousness and in the authority that the salesperson holds in order to deal with them. No matter how trivial the complaint may seem, the complainant should be treated with respect and the matter dealt with seriously. In a sense, dealing with complaints is one of the after-sale services provided by suppliers. It is, therefore, part of the mix of benefits a company offers its customers, although it differs in essence since the initial objective is to minimise its necessity. Nevertheless, the ability of the salesperson to empathise with the customer and to react sympathetically to their problem can create considerable goodwill and help foster long-term relationships.

With this in mind, many companies give the customer the benefit of the doubt when this does not involve high cost, even though they suspect that the fault may be caused by inappropriate use of the product on the part of the customer; for example,

garden fork manufacturers may replace prematurely broken forks, even though the break may have been caused by work for which the fork was not designed.

When the salesperson does not have the authority to deal with the complaint immediately, their job is to submit the relevant information in written form to head office so that the matter can be taken further.

## Providing service

Salespeople are in an excellent position to provide a 'consultancy' service to their customers. Since they meet many customers each year, they become familiar with solutions to common problems. Thus an industrial salesperson may be able to advise customers on improving productivity or cutting costs. Indeed, the service element of industrial selling is often incorporated into the selling process itself, e.g. computer salespeople may offer to conduct an analysis of customer requirements and produce a written report in order to complete a sale. The salesperson who learns solutions to common problems and provides useful advice to their customers builds an effective barrier to competitive attacks and strengthens buyer–seller relationships.

Another area where salespeople provide service is trade selling. They may be called on to set up in-store displays and other promotions for wholesalers and retailers. Some companies employ people to do this on a full-time basis. These people are called merchandisers and their activities provide support to traditional salespeople, who can thus spend more time selling.

Retail salespeople also provide customer service. Selling audio equipment, for example, is an opportunity to help the customer make the correct choice for a given budget. Richer Sounds is a UK-based chain of audio stores that prides itself on exceptional customer service (see box).

### Customer service in retailing

At Richer Sounds, the UK-based audio chain, customer service begins when potential customers enter the door. Salespeople are trained to acknowledge customers by asking casually, 'Are you OK there?' or 'Are you happy browsing, sir/madam?' The purpose is not to sell them anything but to let customers know that the salesperson is aware of their presence and that they can contact them when they are ready. A sign over the door says 'Browsers Welcome' and they mean it – without the fear of being hassled by salespeople.

Customers should not be pre-judged. The same quality of service must be provided to customers who are shabbily dressed, pompous, flashy, aggressive, rude or boring. The whole selling operation should be transparent. There should be no pressure, no trying to disguise a poor product and no catches. Salespeople should be honest and if they do not have the right information should reply, 'I'm sorry I don't know but I shall try to find out.'

## Customer service in retailing (*continued*)

Sometimes it is not possible to make a sale because the product in question is not stocked. The salesperson should still provide a service by advising the customer where they might get it. Argos and Tandy catalogues are held for this purpose. Quite often customers will stop and think before they walk out to see if they can buy something as a mark of appreciation.

Richer Sounds advocates the policy of 'under-promise, over-deliver'. Over-promising can ruin long-term relationships so their salespeople never promise customers 'the moon' just to make a sale.

Even though Richer Sounds tries hard to give 100 per cent customer service, complaints are bound to happen. They even encourage them. They recognise that every disgruntled customer on average tells 20 people about it. By receiving complaints they have the chance to put things right and learn from their mistakes. A short, tear-off questionnaire is included with receipts. The questionnaire covers eight points including the customer's assessment of the quality of the service they have received, and there is space for comments. An after-sales service questionnaire which asks only four questions is also used to monitor service and invite complaints.

Salespeople should not change their customer focus once the sale is made. The service should be followed through until the customer is out of the shop. Salespeople should thank them for their custom, give them their name to contact if there are any problems, and perhaps help them to the car. If the customer is uncertain about their purchase, they will be told that the salesperson will call them after a few days to check that they are happy with the product.

Source: Based on Richer, J. (1995) *The Richer Way*, WMAP Business Communications; [www.richersounds.com](http://www.richersounds.com).

Salespeople may also be called upon to provide after-sales service to customers. Sales engineers may be required to give advice on the operation of a newly acquired machine or provide assistance in the event of a breakdown. Sometimes they may be able to solve the problem themselves, while in other cases they will call in technical specialists to deal with the problem.

## Relationship management

Another key responsibility for salespeople is relationship management. This is discussed extensively in Chapters 3, 9, 10 and 12. This coverage examines relationships between salespeople and customers. There is, however, another set of relationships that a salesperson must master in today's complex selling environment: those between the salesperson and other people in their company who are vital to ensure a smooth sales process and efficient delivery and service of the product. Particularly with key accounts, selling is performed by a team of players (e.g. from engineering,

production, marketing, finance and senior management). Key account managers must be able to manage these relationships both within their firms and between those players and members of the customer's DMU.

## Implementing sales and marketing strategies

The salesforce is also charged with the responsibility of implementing sales and marketing strategies designed by management. Misunderstandings regarding strategy can have grave implications. For example, the credibility of a premium price and high-quality position in the marketplace can be seriously undermined by a salesforce too eager to give large price discounts. The solution might be to decide discount structure at managerial level (both sales and marketing management will have an input to this decision) based on the price sensitivity of various market segments. The salesforce would then be told the degree to which price could be discounted for each class of customer. In this way the product's positioning strategy would remain intact while allowing the salesforce some discretion to discount when required.

Successful implementation can mean the difference between winning or losing new accounts. An effective method of gaining an account in the face of entrenched competition is the **diversion**. The aim is to distract a rival into concentrating its efforts on defending one account (and therefore neglecting another). The boxed case history provides a true account of how a salesperson for a computer company diverted a well-entrenched rival to defend an account (the bank) in order to win another (the insurance company).

In this example, the stakes and costs were high. The management at A believed that the cost of loaning a £1 million computer system to the bank was justified: (a) by a strategically important penetration of a major market; (b) by the potential profit to be gained by selling to the insurance company. This was a managerial decision and obviously dependent on judgement, but the example shows the principle of using 'diversion' as a method of winning major accounts.

### The diversion

A computer company (A) was seeking its first high-profile installation in a major European city. A successful breakthrough sale was believed to be strategically important. It was considering two prospective customers: 'the bank' and 'the insurance company'.

At the bank, a rival computer company (B) was entrenched. Using a network of contacts, A's salesperson did a thorough reconnaissance. He discovered that B's salesperson at the bank was deeply entrenched through good service and effective relationship building. The conclusion was that the situation for A was hopeless. However, the bank's information technology manager opined that if A offered them a free computer system (£1 million) the bank would 'have to consider their offer'.

## The diversion (*continued*)

The insurance company was a customer of a third computer company (C) and company B. A's sales manager had senior contacts at the insurance company and found them dissatisfied with C, approaching a capacity shortage which would force the purchase of a large computer (likely to be over £10 million). The problem was that B was well respected by the insurance company. Also the same salesperson from B serviced both the bank and the insurance company accounts. Fortunately, B's salesperson had not called on the insurance company recently. The task: to perpetuate B's absence. To accomplish it, the 'diversion strategy' was used.

A called at the bank and offered a computer 'free for a year' and made an occasional follow-up call, while selling diligently (but quietly) at the insurance company. The ensuing flap at the bank was quite spectacular. The switching costs associated with A's complete replacement of B would have been significant, and so the bank began to ask a lot of questions about switch-over plans and arrangements. (It was rumoured that B's salesperson was staying awake at night composing new questions that the bank might ask of A!) In the face of these questions A's salesperson responded deliberately (after all, he was spending most of his time selling at the insurance company). The struggle at the bank raged on with A's credibility relentlessly eroded by B's clever and determined defence.

In due course, B's sales team was successful in their defence of the bank account. However, their gratification was dimmed by the news that A had won a larger order (£10 million) at the insurance company.

## 7.2 PREPARATION

The ability to think on one's feet is of great benefit to salespeople, since they will be required to modify their sales presentation to suit the particular needs and problems of their various customers and to respond quickly to unusual objections and awkward questions. However, there is much to be gained by careful **preparation** of the selling task. Some customers will have similar problems; some questions and objections will be raised repeatedly. A salesperson can therefore usefully spend time considering how best to respond to these recurring situations.

Within this section, attention will be given to preparation not only for the selling task, in which there is little or no scope for the salesperson to bargain with the buyer, but also for where selling may involve a degree of negotiation between buyer and seller. In many selling situations, buyers and sellers may negotiate price, timing of delivery, product extras, payment and credit terms, and trade-in values. These will be termed **sales negotiations**. In others, the salesperson may have no scope for such discussions; in essence the product is offered on a take-it-or-leave-it basis. Thus, the

salesperson of bicycles to dealers may have a set price list and delivery schedule with no authority to deviate from them. This will be termed **pure selling**.

## Preparation for pure selling and sales negotiations

A number of factors can be examined in order to improve the chances of sales success in both sales negotiations and pure selling.

### *Product knowledge and benefits*

Knowledge of product features is insufficient for sales success. Because people buy products for the benefits they confer, successful salespeople relate product features to consumer benefits; product features are the means by which benefits are derived. The way to do this is to look at products from the customer's point of view. Table 7.1 shows a few examples.

By analysing the products they are selling in this way, salespeople will communicate in terms that are meaningful to buyers and therefore be more convincing. In industrial selling, the salesperson may be called upon to be an adviser or consultant who is required to provide solutions to problems. In some cases this may involve a fairly deep understanding of the nature of the customer's business, in order to be able to appreciate the problems fully and to suggest the most appropriate solution. Thus the salesperson must not only know their products' benefits but the types of situation in which each would be appropriate. In computer selling, for example, successful selling requires an appreciation of which system is most appropriate given customer needs and resources. This may necessitate a careful examination of customer needs through a survey conducted by the seller. Sometimes the costs of the survey will be paid for by the prospective customer, later to be subtracted from the cost of the equipment should an order result.

Preparation of sales benefits should not result in an inflexible sales approach. Different customers have different needs, which implies they seek different benefits from products they buy. One high-earning salesperson of office equipment attributed his success to the preparation he conducted before every sales visit. This involved knowing the product's capabilities, understanding a client's needs and matching these together by getting his wife to test him every evening and at the weekend.<sup>4</sup>

**Table 7.1** Product features and customer benefits

<b>Product feature</b>	<b>Customer benefit</b>
Retractable nib on ballpoint pen	Reduces chances of damage
High rev. speed on spin dryer	Clothes are dried more thoroughly
High reach on forklift truck	Greater use of warehouse space
Streamfeeding (photocopiers)	Faster copying
Automatic washing machine	More time to spend on doing other less mundane activities

## Knowledge of competitors' products and their benefits

Knowledge of competitors' products offers several advantages:

1. It allows a salesperson to offset the strengths of those products, which may be mentioned by potential buyers, against their weaknesses. For example, a buyer might say, 'Competitor X's product offers cheaper maintenance costs', to which a salesperson might reply, 'Yes, but these cost savings are small compared to the fuel savings you get with our machine.'
2. In industrial selling, sales engineers may work with a buying organisation in order to solve a technical problem. This may result in a product specification being drawn up in which the sales engineers have an influence. It is obviously to their benefit that the specification reflects the strengths and capabilities of their products rather than those of the competition. Thus knowledge of the competing products' strengths and weaknesses will be an advantage in this situation.

Information on competing products can be gleaned from magazines such as *Which?*, sales catalogues and price lists, from talking to buyers and from direct observation (e.g. prices in supermarkets). It makes sense to keep such information on file for quick reference. Vauxhall gives its salespeople a brief with a résumé of the strengths and weaknesses of its car range, along with those of its competitors. The internet provides a wide range of information on competitors, which a salesperson can access via a competitor's website.

## Sales presentation planning

Although versatility, flexibility and the ability to 'think on one's feet' are desirable attributes, there are considerable advantages to **presentation planning**:

1. The salesperson is less likely to forget important consumer benefits associated with each product within the range they are selling.
2. The use of visual aids and demonstrations can be planned into the presentation at the most appropriate time to reinforce the benefit the salesperson is communicating.
3. It builds confidence in the salesperson, particularly the newer, less experienced, that they are well equipped to do the job efficiently and professionally.
4. Possible objections and questions can be anticipated and persuasive counter-arguments prepared. Many salespeople, who to an outsider seem naturally quick witted, have developed this skill through careful preparation beforehand, imagining themselves as buyers and thinking of objections they might raise if they were in such a position. For example, many price objections can be countered by reference to higher product quality, greater durability, high productivity and lower offsetting life-cycle costs, for example, lower maintenance, fuel or human resources costs.

## Setting sales objectives

The temptation, when setting objectives, is to determine them in terms of what the salesperson will do. The essential skill in setting call objectives is to phrase them in terms of what the salesperson wants the customer to do rather than what the

salesperson will do. An adhesives salesperson may decide that the objective of the visit to a buyer is to demonstrate the ease of application and adhesive properties of a new product. While this demonstration may be a valuable and necessary part of the sales presentation, it is not the ultimate goal of the visit. This may be to have the customer test the product over a four-week period, or to order a quantity for immediate use.

The type of objective set should stem from, and support, overall company marketing objectives from the marketing planning process we discussed earlier. As with all objectives, sales objectives should, wherever possible, fulfill the SMART criteria for objectives that were discussed in Chapter 2. Examples of possible objectives for sale calls might be as follows:

- for the customer to define clearly what their requirements are;
- to have the customer visit the production site;
- to have the customer try the product, e.g. fly on an aircraft;
- to have the customer compare the product against competing products in terms of measurable performance criteria, e.g. for pile-driving equipment this might be the number of metres driven per hour.

An important factor affecting the setting of sales objectives is the so-called **sales cycle**.

## Sales Cycle

The sales cycle refers to the processes/steps between first contact with a customer and the placing of the actual order and the amount of time this takes. With regard to the process/steps in the sales cycle, once again this should always be considered from the point of view of what processes/steps the customer undertakes rather than from the perspective of the steps involved in selling, though clearly the former should determine the latter.

The complexity of the steps in the sales process during the customer's buying process and related to this, the amount of time involved, can vary enormously. So, for example, with many retail sales the steps in the sales cycle are relatively few and the length of the cycle is short and in the case of, for example, impulse purchase almost instantaneous. Often, unless a sale is concluded during the first visit, the customer will buy elsewhere. In this situation it is reasonable to set a sales closing objective. With capital goods such as aeroplanes, gas turbines and oil rigs, the sales cycle is very long, and the steps and procedures complex and detailed, perhaps running into years. Clearly, to set a sales objective in terms of closing the sale is inappropriate.

Thus, sales objectives, and indeed sales strategies and tactics, must obviously be based on a clear understanding of the sales cycle pertinent to the particular product market and, wherever possible, pertaining to the individual customer.

Understanding the sales cycle enables the salesperson to help the customer through the buying process towards placing an order. Thus a key task of the salesperson is to ease the customer's decision-making process, making it easier for them to progress to purchase.

So the salesperson needs, for example, to understand say how customers search for solutions to their purchasing needs – what sort of information they look for and what are their important choice criteria. The salesperson also needs to understand the sorts of forces and factors that affect each stage of the customer's decision-making process



including, for example, who is involved and what factors tend to slow down the process of decision-making, thereby increasing the length of the sales cycle.

Wherever possible and appropriate we should be looking to reduce the length of the sales cycle. Some suggest that on average the sales cycle is 30 per cent longer than it needs to be. Sales cycle time can be reduced in a number of ways, but again it should be based on facilitating the buying decision for the customer. A powerful way of doing this is through reducing the perceived risk for the customer.

The buying process is often slowed because the customer fears making a wrong decision, especially in the case of buying expensive or long-term commitment products and services. In this situation a key task for the salesperson is to reduce the perceived risk to the customer, and there are several ways of doing this. For example offering the customer a chance to test a product before purchase can help reduce perceived risk. Another way is the provision of guarantee and/or return policies that facilitate the return of products if not totally satisfactory. Finally, as another example, we must not forget that favourable company and brand image/reputation act as strong risk reduction factors in many purchasing situations.

Thus understanding and using knowledge of the sales cycle is crucial to effective sales planning, but this understanding is really only part of the wider process of understanding the buying behaviour of customers. We considered this in some detail in Chapter 3 but now we return to it in the context of this chapter's focus on sales preparation.

### *Understanding buyer behaviour*

The point was made in Chapter 3 that many organisational buying decisions are complex, involving many people whose evaluative criteria may differ, and that the purchasing officer may play a minor role in deciding which supplier to choose, particularly with very expensive items.

The practical implication of these facts is that careful preparation may be necessary for industrial salespeople, either when selling to new companies or when selling to existing customers where the nature of the product is different. In both situations, time taken trying to establish who the key influencers and decision-makers are will be well rewarded. In different companies there may be different key people: for example, secretaries (office stationery); production engineers (lathes); design engineers (components); managing directors (computers). The salesperson needs to be aware of the real need to treat each organisation individually.

Other practical information that a salesperson can usefully collect includes the name and position of each key influencer and decision-maker, the times most suitable for interview, the types of competing products previously purchased by the buying organisation, and any threats to a successful sale or special opportunities afforded by the situation. Examples in the last category would include personal prejudices held by key people against the salesperson, their company, or its products, while positive factors might include common interests that could form the basis of a rapport with the buyer, or favourable experiences with other types of products sold by the salesperson's company.

The internet can provide a wealth of information on the buying organisation. The buyer's website, online product catalogues and blogs are useful sources of information. Customer relationship management (CRM) systems allow salespeople to access

customer information held by their company via the internet. For example, Orange, the telecommunications company, enables their field salespeople to access their CRM databases using personal digital assistants (PDAs) equipped with wireless modems.<sup>5</sup>

## Preparation for sales negotiations

In addition to the factors outlined in the previous section, a sales negotiator will benefit by paying attention to the following additional factors during preparation.

### *Assessment of the balance of power*

In the sales negotiation, seller and buyer will each be expecting to conclude a deal favourable to themselves. The extent to which each is successful will depend upon their negotiating skills and the balance of power between the parties. This balance will be determined by four key factors:

1. *The number of options available to each party.* If a buyer has only one option – to buy from the seller in question – then that seller is in a powerful position. If the seller, in turn, is not dependent on the buyer but has many attractive potential customers for the products, then again they are in a strong position. Conversely, when a buyer has many potential sources of supply and a seller has few potential customers, the buyer should be able to extract a good deal. Many buyers will deliberately contact a number of potential suppliers to strengthen their bargaining position.
2. *The quantity and quality of information held by each party.* ('Knowledge is power', Machiavelli.) If a buyer has access to a seller's cost structure then they are in a powerful position to negotiate a cheaper price, or at least to avoid paying too high a price. If a seller knows how much a buyer is willing to pay, then their power position is improved.
3. *Need recognition and satisfaction.* The greater the salesperson's understanding of the needs of the buyer and the more able they are to satisfy those needs, the stronger their bargaining position. In some industrial marketing situations, suppliers work with buying organisations to solve technical problems in the knowledge that doing so will place them in a very strong negotiating position. The more the buyer believes that their needs can be satisfied by only one company, the weaker the buyer's negotiating stance. In effect, the seller has reduced the buyer's options by uniquely satisfying these needs.
4. *The pressures on the parties.* Where a technical problem is of great importance to a buying organisation, its visibility high and solution difficult, any supplier who can solve it will gain immense bargaining power. If, on the other hand, there are pressures on the salesperson, perhaps because of low sales returns, then a buyer should be able to extract extremely favourable terms during negotiations in return for purchasing from them.

The implications of these determinants of the balance of power are that before negotiations (and indeed during them) salespeople will benefit by assessing the relative strength of their power base. This implies that they need information. If the seller knows the number of companies who are competing for the order, their likely

stances, the criteria used by the buying organisation when deciding between them, the degree of pressure on key members of the decision-making unit, and any formula they might use for assessing price acceptability, an accurate assessment of the power balance should be possible.

This process should lessen the chances of pricing too low or of needlessly giving away other concessions such as favourable payment terms. At this stage, judicious negotiators will look to the future to assess likely changes in the balance of power. Perhaps power lies with the supplier now, but overpowering or 'negotiating too sweet a deal' might provoke retribution later when the buyer has more suppliers from which to choose.

### *Determination of negotiating objectives*

It is prudent for negotiators to set objectives during the preparation stage. This reduces the likelihood of being swayed by the heat of the negotiating battle and of accepting a deal which, with the benefit of hindsight, should have been rejected. This process is analogous to buyers at an auction paying more than they can afford because they allow themselves to be swept along by the bidding. Additionally, when negotiation is conducted by a team, discussion of objectives helps co-ordination and unity. It is useful to consider two types of objective:<sup>6</sup>

1. *'Must have' objectives.* The 'must have' objectives define a bargainer's minimum requirements; for example, the minimum price at which a seller is willing to trade. This determines the negotiating breakpoint.
2. *'Would like' objectives.* These are the maximum a negotiator can reasonably expect to get; for example, the highest price a seller feels they can realistically obtain. This determines the opening positions of buyers and sellers.

When considering 'must have' objectives it is useful to consider the Best Alternative to a Negotiated Agreement (BATNA).<sup>7</sup> This involves the identification of one's alternative if agreement cannot be reached. It sets a standard against which any offer can be assessed and guards against accepting unfavourable terms when pressured by a more powerful buyer. Having attractive BATNAs allows higher 'must have' objectives to be set. For example, a person wishing to sell a house may set a 'must have' objective of £90,000. However, by considering their BATNA of renting the property, it may become clear that its rental value is equivalent to £100,000. This means that the 'must have' objective would rise by £10,000. Also during the negotiations themselves, its identification allows a comparison with each possible proposal that emerges with the BATNA to assess whether a negotiated agreement is better than the alternative.<sup>8</sup>

Finally, the notion of a BATNA encourages people without a strong alternative to create one. For example, before entering pay negotiations, the seller of services (employee) can strengthen their position by improving their BATNA by seeking and getting a favourable job offer elsewhere.

Figure 7.2 illustrates a negotiating scenario where a deal is possible since there is overlap between the highest price the buyer is willing to pay (buyer's 'must have' objective) and the lowest price the seller is willing to accept (seller's 'must have' objective). The price actually agreed will depend on the balance of power between the two parties and their respective negotiating skills.

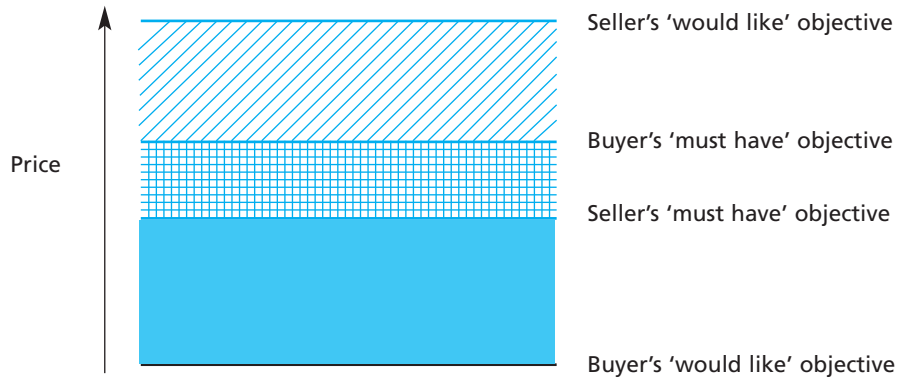


Figure 7.2 A negotiating scenario

Source: Adapted from Winkler, J. (1996) *Bargaining for Results*, Heinemann, Oxford.

### Concession analysis

Since negotiation implies movement in order to achieve agreement, it is likely that concessions will be made by at least one party during the bargaining process. Preparation can aid negotiators by analysing the kinds of concession that might be offered to the other side. The key to this concession analysis is to value concessions the seller might be prepared to make through the eyes of the buyer. Doing this may make it possible to identify concessions that cost the seller very little and yet are highly valued by the buyer. For example, to offer much quicker delivery than is usual may cost a seller very little because of spare capacity, but if this is highly valued by the buyer, the seller may be able to trade it in return for a prompt payment agreement. The kinds of issue that may be examined during concession analysis include the following:

- price;
- timing of delivery;
- the product – its specification, optional extras;
- the price – ex works price, price at the buyer's factory gate, installation price, in-service price;
- payment – on despatch, on receipt, in working order, credit terms;
- trade-in terms, e.g. cars.

The aim of concession analysis is to ensure that nothing that has value to the buyer is given away freely during negotiations. A skilful negotiator will attempt to trade concession for concession so that ultimately an agreement that satisfies both parties is reached.

### Proposal analysis

A further sensible activity during the preparation stage is to estimate the proposals and demands the buyer is likely to make during the course of negotiation, and the seller's reaction to them. This is analogous to the anticipation of objections in pure selling – it helps when quick decisions have to be made in the heat of the negotiation.

It is also linked to concession analysis, for when a buyer makes a proposal (e.g. favourable credit terms) they are really asking the seller to grant a concession. The skilful salesperson will ask for a concession in return – perhaps a less onerous delivery schedule. By anticipating the kinds of proposals the buyer is likely to make, the seller can plan the kinds of counter-proposals they wish to make. In some situations, the appropriate response may be the ‘concession close’ (see Chapter 8).

## 7.3 CONCLUSIONS

This chapter has examined the responsibilities of salespeople to gain sales, to prospect for new customers, to maintain customer records and provide information feedback, to manage their work, to handle complaints and to provide service.

An important element in managing their work is preparation, which is examined in detail. A distinction is made between sales negotiations, where a certain amount of bargaining may take place, and pure selling, where the salesperson is given no freedom to bargain. The following elements are important during preparation:

- (a) product knowledge and customer benefits;
- (b) knowledge of competitors’ products and their benefits;
- (c) sales presentation planning;
- (d) setting sales and negotiation objectives;
- (e) understanding buyer behaviour;
- (f) assessing the power balance;
- (g) concession analysis; and
- (h) proposal analysis.

Chapter 8, on personal selling skills, considers how to use this preparation in the actual selling situation.

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## PRACTICAL EXERCISE

### The O'Brien Company

The O'Brien Company manufactures and markets a wide range of luggage, including suitcases, handbags and briefcases. The company is organised into two divisions – consumer and industrial. The consumer division sells mainly through retail outlets, whereas the industrial division markets direct to companies which buy luggage (especially briefcases) for use by their executives.

You have recently been appointed as a salesperson for the industrial division and asked to visit a new potential client with a view to selling him briefcases. The potential customer is Brian Forbes, the Managing Director (and owner) of a medium-sized engineering company in the Midlands with subsidiaries in Manchester, Leeds and Bristol. They employ a salesforce of 20 men selling copper piping. In addition, it is estimated that the company employs around 40 marketing, personnel, production and accountancy executives.

The O'Brien Company markets two ranges of executive briefcase. One is made from good quality plastic, with imitation hide lining. It is available in black only and priced at £25 for the lockable version and £22 for the non-lockable type. The other, a deluxe range, is manufactured from leather and real hide and priced at £95. Colours available are black, brown, dark blue and claret. Additional features are a number-coded locking device, a variable depth feature which allows the briefcase to be expanded from its usual 87.5 mm to 137.5 mm, individual gilt initialling on each briefcase, an ink-resistant interior compartment for pens, and three pockets inside the lid to take different sized papers/documents. The plastic version has only the last of these features and is 75 mm in depth. Quantity discounts for both ranges are as shown below:

Quantity	Reduction %
10–19	2
20–39	3
40–79	4
80 or more	6

Very little is known about Brian Forbes or his company apart from the information already given. However, by chance, an acquaintance of yours who works as a salesperson for a machine tool company visited Mr Forbes earlier in the year.

#### Discussion questions

- 1 What are your sales objectives? What extra information would be useful?
- 2 Prepare a sales presentation for the briefcases.
- 3 Prepare a list of possible objections and your responses to them.

### Presenting New Standa Plus: The final word in hydraulic braking systems?

Standa is a hydraulic braking system that has been around for 15 years, used by most of the major truck and lorry manufacturers. It has been very reliable, but has perhaps lost its way and key customers are starting to specify other systems in their trucks. The reason for this is that there has been little in the way of product development. Until now!

New Standa Plus has been developed, which uses polytetrafluoroethylene (PTFE) to prolong the life of the system. PTFE is a very slippery coating that reduces friction wear dramatically (in the household it is used on non-stick pans). The use of this coating in hydraulic systems is revolutionary. The PTFE coating is a major advancement for the product type, as it will prolong the life of the system by up to 50 per cent (independent tests by Hydromatics Testers Ltd).

The reason the new PTFE coating is so special is that up until now it was impossible to get the PTFE to stick effectively to the piston metal. This was due to the fact that the hydraulic fluid would find any imperfections in the coating, and there were always some, and this would cause the PTFE to separate from the metal of the piston. The Standard Hydraulics R&D team have discovered a new process, using liquid nitrogen as the solvent for the PTFE, which delivers a blemish-free coating. The added bonus is that the coating can now be applied to both pistons and cylinders. Thus the system becomes virtually friction free and New Standa Plus is now guaranteed for a minimum of 15 years – longer than the lifetime of the average truck itself and certainly up to 50 per cent longer than the competition's products. The New Standa Plus PTFE coating technology is patented as 'SuperPTFE'. As such, it cannot be directly copied by any other hydraulic braking system manufacturer.

The advertising that will run for the product in the technical press is based on the concept that New Standa Plus is built to last longer than the trucks.

## TASK

In the role of sales representative for Standard Hydraulics you are required to put together a sales pitch to purchasing teams at potential new customers. You will need to convince the prospects to switch from their existing hydraulic system to New Standa Plus. You should assume that you will make a PowerPoint presentation to the buying group, which will consist of the Manufacturing Director, Production Manager, Technical Designer, Financial Director and Managing Director. You would be advised to include something for each of them to be impressed with. You should use the information given about the product to form the basis for your sales pitch. In your sales presentation you will need to communicate the following:

- The Standa hydraulic braking system has been radically improved by the addition of PTFE (polytetrafluoroethylene) coating to the hydraulic pistons and cylinders.
- The name of the new system is New Standa Plus.
- The effect of the product improvement is that it dramatically prolongs the working life of the bearings.
- The company is a leading-edge manufacturer of hydraulics. You might consider using the corporate claim/slogan 'Standard Hydraulics, the new Standard in Hydraulics'.

### Examination questions

- 1 What considerations should be taken into account when deciding on the amount of prospecting a salesperson should do?
- 2 Discuss the contribution of preparation to the selling process.