CHAPTER 14

Personal Selling and Direct Marketing

Amway, the largest direct seller in the world, combines direct selling with a multilevel marketing strategy and a pyramid-like distribution system.

Source: NetPhotos/ Alamy Stock Photo

Companies seeking to expand profits and sales must invest time and resources searching for new customers. To generate leads, they advertise in media that will reach new prospects, send direct mail and e-mails to possible new prospects, purchase names from list brokers, and use data-mining techniques to identify prospects. Although mass and digital communications provide many benefits, there are times when personal communications are needed to be relevant and close a sale. Personal selling is at the core of many multibillion-dollar businesses such as Amway.

>>> Amway (an abbreviation for "American Way") was founded in 1959 by Rich DeVos and Jay Van Andel in Ada, Michigan. Its first product was Liquid Organic Cleaner—one of the world's first biodegradable, concentrated, multipurpose cleaners. Since then, Amway has expanded from home products to become a global leader in the categories of health and beauty. Amway's business model combines direct selling with a multilevel marketing strategy. Amway distributors, commonly referred to as "independent business owners," earn income from the retail markup on the products they sell directly to customers, as well as a percentage of product sales from the downstream distributors they have recruited and mentored—a pyramid-like distribution system that enables

certain distributors to generate substantial income. Amway's multilevel marketing model came under scrutiny as early as 1979, when the Federal Trade Commission, after investigating Amway, determined that the company's business model was not an illegal pyramid scheme because recruits were selling the company's products to real customers, not just to other recruits. To sustain its market position, Amway heavily invests in research and development. A holder of 800 patents, it has over 100 scientific laboratories worldwide with nearly 1,000 scientists, engineers, and technical professionals on staff. The largest direct seller in the world, with 17,000+ global employees, Amway generated $8.4 billion in 2019, when nutrition and weight-management products accounted for 54 percent of Amway's revenues, followed by beauty and personal care products (25 percent).[1]

Personalizing communications and saying and doing the right thing for the right person at the right time are critical for marketing effectiveness. In this chapter, we consider how companies personalize their marketing communications to have more impact. We begin by evaluating personal selling and then move on to consider direct marketing.

Personal Selling

Personal selling involves direct interaction with one or more prospective buyers for the purpose of making presentations, answering questions, and procuring orders (sales presentations, sales meetings, incentive programs, samples, and fair and trade shows). Personal selling is the most effective tool at later stages of the buying process, particularly in influencing buyer preferences, conviction, and action.[2]

Well-known companies that use a personal-selling model are Avon and Electrolux. Tupperware and Mary Kay cosmetics are sold one-to-many: A salesperson goes to the home of a host who has invited friends; the salesperson demonstrates the products and takes orders. The multilevel (network) marketing sales system works by recruiting independent businesspeople who act as distributors. The distributor's compensation includes a percentage of sales made by those he or she recruits, as well as earnings on his or her own direct sales to customers.

Personal selling has three notable qualities:

- It is *customized*, meaning that the message can be designed to appeal to any individual.
- It is *relationship oriented*, meaning that personal-selling relationships can range from a matter-of-fact selling relationship to a deep personal friendship.
- It is *response oriented*, meaning that the buyer is often given personal choices and encouraged to respond directly.

Personal selling is an ancient art. Effective salespeople today have more than instinct to guide them, however. Companies now spend hundreds of millions of dollars each year to train them in methods of analysis and customer management and to transform them from passive order-takers into active order-getters.

Learning Objectives After studying this chapter you should be able to:

14.1 Define the key aspects of the selling process.

14.2 Explain how to design an effective sales force organization.

14.3 Explain how to manage a sales force.

14.4 Discuss the role of direct marketing, and identify the key direct marketing channels.

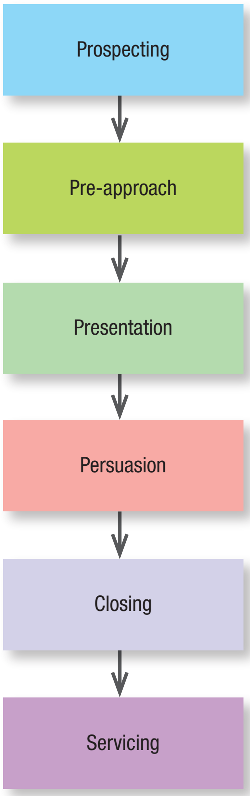

FIGURE 14.1
Major Steps in Effective Selling

PERSONAL SELLING AS A PROCESS

Most sales training programs agree on the major steps in any effective sales process. These steps are prospecting, pre-approach, presentation, persuasion, closing, and servicing. We show these steps in Figure 14.1 and discuss their application to industrial selling next.[3]

Prospecting and Qualifying. The first step in selling is to identify and qualify prospects. More companies are taking responsibility for finding and qualifying leads so that salespeople can use their expensive time doing what they do best: selling.[4] Some companies, including IBM, qualify leads according to the acronym BANT: Does the customer have the necessary *budget*, the *authority* to buy, a compelling *need* for the product or service, and a *timeline* for delivery that aligns with what is possible?

Many marketers are going beyond the BANT approach and getting increasingly sophisticated in their pursuit of qualified leads. Using inputs as diverse as prospects' hiring practices, job boards, and sample tweets from customers and employees, companies use data analytics and artificial intelligence to classify prospects as worth a call or offer—or not.

Marketers must find the right balance between the quantity and quality of leads. Too many leads, even of high quality, and the sales force may be overwhelmed and allow the most promising opportunities to fall through the cracks; too few or low-quality leads and the sales force may become frustrated or demoralized.

To generate high-quality leads, suppliers need to know their customers. Suppliers that qualify may be visited by the buyer's agents, who will examine the suppliers' manufacturing facilities and meet their staff. After evaluating each company, the buyer will end up with a short list of qualified suppliers. Many professional buyers have forced suppliers to make adjustments to their marketing proposals to increase their likelihood of making the cut.

Pre-approach. The salesperson should learn as much as possible about the prospect company (what it needs, who takes part in the purchase decision) and its buyers (personal characteristics and buying styles). How is the purchasing process conducted at the company? How is it structured?

Companies can vary in their purchasing process and company structure. At many large companies, salespeople interact with purchasing departments tasked with procuring goods for the organization. Many purchasing departments in larger companies have been centralized and elevated to strategic supply departments with more professional practices. Centralized purchasing may put a premium on dealing with larger suppliers that are able to meet all the company's needs. At the same time, some companies are decentralizing purchasing for smaller items such as coffeemakers, office supplies, and other inexpensive necessities. The sales rep must thoroughly understand the purchasing process in terms of "who, when, where, how, and why" in order to set call objectives: to qualify the prospect, gather information, or make an immediate sale.

Another challenge is to choose the best contact approach—a personal visit, phone call, e-mail, or letter. The right approach is crucial because it has become harder for sales reps to get into the offices of purchasing agents, physicians, and other time-starved and internet-enabled potential customers. Finally, the salesperson should plan an overall sales strategy for the account.

Presentation and Demonstration. A common way of telling the product "story" to the buyer is captured by the FABV approach, which focuses on articulating the *features, advantages, benefits,* and *value* of the company's offering.

- *Features* describe the physical characteristics of a market offering. For example, a computer's features include processing speed and memory capacity.
- *Advantages* describe why the features give the customer an edge.
- *Benefits* describe the economic, technical, service, and social payback delivered.
- *Value* describes the offering's worth (often in monetary terms).

The FABV approach helps the sales force adequately allocate the effort when promoting different aspects of the product. This is important because salespeople often spend too much time on product features (a product orientation) and not enough time stressing benefits and value (a customer orientation), especially in highly competitive markets or when selling individualized or premium-priced products.[5] To be effective, the pitch to a prospective client must be highly relevant, engaging, and compelling. There is always another company waiting to take that business.

Persuasion. Selling is not a unidirectional process in which sellers simply present information to buyers. Rather, selling is an interactive process where buyers typically raise questions and pose objections. Most objections stem from two sources: psychological resistance and logical resistance.

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

To handle psychological and logical objections, the salesperson maintains a positive approach, asks the buyer to clarify the objection, questions in such a way that the buyer answers his own objection, denies the validity of the objection, or turns it into a reason for buying.[6]

Although price is the most frequently negotiated issue—especially in tight economic times—others include contract completion time, quality of goods and services offered, purchase volume, product safety, and responsibility for financing, risk taking, promotion, and title. Salespeople sometimes give in too easily when customers demand a discount.[7]

One company recognized this problem when sales revenues went up 25 percent but profit remained flat. The company decided to retrain its salespeople to "sell the price" rather than "sell through price." Salespeople were given richer information about each customer's sales history and behavior. They received training to recognize value-adding opportunities rather than price-cutting opportunities. As a result, the company's sales revenues climbed and so did its margins.[8]

Closing. Closing is an essential component of the selling process. Without closing the deal, there is no sale. A skillful salesperson knows when and how to close the sale in a way that will not only secure the deal at hand but also help establish a long-term relationship with the buyer.[9]

To determine when to start closing, sellers pay close attention to buyers' behavior, looking for signs that the buyer is ready to finalize the purchase decision. Closing signs from the buyer include physical actions, statements or comments, and questions. Sales representatives can ask for the order, recapitulate the points of agreement, offer to help write up the order, ask whether the buyer wants A or B, get the buyer to make minor choices such as color or size, or indicate what the buyer will lose by not placing the order now.

The salesperson might offer specific inducements to close, such as an additional service, an extra quantity, or a token gift. If the client still isn't budging, perhaps the salesperson is not interacting with the right executive; a more senior person may have the necessary authority. The salesperson also may need to find other ways to reinforce the value of the offering and how it alleviates financial or other pressures the client faces.

Servicing. Follow-up and maintenance are necessary to ensure customer satisfaction and repeat business. Immediately after closing, the salesperson should cement any necessary details about delivery time, purchase terms, and other matters important to the customer. When relevant, the salesperson might schedule a follow-up call after delivery to ensure proper installation, instruction, and servicing. In addition, the salesperson might try to detect any potential problems with the offering, suggest solutions, alleviate concerns, and reaffirm the buyer's positive attitude toward the purchase.

While servicing the account, the salesperson should have a plan on how to maintain and grow the account. Providing a service that goes beyond the actual sale can demonstrate to customers that the seller stands behind its products and services and is committed to building a relationship with the buyer. Using after-sale servicing can help build a long-term relationship that benefits both parties by improving the overall purchase experience and creating a sense of trust between the buyer and seller.

MANAGING THE SALE

Many of the principles of personal selling and negotiation are largely transaction oriented because their purpose is to close a specific sale. But in many cases, the company seeks not an immediate sale but rather a long-term supplier–customer relationship. Today's customers prefer suppliers who can sell and deliver a coordinated set of products and services to many locations, who can quickly solve problems in different locations, and who can work closely with customer teams to improve products and processes.[10]

Salespeople working with key customers must do more than e-mail or call when they think customers might be ready to place orders. They should also get in touch at other times and make useful suggestions about the business to create value. They should monitor key accounts, know customers' problems, and be ready to serve them in a number of ways, adapting and responding to different customer needs or situations.[11] A popular approach for managing the sale process is SPIN, an acronym derived from the types of questions that a salesperson should ask prospects: situation questions, problem questions, implication questions, and need-payoff questions.

Designing the Sales Force

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

Tupperware Tupperware was founded in 1946, when inventor Earl Tupper introduced his airtight seals, patterned after the inverted rim on a can of paint, to prevent food from drying out. Despite their breakthrough nature, his products didn't sell well in retail outlets, mainly because their advantage over regular storage containers was not readily visible to buyers. Realizing that consumers needed demonstrations in order to understand how the product worked, Tupper introduced the Tupperware Home Party as a way for his products to reach consumers. Demonstrations proved an extremely effective way of communicating the benefits of the revolutionary seal, and several years later all Tupperware products were taken off store shelves to be distributed through direct selling alone. In addition to being a source of income, home parties were also a welcome diversion for women whose social circles revolved around their family. As consumers relocated to homes in the suburbs, backyard parties became a favorite way for families and neighbors to socialize. Tupperware products addressed needs created by this increasingly popular pastime by helping to keep food fresh outdoors as well as transporting it to and from parties. When microwaves became commonplace kitchen appliances, Tupperware introduced products designed specifically for microwaves, enabling consumers to warm up leftovers or cook the frozen foods that were growing in popularity. In addition to constantly innovating and extending its product line, Tupperware also introduced classes and demonstrations where customers learned about microwave cooking and food preparation, as well as ways to save money on their grocery bills, optimize cabinet space, and manage time. To fit the busy schedules of time-pressed customers, Tupperware introduced in-office demonstrations. Be it at home or office parties, personal selling has always been the defining aspect of Tupperware. With the help of its more than 3 million sales force members, Tupperware now is found in nearly 100 markets around the world, offering culturally distinct items such as the Kimchi Keeper, the Kimono Keeper, and the Japanese Bento Box.[12]

U.S. firms spend more than a trillion dollars annually on sales forces and sales force materials—more than on any other promotional method. More than 10 percent of the total workforce works in sales occupations, both nonprofit and for profit. Hospitals and museums, for example, use fundraisers to contact donors and solicit donations. In asserting that selling is the core function of every company, Boston Beer founder Jim Koch notes, "Without sales, there is no business to manage."[13]

Although no one debates the importance of the sales force in marketing programs, companies are sensitive to the high and rising costs of maintaining one, including salaries, commissions, bonuses, travel expenses, and benefits. Not surprisingly, companies are trying to increase sales force productivity through better selection, training, supervision, motivation, and compensation.[14]

Salespeople are the company's personal link to its customers. In designing the sales force, the company must develop sales force objectives, strategy, structure, size, and compensation (see Figure 14.2).

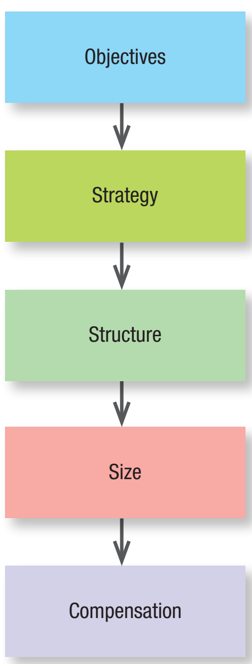

FIGURE **14.2**
Designing the Sales Force

SALES FORCE OBJECTIVES

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

Source: Anton Starikov/Alamy Stock Photo

<< Tupperware initiated the concept of direct sales parties in homes (and later offices) to effectively demonstrate the benefits of its storage containers and encourage personal interaction with customers.

insights into the customer's business model and identify unrecognized needs and unarticulated problems.[15]

In performing their jobs, salespeople complete one or more specific tasks:

- *Information gathering* involves conducting market research and doing intelligence work.
- *Targeting* involves deciding how to allocate their time among prospects and customers.
- *Communicating* involves conveying information about the company's products and services.
- *Selling* entails approaching, presenting, answering questions, overcoming objections, and closing sales.
- *Servicing* involves providing various services to the customers—consulting on problems, rendering technical assistance, arranging financing, and expediting delivery.
- *Allocating* involves deciding which customers will get scarce products during product shortages.

Too often marketing and sales are in conflict: The sales force complains that marketing isn't generating enough leads, and marketers complain that the sales force isn't converting them. Improved collaboration and communication between these two can increase revenues and profits.[16]

Jim Farley, executive vice president at Ford, notes that "the coolest thing about my job at Ford is that I'm in charge of both marketing and sales" and maintains that it is a mistake to have separate people in charge. He sees the best salespeople at Ford as a cross between *problem solvers*, who help explain and customize all the sophisticated automobile electronics, and *concierges*, who help with all the steps in the complicated process of buying a car.[17] To improve mutual understanding, some companies move marketers into sales (and vice versa) when appropriate, as well as getting them together for joint meetings throughout the year.

SALES FORCE STRATEGY

An important aspect of developing a sales strategy is deciding whether to use a direct or a contractual sales force. A direct (company) sales force consists of full- or part-time paid employees who work exclusively for the company. Inside salespeople conduct business from the office and receive visits from prospective buyers, and field salespeople travel and visit customers. A contractual sales force consists of manufacturers' reps, sales agents, and brokers who earn a commission based on sales.

Herbalife Herbalife was founded by Mark Hughes after his mother died early from an overdose of diet pills. Hughes sought a safer alternative, creating a diet milkshake that he sold out of the trunk of his car. Herbalife now sells protein bars, energy drinks, various vitamins, teas, and, of course, milkshakes. Over the years, the company has grown by leaps and bounds, numbering

>> Herbalife's marketing strategy for its diet and health food products relies solely on a multilevel marketing organization of more than half a million salespeople who sell directly to consumers.

Source: Charlotte Moss/Alamy Stock Photo

over 8,000 employees worldwide and reaching sales revenues of nearly $4.9 billion in 2019. Much of Herbalife's marketing strategy relies on its multilevel salespeople, who buy wholesale from the company and either sell directly to consumers or use the products themselves. Herbalife does not sell to stores, and its products can be bought only from its 600,000 salespeople, who receive commissions from sales as well as for hiring new members. Herbalife also sponsors local health groups in order to foster a community of customers. With factories around the world and numerous partnerships with manufacturers, Herbalife works directly with local suppliers to keep its costs low and ensure quality at each step of the process.[18]

Consider the following situation: A North Carolina furniture manufacturer wants to sell its line to retailers on the West Coast. One alternative is to hire 10 new sales representatives to operate out of a sales office in San Francisco and receive a base salary plus commissions. The other alternative is to use a San Francisco manufacturer's sales agency that has extensive contacts with retailers. Its 30 sales representatives would receive a commission based on their sales.

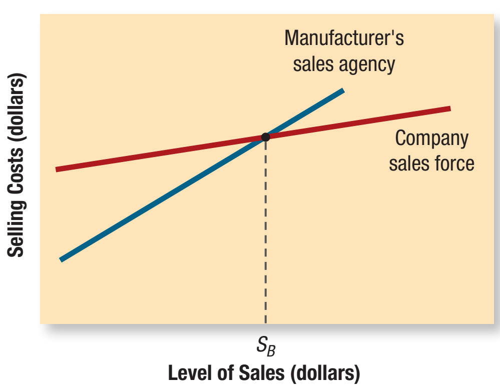

FIGURE **14.3**

Break-Even Cost Chart for the Choice between a Company Sales Force and a Manufacturer's Sales Agency

The first step is to estimate the dollar volume of sales each alternative is likely to generate. A company sales force will concentrate on the company's products, be better trained to sell them, be more aggressive, and be more successful because many customers will prefer to deal directly with the company. The sales agency has 30 representatives, however, not just 10; it may be just as aggressive, depending on the commission level; customers may appreciate its independence; and it may have extensive contacts and market knowledge. The marketer needs to evaluate all these factors in formulating a demand function for the two different channels.

The next step is to estimate the costs of selling different volumes through each channel. The cost schedules are shown in Figure 14.3. Engaging a sales agency is initially less expensive than using the company's sales force, but costs rise faster because the sales agents get larger commissions. The final step is comparing sales and costs. As Figure 14.3 shows, there is one sales level (S_B) at which selling costs for the two channels are the same. The sales agency is thus the better channel for any sales volume below S_B, and the company sales branch is better at any volume above S_B. Given this information, it is not surprising that sales agents tend to be used by smaller firms or by large firms in smaller territories where the volume is low.

Using a sales agency can pose a control problem. Agents may concentrate on the customers who buy the most, not necessarily on those who buy the manufacturer's goods. And they might not master the technical details of the company's product or handle its promotion materials effectively.

SALES FORCE STRUCTURE

The sales force strategy also has implications for its structure. A company that sells one product line to one industry with customers in many locations would organize its sales force around geographic territories. On the other hand, a company that sells many products to customers with diverse needs might organize its sales force around specific products, services, or customer needs.

Some companies need a more complex structure and adopt some combination of four types of sales force: a strategic market sales force assigned to major accounts (see "Marketing Insight: Major Account Management"), a geographic sales force calling on customers in different territories, a distributor sales force calling on and coaching distributors, and an inside sales force marketing and taking orders online and via phone.

To manage costs, companies often choose a leveraged sales force that focuses reps on selling the company's more complex and customized products to large accounts and uses inside salespeople and online ordering for low-end selling. Salespeople handle fewer accounts and are rewarded for key account growth; lead generation, proposal writing, order fulfillment, and post-sale support are turned over to others. By motivating salespeople to sell to every possible account, this approach helps overcome some of the limitations of geographically based sales forces.[19]

Companies must deploy sales forces strategically so that they call on the right customers at the right time in the right way, acting as "account managers" who arrange fruitful contact between people in the buying and selling organizations. Selling increasingly calls for teamwork and the support of others, such as top management, especially when national accounts or major sales are at stake; technical people, who supply information and service before, during, and after product purchase; customer-service representatives, who provide installation, maintenance, and other services; and office staff, consisting of sales analysts, order expediters, and assistants.[20]

SALES FORCE SIZE

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

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

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

SALES FORCE COMPENSATION

To attract top-quality reps, the company must develop an attractive compensation package. Sales reps want income regularity, extra reward for above-average performance, and fair pay for experience and longevity. Management wants control, economy, and simplicity. Some of these objectives will conflict. No wonder compensation plans vary tremendously among, and even within, industries.[21]

The company must quantify four components of sales force compensation. The *fixed amount,* a salary, satisfies the need for income stability. The *variable amount*—whether commissions, quotas, bonus, or profit sharing—serves to stimulate and reward effort.[22] *Expense allowances* enable sales reps to meet the costs of travel and entertaining on the company's behalf. *Benefits*—such as paid vacations, sickness or accident benefits, pensions, and health and life insurance—provide security and job satisfaction.[23]

Fixed compensation is common in jobs with a high ratio of non-selling to selling duties and in jobs where the selling task is technically complex and requires teamwork. Variable compensation works best where sales are cyclical or depend on individual initiative. Fixed and variable compensation give rise to three basic types of compensation plans—straight salary, straight commission, and combination salary and commission. It is not uncommon for sales reps to receive a significant part of their compensation in variable rather than fixed pay.

Straight-salary plans provide a secure income, encourage reps to complete non-selling activities, and reduce incentive to overstock customers. For the firm, these plans deliver administrative simplicity and lower turnover. When semiconductor company Microchip dropped commissions for its sales force, sales actually increased.[24] Straight-commission plans attract higher performers, provide more motivation, require less supervision, and control selling costs. On the negative side, they emphasize getting the sale over building the relationship. Combination plans feature the benefits of both plans, while limiting their disadvantages.

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

Managing the Sales Force

Various policies and procedures guide the firm's activities directed at managing the sales force. Some of the key activities—recruiting, selecting, training, supervising, motivating, and evaluating sales representatives—are shown in Figure 14.4 and outlined in more detail in the next sections.

RECRUITING THE SALES FORCE

At the heart of any successful sales force are appropriately selected representatives. It's a great waste to hire the wrong people. The average annual turnover rate of sales reps for all industries is almost 20 percent. Sales force turnover leads to lost sales, the expense of finding and training replacements, and (often) pressure on existing salespeople to pick up the slack.[25]

Studies have not always shown a strong relationship between sales performance, on the one hand, and background and experience variables, current status, lifestyle, attitude, personality, and skills, on the other. More effective predictors of high performance in sales are composite tests and assessment centers that simulate the working environment and assess applicants in an environment similar to the one in which they would work.[26]

To maintain a market focus, salespeople should know how to analyze sales data, measure market potential, gather market intelligence, and develop marketing strategies and plans. Especially at the higher levels of sales management, they need analytical marketing skills. Marketers believe that sales forces are more effective in the long run if they understand and appreciate marketing as well as selling.

Although scores from formal tests are only one element in a set that includes personal characteristics, references, past employment history, and interviewer reactions, they have been weighted quite heavily by companies such as IBM, Prudential, and Procter & Gamble. Gillette claims that tests have reduced turnover and scores have correlated well with the progress of new reps.

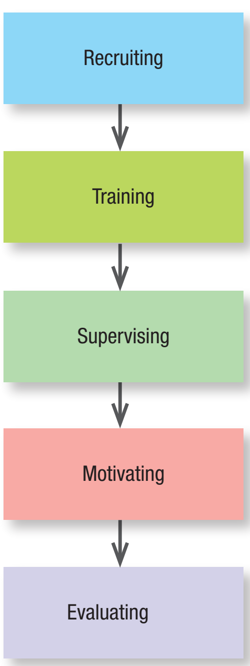

FIGURE **14.4**
Managing the Sales Force

TRAINING AND SUPERVISING THE SALES FORCE

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

New reps may spend a few weeks to several months in training. The median training period is 28 weeks in industrial-products companies, 12 in service companies, and 4 in consumer-products companies. Training time varies with the complexity of the selling task and the type of recruit. New methods of training are continually emerging, such as the use of programmed learning, distance learning, and videos. Some firms use role playing and sensitivity or empathy training to help reps identify with customers' situations and motives.[27]

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

MANAGING SALES FORCE PRODUCTIVITY

How many calls should a company make on a particular account each year? Some sales reps often spend too much time selling to smaller, less profitable accounts instead of focusing on larger, more profitable ones.

Left to their own devices, many reps will spend most of their time with current customers, who are known quantities. Reps can depend on them for some business, whereas a prospect might never deliver any. Companies therefore often specify how much time reps should spend prospecting for new accounts.[28] Spector Freight wants its sales representatives to spend 25 percent of their time prospecting and to stop after three unsuccessful calls. Some companies rely on a missionary sales force to create new interest and open new accounts.

In the course of a day, reps plan, travel, wait, sell, and perform administrative tasks (writing reports and billing, attending sales meetings, and talking to others in the company about production, delivery, billing, and sales performance). The best sales reps manage their time efficiently. **Time-and-duty analysis** and hour-by-hour breakdowns of activities help them understand how they spend their time and how they might increase their productivity.

Companies constantly try to improve sales force productivity.[29] To cut costs, reduce time demands on their outside sales force, and leverage technological innovations, many have increased the size and responsibilities of their inside sales force.

Inside selling is less expensive than in-person selling, and it is growing faster. Each contact made by an inside salesperson might cost a company $25 to $30, compared with $300 to $500 for a field staff person with travel expenses. Virtual meeting software such as Webex, communication tools such as Skype, and social media sites such as LinkedIn, Facebook, and Twitter make it easier to sell with few if any face-to-face meetings. And inside sellers don't even need to be in the office—a growing percentage work at home.[30]

The inside sales force frees outside reps to spend more time selling to major accounts, identifying and converting new major prospects, and obtaining more blanket orders and systems contracts. Inside salespeople spend more time checking inventory, following up on orders, and phoning smaller accounts. They typically earn a salary or salary-plus-bonus pay.

The salesperson today has truly gone digital. Not only is sales and inventory information transferred much more quickly, but specific computer-based decision support systems have been created for sales managers and sales representatives. Going online with a tablet or laptop, salespeople can prime themselves on backgrounds of clients, call up prewritten sales letters, transmit orders, and resolve customer-service issues on the spot, as well as send samples, pamphlets, brochures, and other materials to clients.

One of the most valuable digital tools for the sales rep is the company's online presence. It can help define the firm's relationships with individual accounts and identify those whose business warrants a personal interaction. It provides an introduction to self-identified potential customers and a way to contact the seller; it might even receive the initial order.

Social media are a valuable digital selling tool. Social networking is useful in "front end" prospecting and lead qualification, as well as in "back end" relationship building and management. When one B2B sales rep for virtual-meetings company PGi was monitoring Twitter tweets for various keywords, he noticed that someone from a company tweeted about dissatisfaction with "web conferencing." The sales rep got in touch with the company's CEO and was able to quickly convince him of the merits of PGi's products, securing an agreement within a few hours.[31]

MOTIVATING THE SALES FORCE

The majority of sales representatives require encouragement and special incentives, especially those in the field who encounter daily challenges.[32] Most marketers believe that the higher the salesperson's motivation, the greater the effort and the resulting performance, rewards, and satisfaction—all of which in turn further increase motivation.[33]

Marketers reinforce *monetary and nonmonetary rewards* of all types. One research study found that the employee reward with the highest value was pay, followed by promotion, personal growth, and sense of accomplishment.[34] Least valued were liking and respect, security, and recognition. In other words, salespeople are highly motivated by pay and the chance to get ahead and satisfy their intrinsic needs, and they may be less motivated by compliments and security. Some firms use sales contests to increase sales effort.[35]

Compensation plans may even need to vary depending on salesperson type—that is, on whether the salespersons are stars, core or solid performers, or laggards.[36] *Stars* benefit from no ceiling or caps on commissions, overachievement commissions for exceeding quotas, and prize structures that allow multiple winners. Core performers benefit from multitier targets that serve as stepping stones for achievement and sales contests with prizes that vary in nature and value. Laggards respond to consistent quarterly bonuses and social pressure.[37]

Many companies set annual sales quotas, developed from the annual marketing plan, for dollar sales, unit volume, margin, selling effort or activity, or product type. Compensation is often tied to the degree of quota fulfillment. The company first prepares a sales forecast that becomes the basis for planning production, workforce size, and financial requirements. Management then establishes quotas for regions and territories, which typically add up to more than the sales forecast to encourage managers and salespeople to perform at their best level. Even if they fail to make their quotas, the company may nevertheless reach its sales forecast.[38]

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

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

EVALUATING THE SALES FORCE

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

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

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

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

These reports provide raw data from which sales managers can extract key indicators of sales performance: average number of sales calls per salesperson per day, average sales call time per contact, average revenue per sales call, average cost per sales call, entertainment cost per sales call, percentage of orders per hundred sales calls, number of new customers per period, number of lost customers per period, and sales force cost as a percentage of total sales.

Even if she or he is effective in producing sales, the rep may not rate highly with customers. Success may come because competitors' salespeople are inferior, the rep's product is better, or new customers are always found to replace those who dislike the rep. Sales reps can analyze the success or failure of a sales call and how they would improve the odds during subsequent calls. Their performance could be related to internal factors (effort, ability, and strategy) and/or external factors (task and luck).

Direct Marketing

Today, many marketers build long-term relationships with customers. They send birthday cards and informational materials and offer free products and services. Airlines, hotels, and other businesses adopt frequency reward programs and club programs.[39] **Direct marketing** is the use of consumer-direct channels to reach and deliver goods and services to customers without using intermediaries.

Direct marketing offers companies several advantages. By eliminating the intermediary, it often proves to be more cost-effective than traditional marketing. Directly connecting with customers also can provide the company with invaluable information about customers' current and potential needs, the ways in which they use the company's offerings, as well as what aspects of the company's offerings they find particularly beneficial and what aspects need improvement. In addition, having the ability to directly interact with customers enables the company to offer a superior service experience and build a stronger brand image.

Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, kiosks, websites, and mobile devices. They often seek a measurable response, typically a customer order, through direct-order marketing.

Ambit Energy Ambit Energy was founded in 2006 following the deregulation of energy markets. The company promotes its services directly to consumers with the help of more than 80,000 independent consultants. Offering low rates on a one-year fixed-rate contract, Ambit has gained a large customer base, betting that customers are more likely to buy from a person they know than from a stranger. This customer-focused approach has led to rapid growth, and in 2010 Ambit was recognized by J.D. Power and Associates as having the most positive recommendations shared with friends, family, and coworkers. Like many direct marketing companies, Ambit Energy is not without controversies. Consumer advocates are concerned that the company tries very hard to turn customers into salespeople (the front page of Ambit's website urged visitors to "Discover the rewards of being an Ambit consultant"), while making it rather difficult to reach the company to discuss rates and switch plans. In 2015, Ambit was forced by New York's Department of Public Service's Consumer Advocate to issue refunds to customers who were moved from a guaranteed-savings plan into a variable-rate plan charging significantly more. It was also a subject in a class-action lawsuit (settled in 2018) alleging that the company misrepresented the savings that customers would receive after switching to Ambit.[40]

Direct marketing has been a fast-growing avenue, partly in response to the high and increasing costs of reaching business markets through a sales force. Sales produced through traditional direct marketing channels (direct mail, catalogs, and telemarketing) have been growing rapidly, along with direct-mail sales, which include sales to the consumer market, B2B sales, and fundraising by charitable institutions.

DIRECT MARKETING CHANNELS

We next consider some of the issues that characterize the key direct marketing channels: direct mail, catalog marketing, telemarketing, and infomercials.

Direct Mail. Direct-mail marketing involves sending an offer, announcement, reminder, or other item to an individual consumer. Using highly selective mailing lists, direct marketers send out millions of mail pieces each year—letters, fliers, foldouts, and other "salespeople with wings."

Direct mail is a popular medium because it permits target-market selectivity, can be personalized, is flexible, and allows early testing and response measurement. Although the cost per thousand is higher than for mass media, the people reached are much better prospects. The success of direct mail, however, has also become its liability: So many marketers are sending out direct-mail pieces that mailboxes are becoming stuffed, leading some consumers to disregard the blizzard of solicitations they receive. Direct mail can also produce prospect leads, strengthen customer relationships, inform and educate customers, remind customers of offers, and reinforce recent customer purchase decisions.

Most direct marketers apply the RFM (recency, frequency, monetary amount) formula to select customers according to how much time has passed since their last purchase, how many times they have purchased, and how much they have spent since becoming a customer. Suppose the company is offering a leather jacket. It might make this offer to the most attractive customers—those who made their last purchase between 30 and 60 days ago, who make three to six purchases a year, and who have spent at least $100 since becoming customers. Points are established for varying RFM levels; the more points, the more attractive the customer.[41]

The company's best prospects are customers who have bought its products in the past. The direct marketer can also buy lists of names from list brokers, but these lists often have problems, including name duplication, incomplete data, and obsolete addresses. Better lists include overlays of demographic and psychographic information. Direct marketers typically buy and test a sample before buying more names from the same list. They also can build their own lists by advertising a promotional offer and collecting responses.[42]

One of the great advantages of direct marketing is the ability to test, under real marketplace conditions, different elements of an offer strategy, such as products, product features, copy platform, mailer type, envelope, prices, or mailing lists. The Teaching Company mails 50 million catalogs and sends 25 million e-mails to sell educational lectures and courses. Every element of the offer is tested. Replacing an image of Michelangelo's hand of God with one depicting the ruins of Petra improved sales by more than 20 percent.[43]

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

Direct mail can involve regular mail or e-mail. E-mail allows marketers to inform and communicate with customers at a fraction of the cost of regular mail. E-mails can be very productive selling tools. The rate at which they prompt purchase has been estimated to be at least three times that of social media ads. To be effective, e-mails must be timely, targeted, and relevant. The Gilt Groupe sends more than 3,000 variations of its daily e-mail for its flash-sale site based on recipients' past click-throughs, browsing history, and purchase history.[44]

Privacy concerns are growing—many consumers refuse to share any personal details with brands even if doing so would bring them better targeted offers and discounts. Some firms are asking consumers to indicate whether and when they would like to receive e-mails. FTD, the flower retailer, allows customers to choose whether to receive e-mail reminders to send flowers for virtually any holiday, as well as specific birthdays and anniversaries.

Catalog Marketing. Companies using catalog marketing may send full-line merchandise catalogs, specialty consumer catalogs, and business catalogs, usually in print form but also online. Thousands of small businesses also issue specialty catalogs. Many direct marketers find combining catalogs and websites an effective way to sell. For example, W.W. Grainger every year publishes a massive, nearly 3000-page printed catalog, while at the same time posting a digital, searchable version of the catalog online along with supplemental content that goes beyond the printed version of the catalog.[45]

Catalogs are a huge business. The internet and catalog retailing industry includes 37,000 companies with combined annual revenue of $460 billion.[46] Successfully marketing a catalog business depends on managing customer lists carefully to avoid duplication or bad debts, controlling inventory, offering quality merchandise so that returns are low, and projecting a distinctive image.

Some companies add literary or information features, send swatches of materials, operate a special online or telephone hotline to answer questions, send gifts to their best customers, and donate a percentage of profits to good causes. Putting their entire catalog online also provides business marketers with better access to global consumers than ever before, saving printing and mailing costs.

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

Over time, telemarketing has lost much of its effectiveness, although it is still heavily used in political campaigns. Business-to-business telemarketing is increasing, however. This is partly due to the use of videoconferencing, which will increasingly replace, though never eliminate, more expensive field sales calls.

Source: HORST OSSINGER/EPA/Newscom

<< TV infomercials have been used with great success to sell the George Foreman grill, backed by the former heavyweight boxing champion.

A popular form of telemarketing involves robo-calls—telephone calls that use a computer-based autodialer to deliver a prerecorded message. In the United States, calls using prerecorded messages are legal only if they deliver relevant information, such as doctor appointment reminders, flight change notifications, and credit card fraud alerts, or if they involve election campaigns. Robo-calls to sell products and services are not deemed legal.[47]

Infomercials. Some companies prepare 30- and 60-minute *infomercials* to combine the selling power of television commercials with the draw of information and entertainment. Infomercials promote products that are complicated or technologically advanced or that require a great deal of explanation. Some of the most successful are for Proactiv acne system, P90X workout program, and the George Foreman grill. At-home shopping channels are dedicated to selling goods and services through a toll-free number or via the internet for delivery within 48 hours.

THE FUTURE OF DIRECT MARKETING

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

Sellers can benefit from direct marketing as well. Direct marketers can buy a list containing the names of almost every group imaginable: left-handed people, tall people, millionaires, or you-name-it. They can customize and personalize messages and build a continuous relationship with each customer. New parents inevitably receive periodic mailings describing new clothes, toys, and other goods as their child grows.

Direct marketing can reach prospects at the moment when they want a solicitation, so they are noticed by more highly interested prospects. It lets marketers test alternative media and messages to find the most cost-effective approach. Direct marketing also makes the company's offer and strategy less visible to competitors. Finally, direct marketers can measure responses to their campaigns to decide which have been the most profitable.

Direct marketing must be integrated with other communications and channel activities. Eddie Bauer, Lands' End, and the Franklin Mint made fortunes building their brands in the direct marketing mail-order and phone-order business before opening retail stores. They cross-promote their stores, catalogs, and websites—for example, by putting their internet addresses on their shopping bags.

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

marketing INSIGHT — Major Account Management

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

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

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

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

Many major accounts look for added value more than for a price advantage. They appreciate having a single point of dedicated contact, single billing, special warranties, electronic data interchange (EDI) links, priority shipping, early information releases, customized products, and efficient maintenance, repair, and upgraded service. And then there's the value of goodwill. Personal relationships with people who value the major account's business and have a vested interest in its success are compelling reasons for the major account to remain a loyal customer.[48]

summary

1. *Personal selling* involves a direct interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders. Personal selling has three notable qualities: It is customized, relationship oriented, and response oriented.
2. There are several major steps in any effective *sales process*: prospecting, pre-approach, presentation, persuasion, closing, and servicing. Effective salespeople are trained in methods of analysis and customer management, as well as in the art of sales professionalism.
3. The *sales force* is a company's link to its customers. The salesperson *is* the company to many of its customers, and it is the rep who brings back to the company much-needed information about the customer. Thoughtful design and management of the sales force is of utmost importance in maximizing the effectiveness and cost efficiency of a company's sales efforts.
4. *Designing the sales force* requires choosing objectives, strategy, structure, size, and compensation. Objectives may include prospecting, targeting, communicating, selling, servicing, information gathering, and allocating. The strategy requires choosing the most effective mix of selling approaches. Structuring the sales force entails dividing territories by geography, product, or market (or some combination of these). To estimate how large the sales force needs to be, the firm estimates the total workload and how many sales hours (and hence salespeople) will be needed. Compensating sales reps requires deciding what types of salaries, commissions, bonuses, expense accounts, and benefits to give and how much weight customer satisfaction should have in determining total compensation.
5. *Managing the sales force* involves five key components: (1) recruiting and selecting sales representatives; (2) training the representatives in sales techniques and in the company's products, policies, and customer-satisfaction orientation; (3) supervising the sales force and helping reps to use their time efficiently; (4) motivating the sales force and balancing quotas, monetary rewards, and supplementary motivators; and (5) evaluating individual and group sales performance.

6. *Direct marketing* is the use of consumer-direct channels to reach and deliver goods and services to customers without using marketing intermediaries. Direct marketers can use a number of channels to reach individual prospects and customers: direct mail, catalog marketing, telemarketing, kiosks, websites, and mobile devices. They often seek a measurable response, typically a customer order, through direct-order marketing.

7. Major *direct marketing channels* include direct mail, catalog marketing, telemarketing, and infomercials. These channels offer several benefits to companies: (1) They provide companies with the option not only to inform target customers about the benefits of the offering but also to generate a sale. (2) Relative to other forms of communication, they are less visible to competitors. And (3) they enable marketers to measure responses to their campaigns to decide which have been the most profitable.

marketing SPOTLIGHT

Avon

Source: Home Bird/Alamy Stock Photo

Avon, the world's oldest direct-sales beauty company, got its start in 1886 after door-to-door book salesman David McConnell began offering free perfume to attract female customers. When the perfume proved more popular, McConnell ditched the books and started the California Perfume Company, which his son later renamed after Shakespeare's birthplace. McConnell hired 50-year-old Mrs. P. F. E Albee to peddle perfume and recruit a sales team, giving women one of the first opportunities to work outside the home and earn an income in an era when this was far from the norm. Avon's first catalog was printed in 1905 and its first print advertisement appeared the following year in *Good Housekeeping*, which 25 years later gave its seal of approval to eleven Avon products, a record for one company.

The Avon Ladies who knocked on doors, hosted parties, and enlisted friends were ensured a niche in popular culture when the company's "Ding Dong, Avon Calling" TV commercials appeared in the 1950s and 1960s. Avon's basic direct-selling model hasn't changed drastically through the years. The buy-in for an Avon rep is inexpensive. Reps can choose one of three starter kits—$25, $50, and $100—containing catalogs, product samples, order pads, delivery bags, and recruiting forms. Avon prints a new catalog for every two-week "campaign" period. Reps shop the catalogs around to customers and prospects and take orders that they fill from inventory shipped to them from Avon. Customers now can also order directly online. Commissions start at 20 percent for individual and team sales up to $150, and go up to 40 percent for sales exceeding $500; sales of more than $10,000 earn 50 percent commission. Ten "leadership" levels offer bonuses and incentives depending on campaign sales levels.

Sales reps also recruit others to join their team, who then recruit new reps of their own, on down the line, adding up to more commissions for the team leader. But there are boundaries. Avon caused a stir when it quit the Direct Selling Association, citing the need for stricter ethics for multi-level marketing, sometimes viewed as Ponzi schemes. The company has placed a limit on the amount of profit that can be reaped from recruiting others. Avon allows reps to claim commissions from only three downline generations of their personal sales organizations, rather than from an infinite number, which puts the focus on customer sales rather than on team-building.

Avon was an early entrant into international markets; Brazil became Avon's biggest sales market in 2010. But the company faced increasingly stiff competition both internationally and at home. Multinationals like P&G and Unilever made inroads in developing nations, while department and drug stores expanded their selection of affordable cosmetics, and retailers like Ulta Beauty and Sephora appeared. While Ulta's sales rose from $1.45 billion to $3.2 billion between 2010 and 2014, Avon's North American sales fell from $2.2 billion to $1 billion during that time.

One of the reasons for the decline in Avon's market share was that the company was slow to pick up on the proliferation of online marketing and social networking. Only in 2014 did Avon attempt to refurbish its website, which hadn't had a makeover in a decade, and create marketing materials specifically for its Hispanic reps, who far outsold their non-Hispanic counterparts. Social media and online selling were becoming more important as face-to-face contact became increasingly difficult in a world where women make up almost 50 percent of the workforce. In addition, Millennials, a rapidly growing market with annual spending power estimated to reach $1.4 trillion by 2020, preferred online to in-home events and were paying attention to Facebook, Instagram, and Twitter influencers—the type of social media marketing that Avon had failed to facilitate.

(*continued*)

In 2015, Avon split its operations by selling most of its North American business to private investment firm Cerberus Holdings (its U.S., Canada, and Puerto Rico businesses now operate as "New Avon LLC") and moving its headquarters to London. By 2017, Avon's stock market value had fallen to $1.3 billion—a dramatic decline from its over $21 billion market valuation a little more than a decade earlier. Many of the causes sprang from an unclear marketing strategy that dated from the early 2000s, which saw Avon straddling the line between direct sales and retailing, having difficulty implementing a workable software platform that could facilitate the transition to online sales, engaging in a number of corporate restructurings that were more about cost-cutting than strategic vision, and facing regulatory challenges in the rapidly growing Chinese market.

Realizing that Avon had lost its way and needed to step up its ability to capitalize on emerging trends and opportunities in order to grow and prosper, Jan Zijderveld, the former president of Unilever's European business unit who became Avon's CEO in February 2018, partnered with Salesforce.com and announced an investment of approximately $300 million in IT, new products, and marketing, training, and digital tools. To bring Avon into the digital age, chief beauty and brand officer James Thompson, formerly with Diageo, resolved to intensify ongoing training for reps on how to use Facebook and Instagram platforms effectively, in addition to growing Avon's own platform that connects direct online purchases with reps. Avon also appointed its first-ever chief digital officer to develop personalized beauty apps that link customers with reps via a phone camera and focus on data analytics to take the guesswork out of cosmetics purchases. By building on its direct-selling roots, while embracing new technologies and the changes in the way consumers socialize, exchange information, and shop, Avon is seeking to revamp its business model and regain its market position.

In January 2020, Avon was acquired by Natura &Co, a Brazilian multinational cosmetics and personal care company, creating the world's fourth-largest pure-play beauty company. The acquisition adds Avon to Natura &Co portfolio of brands which, in addition to the company's own brand Nature, includes The Body Shop and Aesop. The acquisition enabled Natura &Co to gain leading position in relationship selling, on and offline, with over 6.3 million consultants and representatives for the Avon and Natura brands.[49]

Questions

1. What factors contributed to Avon's initial market success? How did these factors evolve over time?
2. What is Avon's value proposition for its customers, its sales force, and its stakeholders?
3. How did the role of personal selling change during the past several decades? Can personal selling continue to be a viable business model, given the ubiquity of social media and mobile communications?

marketing SPOTLIGHT

Progressive Insurance

Progressive Corporation is one of the largest providers of auto, motorcycle, boat, and RV insurance in the United States. Founded in 1937, the company is considered one of the most innovative insurance agencies in the industry. From the beginning, Progressive's philosophy has been to approach auto insurance "like no other company had."

Progressive attracts new customers through its unique product offerings and services. For example, it was the first insurance company to offer drive-thru claim service, 24-hour claim service, and reduced rates for low-risk drivers. In 1994, Progressive introduced a comparison insurance shopping service, encouraging customers to call 800-AUTO-PRO (now 800-PROGRESSIVE) and receive a Progressive quote as well as comparison quotes from three competitors. Progressive extended this service when it launched comparison-rate shopping on the internet. Progressive was also the first insurance company to introduce the Immediate Response Vehicle (IRV), a special vehicle that brings trained claims professionals to wherever customers need them, including the scene of an accident.

Source: NetPhotos/Alamy Stock Photo

Today, the company has expanded its IRV service to thousands of IRVs across the country.

The insurance industry has changed a lot over the years as consumers have become more educated, increasingly cost-conscious, and less likely to use an agent during the buying process. Jonathan Beamer, marketing strategy and innovation business leader at Progressive, explained the company's media strategy: "As a company, we've always had the belief that customers should be able to interact with us in their channel of choice. In the past, that was by phone, online, or through an agent. Social media is another means for customers to engage with our brand." The company has a network of 35,000 independent agents but also gives customers the opportunity to interact with the company via the internet or mobile devices. Progressive offers consumers several options to manage their service claims as well. Policy holders can choose to bring their damaged vehicle to a Progressive service center or can call Progressive roadside assistance to take care of problems ranging from flat tires to locksmith needs.

Consumers have responded positively to Progressive's marketing campaigns in recent years, thanks to the company's iconic character named Flo. Flo is a quirky, witty, animated Progressive employee dressed in a white uniform and white apron that bears the company's logo. She represents the Progressive brand and its employees. The Flo commercials are often set in an imaginary insurance superstore and aimed at consumers who are considering a new insurance policy or changing insurers. The company has found that using a person to represent Progressive insurance helps consumers envision the intangible act of buying and selling insurance as a tangible one. Progressive often includes a white-and-blue "insurance package" in its commercials as well. Again, this reinforces the concept that Progressive sells something concrete rather than something abstract. In every commercial, Flo goes out of her way to help customers and their businesses. She works alongside plumbers, lugs shrubbery with landscapers, and finds stranded cars and drivers in pouring rain. Flo, her packages of insurance, and the Progressive supercenters have all helped differentiate Progressive in a competitive industry.

Flo has become one of the most recognized advertising icons in marketing today and has made "Progressive" a household name. However, Progressive's marketing team is careful to keep her modern and relevant. She appears across all types of screens—including those on TVs, computers, mobile devices, smartphone apps, video games like Sims Social, and animated YouTube videos. She even has her own Facebook page (along with millions of fans). Progressive's marketing has also won multiple awards, including *Adweek's* "Brand Genius: Marketer of the Year Award" and an Effie award for marketing efficiency.

Progressive is a leader in using technology to streamline the process of selling insurance. The company's technology-enabled features include the following:

- *Policy service and management* enables customers to update information, make payments, get vehicle recall information, and more.
- *Online claims reporting* enables customers to report auto accidents and claims in minutes using a proprietary visual reporting tool. It even lets them schedule an appointment at a nearby repair shop.
- *Rate ticker* displays actual Progressive auto insurance rates side by side with those of other top auto insurers.
- *Agent locator* enables customers who prefer to buy insurance through an agent to search for local independent insurance agents.
- *Talk to me* offers online customer service that allows online shoppers with questions about their auto insurance quote to talk to a representative over the internet or have a representative call them directly.

To make it more convenient for customers to learn about Progressive, the company also created a Flo Chatbot experience on Facebook Messenger, thus becoming the first top-10 U.S. insurance company to allow users to interact with Progressive in a familiar, natural, and conversational way. If the Flo Chatbot can't answer a particular question, a Progressive representative picks up the conversation via phone or private message.

In addition to streamlining customer experience, Progressive also invests heavily in developing solutions to empower its independent agents nationwide. Introduced in 2018, Progressive's "For Agents Only" (FAO) state-of-the-art portfolio-quoting platform contains multiple features designed to enhance the effectiveness and efficiency of sales agents. These features include

- *Integrated third-party data* to help agents identify and quickly add additional vehicles, drivers, and products registered to the customer's address.
- *Auto-filling of repeat information* across product quotes to reduce work.
- *Simplified quote and buy experience* with home, condo, renters, auto, and recreational lines products supported in a single workflow.
- *Side-by-side comparison screens* to help agents counsel their customers on the right coverage.
- *In-quote training* to highlight discount opportunities and features that can add customer and agent value.

Progressive's growth has been impressive over the past two decades because of its innovative and affordable insurance solutions and its effective direct marketing campaigns. Between 1996 and 2019, the company grew from $3.4 billion to $39 billion. Progressive now is the third largest auto insurer in the country, a leading seller of motorcycle and commercial auto insurance, and one of the top-20 homeowners' insurance carriers.[50]

Questions

1. What has Progressive done well over the years to attract new insurance customers?
2. Discuss Progressive's direct marketing campaign, which primarily revolves around the character Flo. Why does it resonate so well with consumers?
3. What else should Progressive be doing to ensure that it remains "top of mind" in the competitive insurance industry?