

SELLING AND SALES MANAGEMENT

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 **Pearson**

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Selling and Sales Management

- 2 Channel decisions can intimately affect all of a company's marketing and operating activities. For example, the selection of target markets is affected by, and in turn affects, channel design and choice. Similarly, decisions about the marketing mix, such as pricing, product and promotion, must reflect a company's channel choice.

A key factor in delineating options for channel decision is the company itself and, in particular, overall company and marketing objectives and company resources. For example, a company with long-run growth objectives based on increasing market share may have to look towards extending the breadth and the depth of its distribution channels. Similarly, companies wishing to become market leaders in, for instance, the grocery market have little option but to consider distributing through the multiples. A smaller company with fewer financial resources may be forced into using more indirect channels and will certainly have little power in the administration of the channel as a whole. In each case, target market selection and channel decisions must be made together. Issues such as numbers of customers, their geographical dispersion and customer needs, habits and preferences must also be taken into consideration as they have cost implications. As with all marketing mix decisions, distribution decisions and management should be consistent with and reflect overall company objectives and marketing strategy.

Four major strategic elements of channel choice and design are:

- 1 The delineation and selection of basic channel structure – included here are considerations as to channel length, types of intermediaries and functions of intermediaries.
- 2 The delineation of required market exposure – this element relates to decisions concerning the number of intermediaries to be used and their geographical dispersion.
- 3 Systems and procedures for ensuring maximum cooperation in the channel and the minimum of channel conflict – this includes the specification of territorial rights and franchising conditions.
- 4 Marketing and channel support strategies – this element concerns the relative emphasis and focus for marketing efforts in the channel.

Once these elements are in place, the channel can be better managed and there will be less opportunity for future conflict and misunderstanding.

5.3 Industrial/commercial/public authority selling

These categories are grouped together as the sales approach is similar and behavioural patterns exhibited by each conform to organisational behaviour (as discussed in Chapter 4). A number of characteristics in these types of market distinguish them from consumer markets.

Fewer customers

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

■ Concentrated markets

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

■ Complex purchasing decisions

Buying decisions often involve a large number of people, particularly in the case of a public authority where a purchasing committee may be involved in a major purchase. Many industrial buying decisions involve more than the buyer; in some cases, the technical specifier, production personnel and finance personnel are involved and this is where the decision-making unit (as discussed in Chapter 4) can be seen in practice. This can prolong negotiation and decision-making processes. Salespeople have to work and communicate with people in a variety of positions and tailor their selling approaches to satisfy individual needs. For example, specifiers need to be convinced of the technical merits of the product, production people want to be assured of guaranteed delivery and buyers will be looking for value for money.

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

■ Long-term relationships

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

Where there is a tendency to build up strong personal relationships over a long time, high-pressure sales techniques could be counter-productive and a more considered approach involving salespeople identifying needs of individual customers and selling the benefits of the product to satisfy those needs is more likely to be successful. The ability of salespeople to deal with complaints and provide a reliable after-sales service is also important. It is suggested that the effective salesperson must understand how to develop and sustain relationships with key customer groups, along the lines of relationship selling (Chapter 10). Sales in a business-to-business context increasingly are associated with the development of key account management and the development of solutions for customers (Chapter 9). The salesperson under these conditions acts more like a relationship manager than as a traditional salesperson.¹⁵

■ Reciprocal trading

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

Such arrangements can be frustrating for salespeople and buyers alike, as they deter free competition. Buyers do not like to be told where they must purchase from, just as salespeople do not like having a large part of a potential market permanently excluded because of a reciprocal trading arrangement. However, there could be the opportunity to increase the relationship to cover other goods and services and there is the opportunity to engage in value co-creation.

Types of production

This relates mainly to B2B and industrial sales. The type of production operated by the firm to which the salesperson is selling can determine the type of selling approach to use. There are a number of different types of production:

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

Salespeople selling in a combination of such settings have to adopt a different approach for each. With flow production, the salesperson has to anticipate model changes to ensure the firm is invited to quote at the outset, and follow up the quotation in the expectation of securing an order that will be fulfilled over the life of the product. It is difficult to dislodge an established supplier, but not impossible if a salesperson can demonstrate significant savings in adopting their offer. Just-in-time manufacturing, or lean production, is normally operated in flow production situations. As will be discussed in Chapter 10, reliability of quality and delivery is of prime importance as manufacturers work on minimal stockholding of components and raw materials. Long-term relationships with suppliers are prevalent. 'Zero defects' is the goal suppliers must strive to achieve in terms of quality.

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

5.4 Retailing

Retailing includes selling to retailers, most of whom are multiples such as Tesco, Morrisons™, Sainsbury's™ and Asda™, which effectively perform their own wholesaling functions. Independents purchase from wholesalers or cash-and-carry operators such as Makro™. Some retailers belong to voluntary chains – for example, SPAR™. Much buying is centralised, and in many cases the buyer visits the seller (unlike industrial selling, when the seller normally visits the buyer).

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

- 1 *Multiples*: classed as belonging to a retail organisation with ten or more branches, each selling a similar range of merchandise. This has been one of the fastest-growing areas of retailing, and in Britain multiples now dominate fast-moving consumer goods (FMCG) retail trading.
- 2 *Co-operative societies*: owned and controlled by the people who shop there, each society is governed by a board of directors elected from its own members. Anybody can be a member by purchasing one share. The movement can be traced back to 1844 when it started in Rochdale. Its principles are:
 - open membership;
 - democratic control (one person, one vote);
 - payment of limited interest on capital;
 - surplus arising out of the operation to be distributed to members in proportion to their purchases;
 - provision of education;
 - cooperation among societies, both nationally and internationally.

The Co-op, like a lot of other high street businesses, will have to evolve to stay competitive in the an increasingly competitive business environment created by the advent of on-line offerings.

- 3 *Department stores*: stores with five or more departments under one roof and at least 25 employees, selling a wide range of commodities, including significant amounts of household goods and clothing (e.g., Debenhams™, House of Fraser™).
- 4 *Independents*: traders who own their own retail outlets. There are variations, the first being where the independent belongs to a retail buying association to make bulk purchases. Another arrangement is when a wholesaler or group of wholesalers invites retailers to affiliate to them and agrees to take the bulk of their purchases from them. Participating independent retailers have an identifying symbol (and for this reason they are termed 'symbol shops' – such as SPAR) in addition to their customary title. Retailers benefit from lower costs as the group can gain better discounts and they voluntarily agree to abide by the rules of the group or chain, including matters of accounting procedures, shop facilities and group marketing/promotional schemes. Many franchised restaurant chains fall in this category (e.g. Nandos™ (not a franchise in the UK) and McDonalds®).
- 5 *Mail order*: this activity has expanded significantly in recent years. The most popular type of arrangement is the mail order warehouse that carries a large range of goods. Mail order is also carried out by commodity specialists dealing in items such as gardening produce, cosmetics and household kitchen items. Business is often conducted through glossy catalogues and websites. Advertising in appropriate specialist press and through direct mail

(including websites) may also be carried out. Some department stores offer mail order alongside their retail operations.

- 6 *Direct selling*: Business is conducted through the medium of glossy catalogues held by appointed commission agents who sell to families and friends. The party plan companies have sold direct to customers in their homes for a number of years. Tupperware produces a range of high-quality kitchenware and other merchandise for food and drink storage and Avon produces cosmetics. A direct salesperson demonstrates products to a group of guests, invited by the host in whose home the demonstration takes place, and earns a percentage commission on orders taken.

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

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

Information on trade requirements is fed back to brand management, who develop new products, and to the sales force, who can then better communicate with retailers. An important role for trade marketers is to develop tailored promotions for supermarkets. Sometimes these promotions can be quite costly for the suppliers, as in the box below.

Tailored promotion

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

Since the late 1960s we have witnessed the growth of large-scale retailing, including growth in the size of retail establishments – first to supermarkets, then to superstores, then to hypermarkets and finally to megastores. Because of the large size of site required for such outlets, but also for customer convenience, the trend has been towards out-of-town sites where easy parking is facilitated. Patterns of shopping have changed, with shoppers for most goods prepared to dispense with the personal service of the shopkeeper, and self-service and self-selection readily accepted in the interests of lower overheads and more competitive prices. There has been a growth in mass marketing because improved standards of living and an increase in personal disposable income have meant that products that were once luxury goods are now utility goods and required by the mass of the population, such as cars, foreign holidays, televisions and mobile phones. Because supply normally exceeds demand for consumer goods, there has been a large increase in advertising and other forms of promotion in an attempt to induce brand loyalty, with FMCGs being pre-sold to consumers by means of

‘pull’ promotional strategies. At the same time, retailers have encouraged shoppers to become ‘store loyal’ through the introduction of loyalty card schemes. Thus, retailing has undergone dynamic changes that have affected ways in which salespeople operate.

5.5 Selling services

Selling services involve selling something that is intangible, although it may be supported by physical items such as contracts or licences, and buildings or equipment. As with tangible products, a service must satisfy the needs of buyers, but the benefits are less tangible than with physical products and are transitory in that they cannot be stored or displayed. Satisfaction is achieved through activities (e.g., transportation from one place to another rather than, say, a seat on a train) and physical interaction. Services come in many forms, and examples include:

- transportation – air, sea, rail and road;
- power – electricity, gas and coal;
- hotels and accommodation;
- restaurants;
- communications – telephone, fax, email, text messages;
- television and radio services;
- banking and insurance;
- grooming services;
- clubs – social, keep fit, sporting, special interests;
- repair and maintenance;
- travel agencies;
- accounting services;
- business consultancy – advertising, marketing research, strategic planning;
- architectural;
- cleaning;
- library;
- public (local) authority services and undertakings – disposal of refuse and road repairs;
- computing services;
- stockbroker services.

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

In Britain, the service sector has grown tremendously over recent years, so much so that Britain is now primarily a service rather than a manufacturing economy. There are many reasons for this, such as the reduction in competitiveness of Britain’s heavy industry and the division of working responsibilities between men and women breaking down more equitably. This has put pressure on the service sector (more eating out in restaurants and more holidays) because of increased disposable income. Also, technology has assisted the development and provision of a more comprehensive range of services that Britain has excelled in