

# Chapter 1

## RELATIONSHIP SELLING OPPORTUNITIES IN THE INFORMATION ECONOMY

### EXTENDED PRESENTATION OUTLINE

A major goal of this chapter is to describe how personal selling skills contribute to work performed by knowledge workers. Today's workforce is made up of millions of knowledge workers who succeed only when they add value to information. Salespeople, and many other knowledge workers, add value to information when they collect it, organize it, clarify it, and present it in a convincing manner.

As part of the Reality Selling Video Series, this chapter features Alex Homer from the Tom James Company, selling luxury clothing.

### I. Personal Selling – A Definition and a Philosophy

- A. Definition: **Personal selling** occurs when a company representative interacts directly with a customer to present information about a product or service.
  - 1. Personal selling is a process of:
    - a. Building customer relationships.
    - b. Discovering customer needs.
    - c. Matching the appropriate products with these needs.
    - d. Communicating benefits through informing, reminding, and/or persuading.
  - 2. A **product** is broadly defined as information, services, ideas, and issues.
- B. Developing a personal selling philosophy includes three prescriptions:
  - 1. Adopt the marketing concept.
  - 2. Value personal selling.
  - 3. Become a problem solver/partner.

### II. Emergence of Relationship Selling in the Information Age

- A. Major advances in information technology and electronic commerce.
- B. Strategic resource is information.
  - 1. Information is often too plentiful.
  - 2. Salespeople help filter information.
- C. Business is defined by customer relationships.
  - 1. The new economy is the customer economy.
  - 2. Relationships build a conduit of trust for information exchange.
- D. Sales success depends on adding value.
  - 1. **Value-added selling** is defined as a series of creative improvements in the sales process that enhance the customer experience.

2. The value added by salespeople today is increasingly derived from intangibles.

### III. Considerations for a Future in Personal Selling

- A. Wide range of employment opportunities.
  1. The 500 largest sales forces in North America employ more than 21 million salespeople.
  2. Opportunities exist that match your interests, talents, and ambitions.
- B. Activities performed by salespeople.
  1. Outside salespeople spend 26% of their time in face-to-face sales and 74% in sales prep, travel, waiting, and administrative tasks.
  2. Salespeople have tremendous freedom to manage their time and activities.
  3. The proliferation of sales titles in today's business world has two causes:
    - a. The shift from selling to consulting and partnering.
    - b. The increased skill sets and education needed to fill selling positions.
- C. Above-average income.
  1. Table 1.1 describes base salary and total cash compensation for different sales positions.
    - a. Research indicates that salespeople involved in transactional sales earned the lowest compensation. Sales personnel involved in value-added sales earned the highest compensation.
- D. Above-average psychic income.
  - a. **Psychic income** (psychological rewards) gained from a selling career may include recognition and security.
  - b. In selling, recognition will come more frequently and with greater intensity than in most other occupations.
  - c. Accomplishments of sales personnel seldom go unrecognized.
- E. Opportunity for advancement.
  - a. High visibility affords opportunities for advancement.
  - b. Sales experience is invaluable in many middle and high management positions.
- F. Opportunities for women.
  1. Sales offers women high income and flexible work schedules.
  2. There is a growing awareness that gender is not a barrier to success in selling.

### IV. Employment Settings in Selling Today

- A. Three major settings include:
  1. Services Channel.
  2. Business Goods Channel.
  3. Consumer Goods Channel.
- B. Services Channel.
  1. Approximately 80 percent of the Canadian labour force is now employed in the service sector.

2. Career opportunities in the service channel:
  - a. Hotel, motel, and convention centre services.
    - (1) Salespeople sell room space, food, beverages, and services related to hosting seminars, conferences, and meetings.
    - (2) Competition for convention business is intense.
  - b. Telecommunication services:
    - (1) Deregulation of telephone service has resulted in the fragmentation of major telephone companies and the creation of numerous new communication companies.
  - c. Financial services:
    - (1) There are more than 3000 firms that provide financial services in Canada.
  - d. Media sales:
    - (1) Sales force employed by radio/television stations sell broadcasting time to current and prospective advertisers.
    - (2) Newspapers and magazines generate their main revenue from advertising rather than from subscriptions.
    - (3) Media sales personnel help develop advertising campaigns.
  - e. Real Estate:
    - (1) Buying a home is usually the largest single expenditure in an average consumer's life.
    - (2) Real estate salespeople play an important role.
  - f. Insurance:
    - (1) One of the most rewarding careers in sales.
    - (2) Policies sold include fire, liability, life, health, automobile, casualty, and homeowner's.
    - (3) Two broad types of insurance salespeople.
      - (a) Those employed by major insurance companies.
      - (b) Independent insurance agents who represent various companies.
  - g. Business services:
    - (1) Outsourcing of services is increasing.
  - h. Other fields of service sales: home and business security, travel and recreation, pest control, and transportation.
- C. Business Goods Channel.
  1. Common titles of salespeople:
    - a. Sales engineer or applications engineer – must have detailed and precise technical knowledge.
      1. Requires expertise in identifying, analyzing, and solving customer problems.
      2. May introduce new products and answer technical questions.
    - b. Field salespeople – find and meet needs of new customers.
    - c. Missionary salespeople, (detail salesperson) – primary goal is to develop goodwill and stimulate product demand.
      1. Calls on wholesale, retail, and other customers to help improve their marketing.
      2. Collects information regarding customer acceptance of products.

3. Must be able to offer advice on credit policies, pricing, displays, and so forth.
- D. Consumer Goods Channel.
1. Retail selling:
    - a. Profile: The Hitch House (Chris Mckee)
      1. Success due to expert staff.
      2. Customers are willing to pay higher prices because they value the quality products and assistance provided by salespeople.
      3. Well- trained salespeople add value to the shopping experience.
  2. Direct selling:
    - a. Independent contractors who represent manufacturers.
    - b. The world's three largest direct selling firms: Amway, Avon, and Mary Kay. Combined, they employ 1.1 million salespeople and generate \$2.2 billion in sales.
    - c. There are 900 000 direct selling salespeople in Canada.

## **V. Selling Skills – One of the “Master Skills for Success” for the Knowledge Worker**

- A. The following four groups of knowledge workers use selling skills, too:
1. Managerial personnel.
    - a. Some of the managers' most valuable information comes from customers.
    - b. Executive selling helps managers learn more from customers.
  2. Professionals.
    - a. Doctors, accountants, lawyers, engineers, and other professionals need to use selling skills.
    - b. Technical skills are not enough in the information age.
    - c. Professionals need relationship skills to develop new business.
  3. Entrepreneurs.
    - a. Entrepreneurs need to sell their new business plan to investors and others.
    - b. Business owners rely on personal selling to build their business.
  4. Marketing personnel and customer service representatives (CSRs).
    - a. CSRs have traditionally worked with customers in non-selling areas.
    - b. CSRs are now learning and applying selling skills.
    - c. CSRs often discover customer needs.

## **VI. Learning to Sell**

- A. Basic question: “Are salespeople made or are they born?”
1. The principles of selling can be learned and applied by a variety of people.
  2. Hundreds of corporations spend millions of dollars to develop salespeople.
- B. Types of sales training.
1. Business training programs used to develop company salespeople.
  2. Commercial firms that specialize in developing salespeople (see Table 1.2).
  3. Courses to earn certification, such as CSP, offered by the CPSA.
  4. University and college business departments.

## END-OF-CHAPTER ACTIVITIES

Included in this section are answers to review questions, application exercises, the role-play exercise, and the video case problem.

### Answers to Review Questions

- 1-1. In an era of limitless data, informed salespeople can help customers decide which information has value and which information should be ignored. Customers who have less time to adjust to new products and circumstances value this assistance.
- 1-2. The three prescriptions for the development of a successful personal selling philosophy: (1) fully accept the marketing concept, (2) develop an appreciation for the expanding role of personal selling in our competitive national and international markets, and (3) assume the role of a problem solver/partner.
- 1-3. According to the employment setting, the classifications include retail, wholesale, manufacturer, and service careers. (See the responses to Questions 5, 7, and 8 for additional information regarding these four employment settings.)
- 1-4. There are growing opportunities for both women and minorities. This is due in part to equal employment legislation. However, a more important reason is the knowledge that women and minorities can be highly successful salespeople.
- 1-5. Most certification programs can result in increased sales competence and a more professional approach to selling. Earning a certificate can give a salesperson a great deal of personal pride and greater self-confidence.
- 1-6. There are two reasons why high performance value-added salespeople earn much more than high performance transactional salespeople. First, salespeople who are able to add value during the sales process tend to close more sales. Second, value-added salespeople are often involved in selling complex products such as commercial security systems, computer systems, insurance, and other expensive items. Salespeople who sell these products often earn a generous commission.
- 1-7. These three types of manufacturing salespeople: (1) Field salespeople who sell well-established products. A high degree of technical knowledge is not required. (2) Sales engineers must have a high degree of technical knowledge. They identify, analyze, and solve highly technical customer problems. (3) Missionary, or detail, salespeople develop goodwill and stimulate demand for products. These salespeople also train employees and offer advice on advertising, credit, pricing, display, store layout, and storage.

- 1-8. Selling careers in the service field: (1) radio and television sales, (2) newspaper advertising sales, (3) hotel, motel, and convention centre sales, (4) insurance sales, (5) financial services, (6) real estate sales, (7) bank service selling, and (8) business services.
- 1-9. Competition in these fields is intense. Personal selling skills are used to build and maintain a loyal client base.
- 1-10. Corporate-sponsored training, commercial vendor training, certification studies, and courses provided by colleges and universities.

### **Suggestions/Answers for Application Exercises**

- 1-1. The objective of this exercise is to have the students gain a better understanding of the different types of selling that influence product acceptance. They are also likely to discover that with convenience products, such as those in a grocery store, even though there is little or no personal selling at the retail level, there may be a large amount of personal selling effort at the wholesale and manufacturing levels. At the retail level, a retail sales clerk could handle the order taking of convenience items, but for other items, such as those found at an appliance store, a retail salesperson would be required in most cases.
- 1-2. The objective of this field-based exercise is to get the student talking with someone in the selling field. The suggested questions will tend to make the visit more informative for the student. Students can share a large amount of field-based information if they are asked to make oral reports on their interviews.
- 1-3. This field interview will give students an opportunity to reflect on some of the new challenges facing business-to-business salespeople.
- 1-4. Students will find a variety of information on the listed career choices—from job descriptions to job ads to periodicals relating to the jobs. After students find information on their desired career, have them print and submit it.
- 1-5. This question can generate a considerable amount of discussion. Get several students to commit to their answers before you explore why they chose the specific personal characteristics. You might then wish to explore whether the specific selling environment might have an effect on the specific personal characteristics they chose; that is, selling a consumer product versus selling a business product, selling a car versus selling insurance. An actual study that included most of these personal characteristics asked sales managers of manufacturing firms (B2B sales) to rank 10 indicators and found the three most important were (1) enthusiastic, (2) obviously ambitious, and (3) well organized. Sociability was ranked tenth in this study, a surprise to many students. Note that this does not mean sociability is unimportant, it is simply rated the least important of the ten personal characteristics in this study.

## **Role-Play Exercise**

This role-play exercise duplicates a typical job interview. Prior to the role-play, students should think about what they have to sell in terms of work experience, education, leadership positions held, volunteer work, etc. Most students will change jobs 8 to 10 times throughout their lifetime, so this role-play can prepare them for future real-world interviews.

## **Solution for the Case Problem**

- 1-1. Tom James and Alex Homer appeal to the three prescriptions of a personal selling philosophy. First, they have adopted the marketing concept in so far as the customer is at the centre of their value proposition – Tom James offers a service rather than just clothing. Second, Tom James values personal selling because its customers are highly sensitive to the level of service provided and customer retention is dependent upon superior personal selling strategies. Third, sales representatives of Tom James, such as Alex Homer, are problem solvers for their clients, who are under extreme time constraints and need to have a customized service that identifies and fulfills their needs.
- 1-2. For Alex Homer, being employed in a sales position that allows for creativity and autonomy is likely to generate considerable psychic income. In addition, considering 80 percent of the business is generated from repeat customers, it is likely that Alex has developed long-term, rewarding relationships that develop job satisfaction. At the same time, the difficulty to find new business is one of Alex's major challenges and may be one of the most adverse aspects of his sales job.
- 1-3. Alex uses a persuasive presentation strategy that is made possible by his experience and existing knowledge. To gather new information about clients Alex asks detailed and purposeful situation questions to identify the needs of customers. This utilization of the selling process allows Alex to advance the sales process and induce buying motives during the sales call.
- 1-4. Alex can generate referrals from maintaining the three fundamental prescriptions of the personal selling philosophy. Overall, his preparation for the sales call is crucial, and if the customers have a favourable experience with Alex, it will result in referrals to friends and family members. In addition, it is important that Alex remain honest, trustworthy, and genuine. It is not good practice to bad-mouth competitors, for instance.
- 1-5. Alex must have a prowess in several different types of selling skills, including active listening skills, communication skills, and business and client development skills. Of the four major sources of sales training (i.e., corporate-sponsored, commercial vendors, certification programs, and colleges and universities), Tom James could hire educated sales associates and create a certification program internally that would recognize and promote excellence in selling.