

1

Development and role of selling in marketing

OBJECTIVES

After studying this chapter, you should be able to:

1. Understand the implications of production, sales and marketing orientation
2. Appreciate why selling generally has a negative image
3. Know where selling fits into the marketing mix
4. Identify the responsibilities of sales management
5. Recognise the role of selling as a career

KEY CONCEPTS

- break-even analysis
- business to business (B2B)
- business to consumer (B2C)
- communications mix
- exclusive distribution
- intensive distribution
- market penetration
- market segmentation
- market skimming
- marketing concept
- marketing mix
- product life-cycle
- sales management
- selling
- target accounts
- targeting

1.1 BACKGROUND

Perhaps no other area of business activity gives rise to as much discussion among and between those directly involved and those who are not involved as the activity known as selling. This is not surprising when one considers that so many people derive their livelihood, either directly or indirectly, from selling. Even those who have no direct involvement in selling come into contact with it in their roles as consumers. Perhaps, because of this familiarity, many people have strong, and often misplaced, views about selling and salespeople. Surprisingly, many of these misconceptions are held by people who have spent their working lives in selling, so it might well be a case of 'familiarity breeds contempt'.

It is important to recognise that **selling** and sales management, although closely related, are not the same and we shall start in this chapter by examining the nature and role of selling and sales management in the contemporary organisation and exploring some of the more common myths and misconceptions.

We shall also look at the developing role of selling because, like other business functions, it is required to adapt and change. Perhaps one of the most important and far-reaching of these business changes has been the adoption of the concept and practice of marketing, due to changes in the business environment. Because of the importance of this development to the sales function, we shall examine the place of marketing within the firm and the place of selling within marketing.

1.2 THE NATURE AND ROLE OF SELLING

The simplest way to think of the nature and role of selling (traditionally called salesmanship) is that its function is to make a sale. This seemingly obvious statement disguises what is often a very complex process, involving the use of a whole set of principles, techniques and substantial personal skills, and covering a wide range of different types of selling task. Later we will establish a more precise meaning for the term *selling*, but first we will examine the reasons for the intense interest in this area of business activity.

The literature of selling abounds with texts, ranging from the more conceptual approaches to the simplistic 'how it is done' approach. Companies spend large sums of money training their sales personnel in the art of selling. The reason for this attention to personal selling is simple: in most companies the sales personnel are the single most important link with the customer. The best designed and planned marketing efforts may fail because the salesforce is ineffective. This front-line role of the salesperson means that for many customers the salesperson *is* the company. Allied with the often substantial costs associated with recruiting, training and maintaining the salesforce, there are powerful reasons for stressing the importance of the selling task and for justifying attempts to improve effectiveness in this area. Part Three of this book addresses this important area of sales techniques.

The term *selling* encompasses a variety of sales situations and activities. For example, there are those sales positions where the sales representative is required primarily to deliver the product to the customer on a regular or periodic basis. The emphasis in this type of sales activity is very different from the sales position where the sales representative is dealing with sales of capital equipment to industrial purchasers. In addition, some sales representatives deal only in export markets whilst others sell direct to customers in their homes. One of the most striking aspects of selling is the wide diversity of selling roles.

Table 1.1 lists the strengths of personal selling and one weakness: compared to other communications media selling is costly. For example, a visit to a business customer is far more expensive than sending an email.

Table 1.1 Strengths and weakness of personal selling

+ Interactive: questions can be answered and objectives overcome
+ Adaptive: presentations can be changed to meet customer needs
+ Complex arguments can be developed
+ Relationships can be built because of its personal nature
+ Provides the opportunity to close the sale
– Sales calls are costly

1.3 CHARACTERISTICS OF MODERN SELLING

Today, a salesforce must have a wide range of skills to compete successfully. Gone are the days when salespeople required simple presentational and closing skills to be successful. Today selling requires a wide array of skills, which will be identified in the next section. In this section we discuss the characteristics of modern selling. Salespeople who do not understand these characteristics will be ill-equipped to tackle their jobs.

The characteristics of modern selling are given in Figure 1.1.

1. *Customer retention and deletion*: many companies find that 80 per cent of their sales come from 20 per cent of their customers. This means that it is vital to devote considerable resources to retaining existing high volume, high potential and highly profitable customers. Key account management has become an important form of sales organisation because it means that a salesperson or sales team can focus their efforts on one or a few major customers.

At the other end of the spectrum, companies are finding that some small customers actually cost the organisation money. This is because servicing and distribution of products to those customers may push costs beyond the revenue generated. Larger companies may have to change to telemarketing and/or the internet as a means of servicing these small customers or drop them altogether.

2. *Database and knowledge management*: the modern salesforce needs to be trained in the use and creation of customer databases, and how to use the internet to aid the sales task (e.g. finding customer and competitor information). In the past salespeople

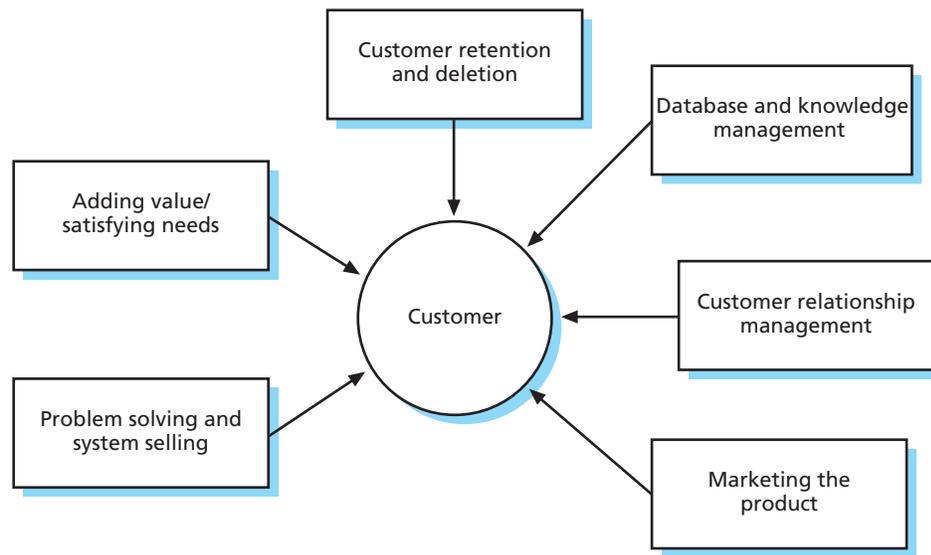


Figure 1.1 Characteristics of modern selling

Source: Adapted from Moncrief, W.C. and Marshall, G.W. (2005) 'The evolution of the seven steps of selling', *Industrial Marketing Management*, 34, pp. 13–22.

recorded customer information on cards and sent in orders through the post to head office. Today, technological advances such as email, mobile phones and video conferencing have transformed the way knowledge is transferred. Laptops mean that salespeople can store customer and competitor information, make presentations and communicate with head office electronically. Furthermore, information supplied by the company, such as catalogues and price lists, can be held electronically.

3. *Customer relationship management*: customer relationship management requires that the salesforce focuses on the long term and not simply on closing the next sale.¹ The emphasis should be on creating win-win situations with customers so that both parties to the interaction gain and want to continue the relationship. For major customers, relationship management may involve setting up dedicated teams to service the account and maintain all aspects of the business relationship. This form of organisational structure, key account management, is discussed in Chapter 9, and Chapter 10 is devoted to relationship selling.
4. *Marketing the product*: the modern salesperson is involved in a much broader range of activities than simply planning and making a sales presentation. Indeed, face-to-face presentations can now sometimes be replaced by information presented on web pages and by email attachments that give the customer up-to-date information on many topics more quickly and comprehensively, and in a more time-convenient manner than many face-to-face interactions.² The role of the salesperson is expanding to participation in marketing activities such as product development, market development and the segmentation of markets, as well as other tasks that support or complement marketing activities such as database management, provision and analysis of information, and assessing market segments.³

5. *Problem solving and system selling*: much of modern selling, particularly in business to business situations, is based upon the salesperson acting as a consultant working with the customer to identify problems, determine needs and propose and implement effective solutions.⁴ This approach is fundamentally different from the traditional view of the salesperson being a smooth fast-talker who breezes in to see a customer, persuades the customer to buy and walks away with an order. Modern selling often involves multiple calls, the use of a team-selling approach and considerable analytical skills. Further, customers are increasingly looking for a systems solution rather than the buying of an individual product. This means, for example, that to sell door handles to a company like Ford a supplier must not only be able to sell a door system that includes door handles as well as locking and opening devices but also have a thorough knowledge of door technology, and the ability to suggest to Ford solutions to problems that may arise.
6. *Satisfying needs and adding value*: the modern salesperson must have the ability to identify and satisfy customer needs. Some customers do not recognise they have a need. It is the salesperson's job in such situations to stimulate need recognition. For example, customers may not realise that a machine in the production process has low productivity compared to newer, more technologically advanced machines. The salesperson's job is to make customers aware of the problem in order to convince them that they have a need to modernise the production process. In so doing, the salesperson will have added value to the customer's business by reducing costs and created a win-win situation for their company and the customer.

1.4 SUCCESS FACTORS FOR PROFESSIONAL SALESPEOPLE

A key issue for aspiring and current salespeople and sales managers is an understanding of the key success factors in selling. A study by Marshall, Goebel and Moncrief (2003) asked sales managers to identify the skills and knowledge required to be successful in selling.⁵ Table 1.2 shows the top ten success factors.

Table 1.2 The top ten success factors in selling

1. Listening skills
2. Follow-up skills
3. Ability to adapt sales style from situation to situation
4. Tenacity – sticking to the task
5. Organisational skills
6. Verbal communication skills
7. Proficiency in interacting with people at all levels within an organisation
8. Demonstrated ability to overcome objections
9. Closing skills
10. Personal planning and time management skills

Source: Reprinted from Marshall, G.W., Goebel, D.J. and Moncrief, W.C. (2003) 'Hiring for success at the buyer-seller interface', *Journal of Business Research*, 56, pp. 247–55. Copyright © 2003, with permission from Elsevier.

This book addresses all of these issues. It is important to recognise these success factors since such knowledge has the potential to improve the overall efficiency and effectiveness of the salesperson–customer interaction in several ways. First, sales managers can use this knowledge of widely accepted sales success factors to improve their recruitment and training practices. Second, candidates for sales jobs can use this knowledge of success factors to ensure they work towards high levels of proficiency in those key areas they can control, and do as well as possible emphasising their own capabilities during the job interview. Third, sales educators at universities and colleges have information upon which to ensure their curricula best reflect the skills and knowledge most valued by practitioners.⁶

1.5 TYPES OF SELLING

The diverse nature of the buying situation means that there are many types of selling job: selling varies according to the nature of the selling task. Figure 1.2 shows that there is a fundamental distinction between order-takers, order-creators and order-getters. Order-takers respond to already committed customers; order-creators do not directly receive orders since they talk to specifiers rather than buyers; while order-getters attempt to persuade customers to place an order directly.

There are three types of order-takers: inside order-takers, delivery salespeople and outside order-takers. Order-creators are termed missionary salespeople. Finally, order-getters are either front-line salespeople consisting of new business, organisational or consumer salespeople, or sales support salespeople who can be either technical support salespeople or merchandisers. Both types of order-getters operate

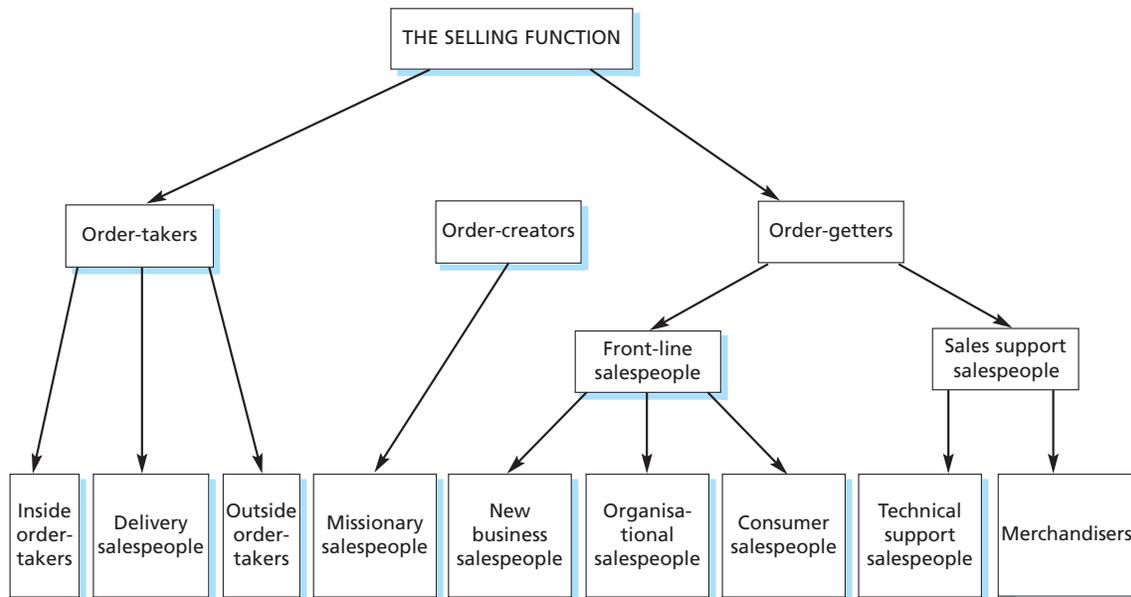


Figure 1.2 Types of selling

in situations where a direct sale can be made. Each type of selling job will now be discussed in more detail.

Order-takers

Inside order-takers

Here the customer has full freedom to choose products without the presence of a salesperson. The sales assistant's task is purely transactional – receiving payment and passing over the goods. Another form of inside order-taker is the telemarketing sales team who support field sales by taking customers' orders over the telephone.

Delivery salespeople

The salesperson's task is primarily concerned with delivering the product. In the UK, milk, newspapers and magazines are delivered to the door. There is little attempt to persuade the household to increase the milk order or number of newspapers taken: changes in order size are customer-driven. Winning and losing orders will be dependent on reliability of delivery and the personality of the salesperson.

Outside order-takers

These salespeople visit customers, but their primary function is to respond to customer requests rather than actively seek to persuade. Outside order-takers do not deliver and to a certain extent they are being replaced by more cost efficient telemarketing teams.

Order-creators

Missionary salespeople

In some industries, notably the pharmaceutical industry, the sales task is not to close the sale but to persuade the customer to specify the seller's products. For example, medical representatives calling on doctors cannot make a direct sale since the doctor does not buy drugs personally, but prescribes (specifies) them for patients. Similarly, in the building industry, architects act as specifiers rather than buyers, and so the objective of a sales call cannot be to close the sale. Instead, in these situations the selling task is to educate and build goodwill.

Order-getters

The final category, called order-getters, consists of those in selling jobs where a major objective is to persuade customers to make a direct purchase. These are the front-line salespeople and in many ways this type of selling represents the most challenging of the different types of selling. Order-getting demands several skills on the part of the salesperson including, for example, the ability to identify new prospects, persuading

and negotiating, and ultimately building new and profitable business in the face of often fierce competition.

Technical support salespeople

The task of this type of salesperson is to provide sales support to front-line salespeople so they are normally considered to belong in the order-getters group. Where a product is highly technical and negotiations are complex, a salesperson may be supported by product and financial specialists who can provide the detailed technical information required by customers. This may be ongoing as part of a key account team or on a temporary basis with the specialists being called into the selling situation as and when required.

Merchandisers

These people provide sales support in retail and wholesale selling situations. Orders may be negotiated nationally at head office, but sales to individual outlets are supported by merchandisers who give advice on display, implement sales promotions, check stock levels and maintain contact with store managers.

Business to business (B2B) and business to consumer (B2C) marketing and selling

Marketers and salespersons often distinguish between two major categories of types of marketing and selling based upon the category of customers being targeted. These two major categories of distinct customer groups or markets are business versus consumer customers or put another way, business marketing to consumers (**B2C marketing**) and businesses marketing to other businesses or organisations (**B2B marketing**). Though the basic principles of marketing and selling apply to both markets, as we shall see later in this and several subsequent chapters, there are also some significant differences between the two with regard to marketing and selling. In preparation for some of these subsequent chapters therefore we have explained some of the important characteristics of consumer versus business customers and markets in marketing each of these markets.

Business to consumer (B2C) markets

Consumer markets are markets where the distinguishing characteristic is that the customer is purchasing products and services their own or their family's use. The principal motives for purchase, therefore, are personal in nature.

However, within the consumer market there are a number of different types or sub-markets depending on the type of product and consumer purchase we are considering. These different types of consumer markets are considered below.

1. *Fast moving consumer goods (FMCG)*: FMCG markets are markets where customers are purchasing products, which generally involve relatively low financial outlays, are bought frequently and are generally non-durable. They include, therefore,

products such as toothpaste, confectionery, cigarettes, grocery products, cosmetics, some of the more frequently purchased electrical items such as, say, batteries, light bulbs, and so on. Buyers will spend relatively little time searching for information and evaluating between different product offerings. If satisfied they will tend to buy the same brand routinely.

2. *Semi-durable consumer goods*: semi-durable consumer goods markets include products such as clothing and shoes, soft furnishings, jewellery, and so on. As the term suggests these are products which are bought less frequently than FMCG products, last longer, and the customer may spend more time choosing between different competitive offerings.
3. *Durable consumer goods*: durable consumer goods include products such as refrigerators, cars, computers, and so on. These are purchases which are made less frequently; often involve considerable outlays, and commit the customer to the product purchased for some time. The customer will often take considerable care in choosing between different product offerings and will be looking for lots of information and help in purchasing.

Business to business (B2B) markets

Business to business (B2B) markets are characterised by often large and powerful buyers, purchasing predominantly for the furtherance of organisational objectives and in an organisational context using skilled/professional buyers. Demand in B2B markets is normally derived demand; customers are often geographically concentrated and negotiation is the order of the day in dealings between marketer and customer.

Marketing and selling in these markets is very different from that encountered in B2C markets. Buyers are much more likely to negotiate on price, and delivery and service are particularly important. The salesperson is likely to be dealing with skilled negotiators and the process of buying, and hence selling can extend over months or even years for certain types of capital equipment. As in consumer markets, there are several distinct types of sub-markets within B2B markets, the main ones being:

- Markets for supplies and consumables e.g. raw materials, semi-manufactured goods;
- Markets for capital equipment e.g. plant, machinery;
- Markets for businesses services e.g. consultancy, technical advice.

Selling as a career

The sub-divisions of the sales roles just outlined give an idea of the range of sales positions that are available. Generally, there is much less personal pressure involved in being an order-taker than an order-maker and a prime attribute for an order-maker is a pleasant, non-combative personality. However, the opportunity for higher rewards belongs to order-takers as their remuneration normally rests on some kind of commission or bonus where payment is linked to the amount of orders they take. It is an acknowledged fact that in many business situations the opportunity to earn really high incomes at a relatively young age is present in this kind of situation.

With such a large range of selling situations and positions in sales, it is not possible to provide a specific prescription of the qualities required for a successful sales

career. There is no definitive test or selection procedure that can be used to distinguish between successful and less successful salespeople and apart from 'trying it out' there is no way of knowing if a person is suited to a career in sales. However, there are a number of key qualities that are generally recognised as being important:

1. *Empathy and an interest in people*: such a skill will help in more accurately identifying customers' real needs and problems in terms of thinking oneself into the other person's mind and understanding why the customer feels as they do.
2. *Ability to communicate*: this means an ability to get a message across to a customer and, more importantly, an ability to listen and understand. The skill of knowing when to stop talking and when to listen is essential.
3. *Determination*: although the salesperson must be able to take no for an answer, this should not come easily to someone who wants to succeed in selling. It is a fact that customers might say no when they really mean maybe, which can ultimately lead to yes. Determined salespeople have a need and a will to succeed and success can mean closing a sale.
4. *Self-discipline and resilience*: most salespeople spend much of their time unsupervised and, apart from seeing customers, they are alone. As part of their job they can expect setbacks, rejections and failures. A salesperson thus needs to be both self-disciplined and resilient to cope with these facets of the sales task.

1.6 IMAGE OF SELLING

Mention of the word *selling* will prompt a variety of responses. It will evoke a high proportion of negative, even hostile, responses, including 'immoral', 'dishonest', 'unsavoury', 'degrading' and 'wasteful'. Is such an unfavourable view justified? We suggest not. In fact the underlying attitudes to selling derive from widely held misconceptions about selling, some of which are outlined below.

1. *Selling is not a worthwhile career*: this notion is held by many, the common attitude being that if one has talent then it will be wasted in sales. Unfortunately this attitude is often held by those in a position to advise and influence young people in their choice of careers. In some circles it is fashionable to denigrate careers in selling, with the consequence that many of our brighter graduates are not attracted to a career in selling.
2. *Good products will sell themselves and thus the selling process adds unnecessarily to costs*: this view assumes that if you produce a superior product then there will always be buyers. This may be all right if a firm can produce a technologically superior product, but then it is likely that additional costs will accrue in terms of research and development, and there will be continued research and development costs involved in keeping ahead. In addition, as developed later in the text, the role of selling is not solely to sell; it can be used to feed back information from customers to the firm – particularly product performance information – and this is of direct use to research and development.
3. *There is something immoral about selling, and one should be suspicious about those who earn their living from this activity*. The origin and reason for this most pervasive and

damaging of the misconceptions about selling stems from the 'foot in the door' image that has been perpetuated. Such attitudes can make life difficult for the salesperson who has first to overcome the barriers which such mistrust erects in the customer/salesperson relationship.

There are a number of elements in the sales task that act as demotivators:

1. Because of their perceived low status, salespeople are constantly exposed to the possibility of rejection and often have to suffer 'ego punishment' such as being kept waiting, appointments cancelled at short notice and 'put downs' from customers, to which they cannot adequately respond as buyers have the power in such circumstances. Thus, in business to business (B2B) and business to consumer (B2C) selling in particular a certain amount of psychological risk is involved.
2. In B2B situations in particular, salespeople visit buyers in their offices, so they are effectively working in 'foreign' territory and might sometimes feel uneasy when entering the premises. The customer might keep the salesperson waiting, thus heightening discomfort.
3. The salesperson tends to work alone, often staying away from home for periods. An attraction is independence, but it can be a lonely existence. Thus there is a certain amount of psychological risk attached to such situations.

Selling is therefore not an easy task, and those who are concerned to improve its image must be more vociferous, yet objective, in presenting its case and recognise that misconceptions invariably have some basis in fact. There are always unscrupulous individuals and companies ready to trade on the ignorance and gullibility of unsuspecting customers. These individuals are not salespeople: at best they are misguided traders and at worst criminals. At some times in our lives we inevitably feel that we have purchased something we did not really want or on terms we could not really afford because we were subjected to high-pressure selling.

Selling then is not entirely blameless, but salespeople are becoming more professional in their approach to customers. Some of the worst excesses in selling have been curbed – some through legal means, but increasingly voluntarily. To overcome some of these misconceptions, selling needs to sell itself and the following facts about selling should be more universally aired:

1. *There is nothing immoral or unscrupulous about selling* or about those involved in this activity. Selling provides a mechanism for exchange and through this process customers' needs and wants are satisfied. Furthermore, most people, at some stage, are involved in selling – even if only selling their skills and personalities in an attempt to obtain a job.
2. *Selling is a worthwhile career.* Many of those who have spent a lifetime in selling have found it to be a challenging, responsible and rewarding occupation. Inevitably a career in selling means meeting people and working with them, and a selling job often offers substantial discretion in being able to plan one's own work schedule.
3. *Good products do not sell themselves.* An excellent product may pass unnoticed unless its benefits and features are explained to customers. What appears to be a superior product may be totally unsuited to a particular customer. Selling is unique in that it deals with the special needs of each individual customer, and the salesperson, with specialist product knowledge, is in a position to assess these circumstances and advise each customer accordingly.

Why sales skills are the key to a firm's success

Would-be entrepreneurs usually have high levels of creativity, drive, enthusiasm and motivation. In addition, they are by nature risk-takers. However, many entrepreneurs lack some of the essential skills of selling and hence often turn out to be unsuccessful in their new ventures.

Perhaps this is why Sir Alan Sugar, in his highly successful *The Apprentice* series on UK television, often sets the contestants selling tasks. Perhaps it is the ability and the skills necessary to sell which marks out those entrepreneurs who are destined to succeed in business.

According to Patrick Joiner, Chief Executive of the Institute of Sales and Marketing Management,

The most essential skill of selling is to put yourself in your client's shoes. [This is, indeed, where many entrepreneurs fall down.] They are often people with a special knowledge about their industries or a technology that helped them to come up with their business ideas. But being totally fired up by their own products, they're locked into seeing it from their own perspective. Being very driven and enthusiastic means they can come across as overbearing.

He continues,

You should always be trying to build a relationship with your customer. You need more than just something different or low cost or even effectiveness in selling – the market changes quickly and you will keep these advantages for only so long. What you need most of all is a good relationship with your customers.

Sources: *Sunday Times*, 5 May 2002, p. 13; <http://www.bbc.co.uk/apprentice>.

1.7 THE NATURE AND ROLE OF SALES MANAGEMENT

In the same way that selling has become more professional, so too has the nature and role of **sales management**. The emphasis is on the word *management*. Increasingly, those involved in management are being called upon to exercise in a professional way the key duties of all managers, namely: planning, organising and controlling. The emphasis has changed from the idea that to be a good sales manager you had to have the right personality and that the main feature of the job was ensuring that the salesforce were out selling sufficient volume. Although such qualities may be admirable, the duties of the sales manager in the modern company have both broadened and changed in emphasis.

Nowadays, the sales manager is expected to play a much more strategic role in the company and is required to make a key input into the formulation of company plans.

This theme is developed in Chapters 2 and 15. There is thus a need to be familiar with the techniques associated with planning, including sales forecasting and budgeting (discussed in Chapter 16). The sales manager also needs to be familiar with the concept of marketing to ensure that sales and marketing activities are integrated – a theme expanded in this chapter. In many companies the emphasis is less on sales volume and more on profits. The sales manager needs to be able to analyse and direct the activities of the salesforce towards more profitable business. In dealing with a salesforce, the sales manager must be aware of modern developments in human resource management.

Viewed in the manner outlined above, the role of the sales manager may seem formidable: that person must be an accountant, a planner, a personnel manager and a marketer. However, the prime responsibility is to ensure that the sales function makes the most effective contribution to the achievement of company objectives and goals. In order to fulfil this role, sales managers will undertake specific duties and responsibilities:

- determining salesforce objectives and goals;
- forecasting and budgeting;
- salesforce organisation, salesforce size, territory design and planning;
- salesforce selection, recruitment and training;
- motivating the salesforce;
- salesforce evaluation and control.

Because these areas encompass the key duties of the sales manager, they are discussed in detail in Parts Four and Five.

Perhaps one of the most significant developments affecting selling and sales management in recent years has been the evolution of the marketing concept. Because of its importance to selling, we will now turn our attention to the nature of this evolution and its effect upon sales activities.

1.8 THE MARKETING CONCEPT

In tracing the development of the **marketing concept** it is customary to chart three successive stages in the evolution of modern business practice:

1. Production orientation.
2. Sales orientation.
3. Marketing orientation.

Production orientation

This era was characterised by focusing company efforts on producing goods or services. More specifically, management efforts were aimed at achieving high production efficiency, often through the large-scale production of standardised items. In such a situation other functions such as sales, finance and personnel were secondary to the main function of the business, which was to produce. More importantly, the

underlying philosophy was that customers would purchase products, provided they were of a reasonable quality and available in sufficiently large quantities at a suitably low price.

Such a philosophy was initiated by Henry Ford when he mass produced the Model T Ford in Detroit in 1913. His idea was that if he could produce a standard model vehicle in large quantities using mass production techniques, then he could supply a potential demand for relatively cheap private transport. At the time, Ford was correct; such a demand existed, and his products proved successful. A production orientation to business was thus suited to an economic climate where potential demand outstripped supply, as was the case in the United States at that time. However, times change, and such a philosophy is not conducive to doing business in today's economic climate, where potential supply usually outstrips demand.

Sales orientation

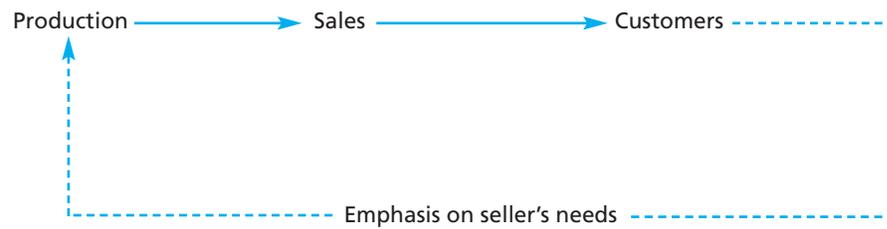
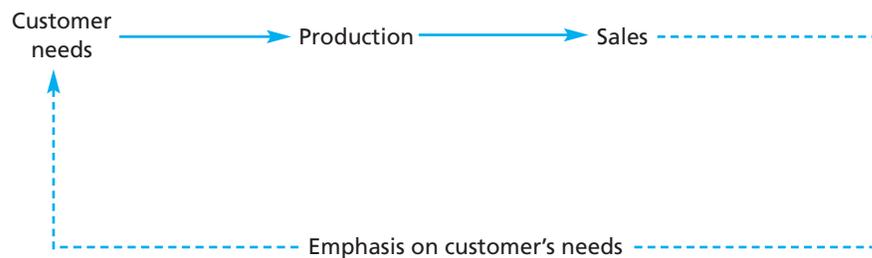
With the large-scale introduction of mass production techniques in the 1920s and 1930s, particularly in the United States and Western Europe, and the rapid world-wide increase in competition which accompanied this, many firms adopted a sales orientation.

The sales orientated company is one where the focus of company effort switches to the sales function. The main issue here is not how to produce but, having products, how to ensure that this production is sold. The underlying philosophy towards customers in a sales orientated business is that, if left to their own devices, customers will be slow or reluctant to buy. In any case, even those customers who are seeking to purchase the type of product or service the company produces will have a wide range of potential suppliers. This situation is exacerbated when, in addition to sufficient capacity on the supply side, demand is depressed. Such was the case in many of the developed economies in the 1930s, and it was in this period that many 'hard sell' techniques developed. Many of these were dubious, even dishonest, and much of the tainted image accompanying selling derives from their use.

Many companies still adopt a sales orientated approach to doing business, even though customers are better protected against its worst excesses, as discussed in Chapter 13.

Marketing orientation

It is unclear exactly when the idea of marketing or customer orientation began to emerge; in some ways the central importance of the customer has perhaps always been recognised in the long history of trading. Not until the 1950s, however, did the ideas associated with the marketing concept begin to emerge and take shape. The marketing concept – initially a US phenomenon – arose partly as a result of a dissatisfaction with the production and sales orientations, partly as a result of a changing environment, and partly as a result of fundamental business sense.

**(a) Sales orientation****(b) Marketing orientation****Figure 1.3** Sales versus market orientation

The marketing concept holds that the key to successful and profitable business rests with identifying the needs and wants of customers and providing products and services to satisfy them. On the surface such a concept does not appear to be a far-reaching and fundamentally different philosophy of business, but in fact the marketing concept requires a revolution in how a company thinks about, and practises, its business activities as compared with production or sales orientation. Central to this revolution in business thinking is the emphasis given to the needs and wants of the customer. The contrast between this approach and, for example, that of a sales orientated company is shown in Figure 1.3.

Increasingly, companies have come to recognise that this different approach to doing business is essential in today's environment. Consumers are now better educated and more sophisticated. Real incomes have increased steadily over the years and consumers now have considerable discretionary spending power to allocate between an increasingly diverse range of products and services. Too many companies have learned the hard way that having what they feel to be a superior product, efficient production and extensive promotion – laudable though these may be – are not sufficient to confer automatic success. To have any chance of success, customer needs must be placed at the very centre of business planning. In part, this emphasis on understanding the consumer explains the development of those concepts and techniques aimed at understanding buyer behaviour. In Chapter 3 we develop a framework within which consumer and organisational buying behaviour may be analysed.

1.9 IMPLEMENTING THE MARKETING CONCEPT

For a company to be marketing orientated requires that a number of organisational changes take place in practices and in attitudes. To become of value it requires that the discipline of marketing contributes what might be termed a technology of marketing. By this we mean that management requires the development of a set of tools (techniques and concepts) to implement the marketing concept. We have already mentioned that the behavioural sciences can lead to an understanding of buyer behaviour; another example is the development of quantitative and qualitative techniques of marketing research for analysing and appraising markets. Some of the more important and useful concepts in marketing are now discussed.

Market segmentation and targeting

The fact that marketing focuses on customer needs and wants requires that companies identify these needs and wants and then develop marketing programmes to satisfy them as a route to achieving company objectives. The diversity of customer needs and wants, and the multiplicity of ways in which these may be satisfied, mean that few if any companies are in a position effectively to serve all customers in a market in a standardised manner. **Market segmentation** is the process of identifying those clusters of customers in a market that share similar needs and wants and will respond in a unique way to a given marketing effort. Having identified the various segments in a market, a company can then decide which are most attractive and to which segments it can market most effectively. Company marketing efforts can then be tailored specifically to the needs of these segments on which the company has decided to target its marketing.

Market segmentation and **targeting** are two of the most useful concepts in marketing, and a set of techniques has been developed to aid companies in their application. Some of the more important benefits of effective segmentation and targeting are as follows:

- a clearer identification of market opportunities and particularly the analysis of gaps (where there are no competitive products) in a market;
- the design of product and market appeals that are more finely tuned to the needs of the market;
- focusing of marketing and sales efforts on those segments with the greatest potential.

There are a number of bases for segmenting markets, which may be used singly or in combination. For example, a manufacturer of toothpaste may decide that the market segments best on the basis of age, i.e. the seller discovers that the different age groups in the market for the product have different wants and needs and vary in what they require from the product. The seller will find that the various segments will respond more favourably, in terms of sales, if the products and marketing programmes are more closely tailored to the needs of each segment. Alternatively, the seller may find that the market for toothpaste segments on the basis of income – the different income groups in the market

vary in their product requirements. Finally, the seller may find that the market segments on the basis of a combination of both income and age characteristics (see box).

Meeting customers' needs in growth markets – online gaming

It is important to recognise that an overall market usually consists of discrete segments made up of consumers with different needs. Two obvious segments for broadband are business and household. Both can be broken down into sub-components where relevant.

Household customers can be defined by age or income in addition to the type of use they make of the web:

- educational – research for homework;
- communication – email, instant messaging;
- sport – navigating pages about football;
- music – downloading tracks;
- online gaming.

Relatively early in the growth of online gaming BT identified that customers with a gaming interest had a high propensity to adopt broadband technology. Two tiers of online gamers were identified.

- Tier 1 consisting mainly of males aged 16–35.
- Tier 2 consisting of family users, i.e. parents whose children were potential online users.

Research showed that customers were passionate about gaming and that they enjoyed using new technology with the latest games and up-to-date consoles. Customer research showed that the social aspect of gaming is important – users enjoy playing against their friends. This social aspect of online gaming has continued to grow and has caused the growth of entirely new segments in this market.

A recent article in the *San Francisco Chronicle* illustrates how social networks such as Facebook and MySpace are now increasingly attracting a new segment of 'social gamers' who want to combine playing online games with meeting new friends. People who have never played games before or became disillusioned with the often highly combative nature of playing online games with strangers now play among a circle of online friends.

As an example of the growth of this segment, 'Friends for Sale', an online game on Facebook, is estimated to have attracted nearly 1 million regular players in a matter of months.

Sources: http://www.thetimes100.co.uk/case_study with permission; <http://www.sfgate.com/cgi-bin>; <http://www.facebook.com>; <http://www.myspace.com>.

Among some of the more frequently used bases for segmentation are the following:

1. Consumer products/markets

- age
- sex
- income
- social class
- geographical location
- type of residence (A Classification of Residential Neighbourhoods – ACORN)
- personality
- benefits sought
- usage rate, e.g. heavy users versus light users.

2. Industrial products/markets

- end-use market/type of industry/product application
- benefits sought
- company size
- geographical location
- usage rate.

Whatever the base(s) chosen to segment a market, the application of the concepts of segmentation and targeting is a major step towards becoming marketing orientated.

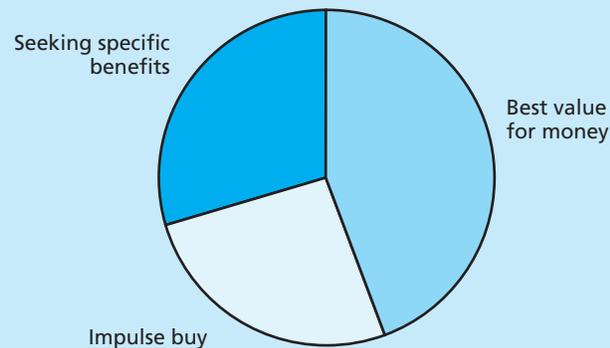
Application of segmentation

When marketing a product category, firms need to identify different market segments. Segmentation involves identifying sets of characteristics that distinguish particular groups of customers from others. For example:

1. *Based on demographics, i.e. dividing up the population into groups based on age, gender, etc.:* BIC uses this approach, recognising that different retailers appeal to different types of consumer based on age profiles and income, and different groups of end-consumers seek different products, e.g. male and female shaver requirements. Promotion, advertising and presentation of products are therefore tailored to these differences.
2. *Based on usage:* in addition to its world-leading range of pocket lighters, BIC introduced BIC Megalighter designed to light barbecues and has since developed its 'Surestart' candle lighter as household usage of candles, principally for decorative and entertaining purposes, has become a growth segment.

Application of segmentation (*continued*)

3. *Based on the behaviour/needs of consumers.* BIC's research into its stationery product category showed that there were three distinct types of writing instrument shopper:



Best value for money

This type is typically bought by offices and households that have writing instruments in virtually every room. Everyone is allowed to use any available pen, so there is no great problem if one is misplaced. Households tend to seek lower priced pens and regularly make new purchases of assortments of writing instruments based on current needs.

Seeking specific benefits

Here consumers are looking for a more personalised item – something they regard as ‘my pen’. It will be kept in a private place belonging to that individual, who may be reluctant to let anyone borrow it. Buying decisions will typically take longer and involve careful consideration over choice. Key features looked for will include the pen's being comfortable to hold and its capacity for producing smooth writing that reflects the individual, e.g. by colour or handwriting style. Marketing activity therefore needs to focus on these more sophisticated individual needs.

Impulse buy

Impulse buys are unplanned. Innovative designs will attract this segment, largely because the consumer is buying for pleasure. Purchasing in this segment is far more emotional, so the skilful marketer will seek to create ‘objects of desire’. Attention grabbing point-of-sale displays are essential to stimulate impulse buys.

BIC aims to create a balanced product portfolio, including:

- reliable, value for money products for regular household purchasers;
- premium high-quality products for the consumer that wants ‘something special’;
- novel, attractive products, sometimes with a fairly short life-cycle.

Sources: http://www.thetimes100.co.uk/case_study; <http://www.bicworld.com>, reprinted with permission.

The marketing mix

In discussing the notion of market segmentation, we have frequently alluded to the company marketing programme. By far the most important decisions within this marketing programme, and indeed the essence of the marketing manager's task within a company, are decisions on the controllable marketing variables: decisions on what E. Jerome McCarthy termed the 'four Ps' of *price, product, promotion* and *place* (or distribution).⁷ Taken together, these four variables, plus the chosen market segments, comprise what Neil Borden termed the **marketing mix** – a concept which is central to modern marketing practice.⁸

Generally speaking, company management has a number of variables or ingredients that it can control. For example, the management of a company has discretion over the range of products to be produced, their features, quality levels, etc. The task of marketing management is to blend these ingredients together into a successful recipe. The term *marketing mix* is appropriate, for there are many marketing mix ingredients and even more ways of combining them. Each element of the four Ps requires that decisions are taken:

1. *Price*: price levels, credit terms, price changes, discounts.
2. *Product*: features, packaging, quality, range.
3. *Promotion*: advertising, publicity, sales promotion, personal selling, sponsorship. More correctly, the combination of these five elements is termed the communications mix. Getting these five elements to work together in harmony is termed 'integrated marketing communications'. The emergence of the internet and the increased use of direct marketing techniques in particular have more recently led to a greater emphasis on this aspect of the marketing mix.
4. *Place*: inventory, channels of distribution, number of intermediaries.

It will be seen that personal selling is considered to be one component of the promotional decision area of the marketing mix. We shall return to the place of selling in the mix later in this chapter, while the notion of a promotional mix is considered in more detail in Chapter 2. At this stage we will consider in greater detail the other elements of the mix.

Product

Many believe that product decisions represent the most important ingredient of the marketing mix. Decisions in this area, they argue, have the most direct and long-lasting influence on the degree of success that a company enjoys. At first glance this may seem to constitute evidence of a production as opposed to marketing orientated stance. However, it does not. There is no doubt that product decisions are the most important of the marketing decisions that a company makes. It is true that unless there is a potential demand (a true market need) for a product, then no matter how good it is, it will not succeed. This is not to say that decisions about products should be made in isolation. It is also true that there are many examples of products that had considerable market potential, but failed because of poor promotional, pricing and distribution decisions. In effect, product decisions determine the upper limit of a company's sales potential. The effectiveness

of decisions on other elements of the mix determines the extent to which this potential is realised.

The term *product* covers anything a company offers to customers to satisfy their needs. In addition to physical, tangible products offered for sale, there are also services and skills. Non-profit organisations also market their services to potential customers. Increasingly, charities, educational establishments, libraries, museums and political candidates make use of the techniques of marketing. There are a number of ways of classifying products, depending upon the basis chosen for classification. For example, a broad distinction can be made between consumer and industrial products, the basis for classification here being the end-user/buyer.

Regardless of the basis of classification, one important factor to bear in mind is that the customer is purchasing a package of benefits, not product features. This concept of a product is yet another example of a market orientated approach to doing business. It looks at the product from the point of view of what the customer is actually purchasing, i.e. needs and wants. For example, when people purchase cosmetics they are purchasing attractiveness. Theodore Levitt provides us with a graphic example of this concept of a product when he states: 'Purchasing agents do not buy quarter inch drills; they buy quarter inch holes.'⁹ Viewing the product in this way can provide insights that can be used in marketing a product. In the sales area it can be used to develop the sales presentation by emphasising ways in which the product or service provides a solution to the customer's problems.

The product life-cycle

One of the most useful concepts in marketing derives from the idea that most products tend to follow a particular pattern over time in terms of sales and profits. This pattern is shown in Figure 1.4 and is known as the product life-cycle curve.

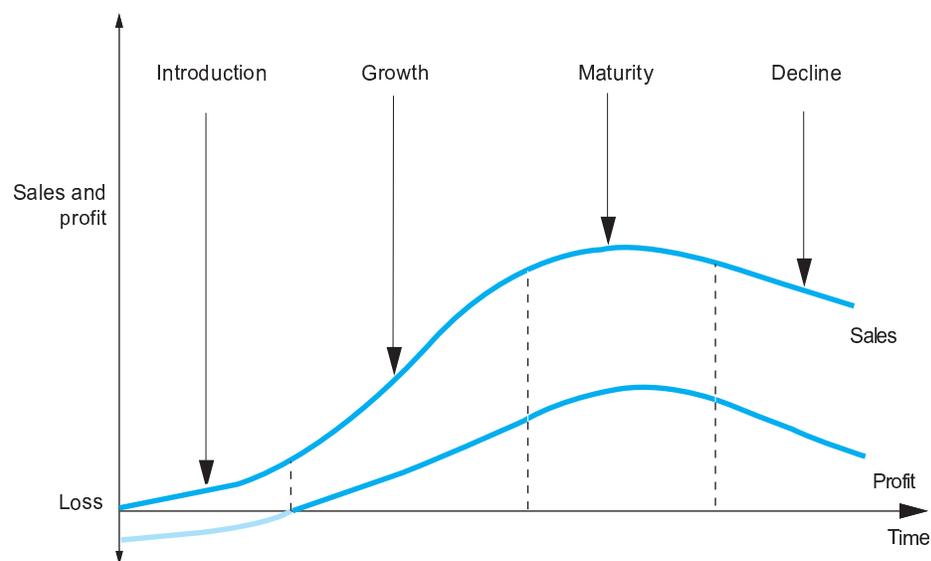


Figure 1.4 The product life-cycle curve

The **product life-cycle** is analogous to the life-cycle pattern of humans and has four distinct stages – introduction (birth), growth, maturity and eventually decline. Its shape can best be explained by outlining briefly the nature of each of the stages.

1. *Introduction*: in this stage, sales growth is relatively slow. Dealers must be persuaded to stock and promote the product. Consumers must be made aware of its existence, persuaded to be interested and convinced that it is a worthwhile purchase. They may have to be educated in how to use the product and their existing purchasing and lifestyle habits might change (e.g. microwave ovens and their associated convenience). There are few profits at this stage and heavy launch costs often mean a financial deficit.
2. *Growth*: after initial slow acceptance, sales begin to escalate at a relatively rapid pace. There is a snowball effect as word-of-mouth communication and advertising begin to take effect. Dealers may request to stock the product. Profits begin to be made, especially if a newly introduced product can command high initial prices (known as **market skimming**).
3. *Maturity*: the growth of sales begins to slow as the market becomes saturated. Few new buyers are attracted to the product and there is a high proportion of repeat sales. Attracted by the high profit and sales figures, competitors have now entered the market. Partly because of this increased competition, profits, having peaked, then begin to decline.
4. *Decline*: sales begin to fall and already slim profit margins are depressed even further. Customers might have become bored with the product and are attracted by newer, improved products. Dealers begin to de-stock the product in anticipation of reduced sales.

Implications of the product life-cycle

Not all products exhibit such a typical cycle of sales and profits. Some products have hardly any life-cycle at all (many new products are unsuccessful in the marketplace). Similarly, sales may be reduced abruptly even in a period of rapid sales growth as a result of, perhaps, the introduction of a new and better competitive product. Products also vary in the length of time they take to pass through the life-cycle. Unlike the human lifespan, there is no average life expectation for products. Nevertheless, the fact that a great number of products do tend to follow the generalised life-cycle pattern has a number of implications for marketing and sales strategies. Some of these are considered in more detail in Chapter 2. Two of the more important implications of the product life-cycle concept are considered now.

The first obvious implication of the concept is that even the most successful products have a finite life. Further, there is some evidence to suggest that intensifying competition and rapid technological change are leading to a shortening of product life-cycles. This explains the importance and emphasis now attached to the continued development of new products. The salesforce has an important role to play in this process. Because of their often daily contact with customers, they are usually the first to detect signs that products are about to embark upon the period of decline. Such detailed knowledge of customers, competitors and market requirements makes them potentially a valuable source of new product ideas.

A second implication of the life-cycle concept is that different marketing and sales strategies may be appropriate to each stage. For example, in the introductory stage the emphasis may be on locating potential prospects. In the growth stage, the salesforce may find themselves having to deal with the delicate issue of rationing products to their customers as demand increases more rapidly than capacity. In the maturity and decline stages, the salesforce will increasingly have to rely on competitive pricing and special offers in order to combat increasing competition and falling sales. Again, this is covered in more detail in Chapter 2.

Product adoption and diffusion

This theory was first put forward by Everett Rogers in 1962 and is closely related to the product life-cycle.¹⁰ It describes innovative behaviour and holds that the characteristics of a new product can affect its rate of adoption. Figure 1.5 describes its characteristics.

Consumers are placed into one of five 'adopter' categories, each with different behavioural characteristics. These adopter categories contain percentages of first-time buyers (i.e. not repeat buyers) that fall into each category. What will attract first-time buyers to a product or service, and the length of time it will take for the diffusion process to be completed, will depend upon the nature of the product or service.

If we consider a new range of female fashions, then the time taken for the diffusion process to be completed might be less than one year. Here, the innovators (i.e. the first 2.5 per cent) are likely to be fashion-conscious rich people. However, if we consider a new type of computer software then innovators are more likely to be technically minded computer 'experts' and the time for diffusion will be over a longer period. Similarly, although microwave ovens were developed almost 30 years ago, they have not yet totally diffused through the marketplace as they are now in the

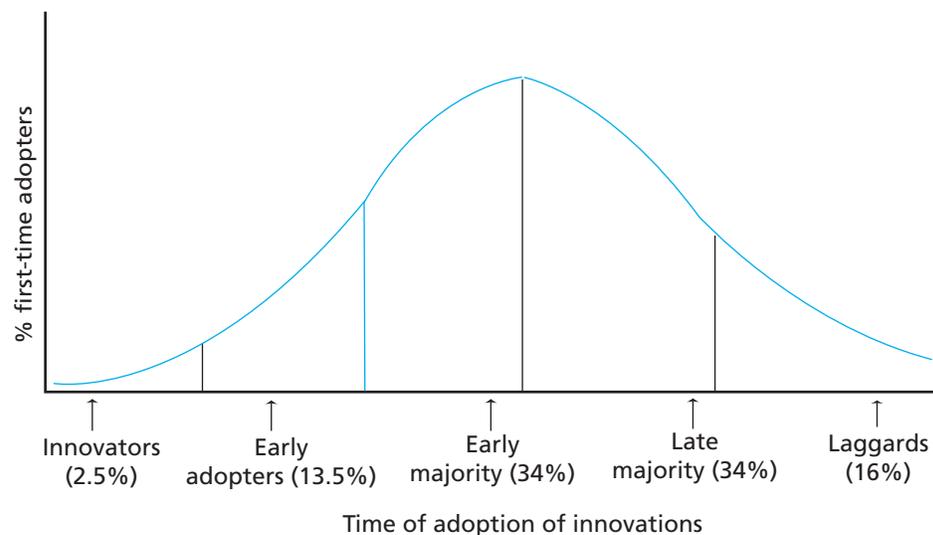


Figure 1.5 The adoption of innovations

'laggard' stage. Having said this, many potential consumers will never adopt for a variety of reasons (e.g. some people refuse to have a television because it destroys the art of conversation). A number of factors can determine the rate at which the innovation is taken up:

- its *relative advantage* over other products or services in the marketplace;
- the extent to which it is *compatible* with the potential needs of customers;
- its *complexity* in terms of how it can be used and understood;
- its *divisibility* in terms of how it can be tried beforehand on some kind of test basis before a commitment is made to purchase;
- its *communicability*, which is the degree to which the innovation can be described or demonstrated prior to purchase (see box).

Meet friends and influence people

The phenomenal growth of online social network sites such as MySpace and Facebook mentioned earlier in this chapter illustrates these factors affecting the speed and extent of diffusion of innovations. Online social networking has grown rapidly because it has many of the characteristics which speed the diffusion process. For example online social networking is highly '*compatible*' with current social and customer needs; offers significant perceived '*relative advantages*' is not '*complex*' to use and understand and is '*divisible*' in that it can be trialled on a limited scale first.

Pricing

As with the product element of the mix, pricing decisions encompass a variety of decision areas. Pricing objectives must be determined, price levels set, decisions made as to credit and discount policies and a procedure established for making price changes. Here we consider some of the more important inputs to pricing decisions, in particular from the point of view of how they affect selling and sales management.

Inputs to pricing decisions

A vital element in marketing is the buying power of customers. If a company cannot differentiate its products or services from those of its competitors it must be able to offer a more competitive price. The capacity to set prices is constrained by what competitors charge, but an important consideration relates to what is termed 'perceived value'. This is where price differentials between companies should be justified on the basis of 'differential utility'. Some salespeople concentrate on selling product features instead of taking the opportunity to differentiate the product offering. When differentiation is weak, price competition becomes all-important and it is easy to sell at low prices. The way to reduce price sensitivity is a challenge to make the product more distinctive. It should, however, be recognised that customers will differ a great

deal in terms of sensitivity. For some, price is the overriding criterion, but for others factors such as delivery, service and image are more important.

Market-based pricing as opposed to cost-based pricing is where a firm acknowledges that price represents value and not just costs. Conventionally, companies add their direct and indirect costs and overheads plus profit to arrive at a selling price. Once the price is set, the salesperson's task is to convince clients that the product being offered is worth it. Depending on the volume demanded, price can then be lowered if demand is small or raised if demand is large. A cost-based approach ignores customers and competition. Market-based pricing commences by considering the worth or value customers see in owning a product and considering their opportunities for acquiring comparable products or brands. Value to customers is a function of the product, the services that supplement it, how the company relates to customer needs and the impression the customer has of the product.

Increased value inevitably means higher costs in terms of better products and levels of service. The secret is to attain a balance between what customers will offer and the costs related to this approach.

In the determination of price levels, a number of factors must be considered. The main factors include the following:

1. *Company objectives*: in making pricing decisions, a company must first determine what objectives it wishes its pricing to achieve within the context of overall company financial and marketing objectives. For example, company objectives may specify a target rate of return on capital employed. Pricing levels for individual products should reflect this objective. Alternatively, or additionally, a company may couch its financial objectives in terms of early cash recovery or a specified payback period for the investment.
2. *Marketing objectives*: these may shape the pricing decision. For example, a company may determine that the most appropriate marketing strategy for a new product that it has developed is to aim for a substantial market share as quickly as possible. Such a strategy is termed a **market penetration** strategy. It is based on stimulating and capturing demand backed by low prices and heavy promotion. At the other extreme, the company might determine that a market skimming strategy is appropriate. Here, high initial prices are set – again often backed by high levels of promotional spending – and the cream of the profits is taken before eventually lowering the price. When the price is lowered, an additional, more price-sensitive band of purchasers then enters the market. Whatever the financial and marketing objectives set, these determine the framework within which pricing decisions are made. Such objectives should be communicated to sales management and to individual members of the sales team.
3. *Demand considerations*: in most markets the upper limit to the prices a company can charge is determined by demand. Put simply, one is able to charge only what the market will bear. This tends to oversimplify the complexities of demand analysis and its relationship to pricing decisions. These complexities should not, however, deter pricing decision-makers from considering demand in their deliberations. One of the most straightforward notions about the relationship between demand and price is the concept of a demand curve for a product, as shown in Figure 1.6. Although it is a simple concept, the demand

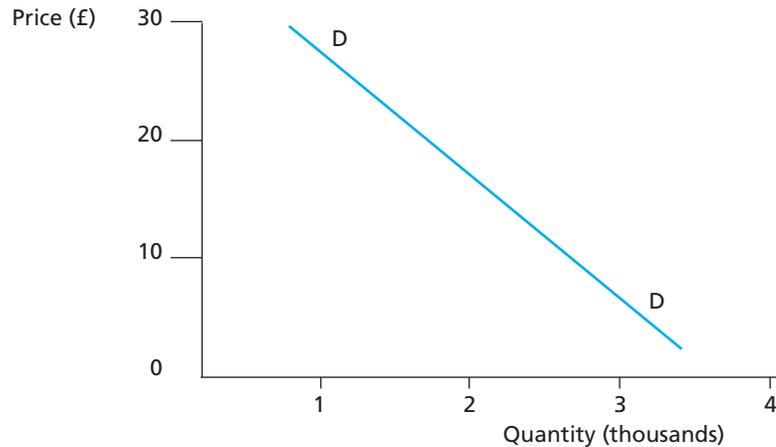


Figure 1.6 The demand curve

curve contains much useful information for the decision-maker. It shows that at lower prices, higher quantities are normally demanded. It is also possible to read off the curve the quantity demanded at any given price. Finally, it is possible to assess how sensitive demand is to changes in price. In other words, we can calculate the percentage change in quantity demanded for any given percentage price increase or decrease. Such information is useful for making pricing decisions, but obtaining information about the relationship between the price and demand is not easy. Factors other than price have an important effect on demand. Despite this, pricing decisions must reflect demand considerations and some estimate should be made of the likely relationship between demand levels and price. Here again, the salesforce can play a key role in the provision of such information and many companies make full use of this resource when pricing their products.

A final point to be considered is the slope of the demand curve. Figure 1.6 is a 'conventional' curve, in that it slopes downwards to the right, which means that at lower prices higher quantities are demanded. However, it is dangerous to assume that this is always the case. In some circumstances it is possible to charge too low a price for a product or service; far from increasing demand, such low prices actually reduce it. This can be the case for products that are bought because they *are* highly priced, i.e. where there is some prestige attached to having purchased what everyone knows is an expensive product. Similarly, low prices may cause the customer to suspect the quality of a product.

4. *Cost considerations:* if demand determines the upper threshold for price, then costs determine the lower one. In a profit-making organisation, in the long run, prices charged need to cover the total costs of production and marketing, with some satisfactory residue for profit. In fact, companies often begin the process of making decisions on price by considering their costs. Some techniques of pricing go further with prices being determined solely on the basis of costs; for example, total costs per unit are calculated, a percentage added for profit and a final price computed. Such cost-plus approaches to pricing, although straightforward,

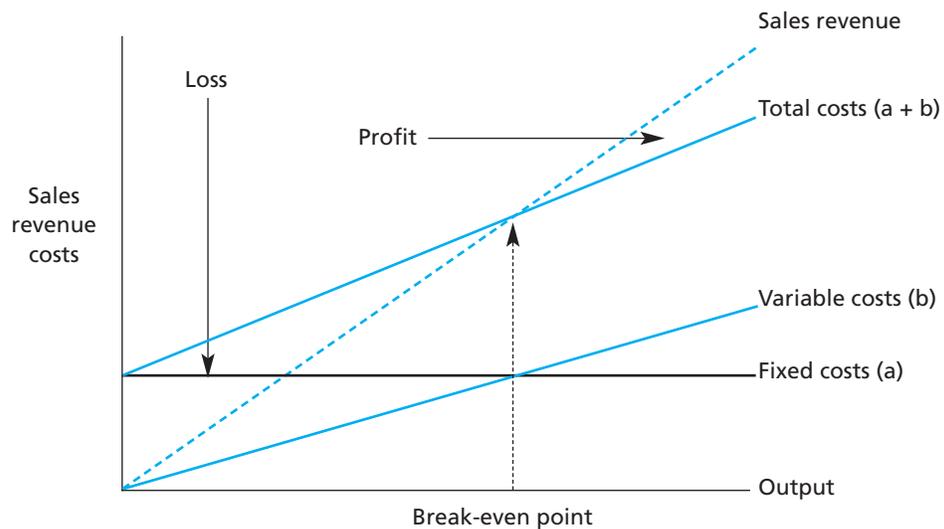


Figure 1.7 A simple break-even chart

have a tendency to neglect some of the more subtle and important aspects of the cost input. As with demand, cost considerations can be quite complex. One of the important distinctions that a cost-plus approach often neglects is the distinction between the fixed and variable costs of producing a product. Fixed costs are those which do not vary – up to the limit of plant capacity – regardless of the level of output, e.g. rent and rates. Variable costs do differ with the level of output – as it increases, so too do total variable costs, and vice versa as production is decreased, e.g. direct labour costs, raw materials, etc. This apparently simple distinction is very useful for making pricing decisions and gives rise to the technique of **break-even analysis**. Figure 1.7 illustrates this concept. Fixed, variable and total costs are plotted on the chart, together with a sales revenue curve. The point at which the revenue curve cuts the total cost curve is the break-even point. At this point the company is making neither profit nor loss. From the break-even chart it is possible to calculate the effect on the break-even point of charging different prices and, when this is combined with information on demand, break-even analysis is quite a powerful aid to decision-making. Sales managers should understand the different costing concepts and procedures and, while they do not need detailed accounting knowledge, they should be familiar with the procedures that go into the costing of products they are responsible for selling.

5. *Competitor considerations:* few companies are in the position of being able to make pricing decisions without considering the possible actions of competitors. Pricing decisions, particularly short-term tactical price changes, are often made as a direct response to the actions of competitors. Care should be taken in using this tactic, particularly when the movement of price is downwards. Once lowered, price can be very difficult to raise and, where possible, a company should consider responses other than price reduction to combat competition.

Distribution

The distribution (or place) element of the marketing mix, particularly the management of physical distribution, has long been felt to be one of the areas in business where substantial improvements and cost savings can be made. Representing, as it often does, a substantial portion of total costs in a company, in recent years, the distribution area has attracted considerable attention in terms of new concepts and techniques designed better to manage this important function. The management of distribution is now recognised as a key part of the strategic management of a company and in larger organisations is often the responsibility of a specialist. Because of this we can do no more here than give a non-specialist overview of some of the more important aspects of this element of the mix.

In its broadest sense distribution is concerned with all those activities required to move goods and materials into the factory, through the factory and to the final consumer. Examples of the decision areas encompassed in the distribution element of the marketing mix are as follows:

1. *The selection of distribution channels:* this involves determining in what manner, and through which distribution outlets, goods and services are to be made available to the final consumer. Marketing channels may be very short, e.g. where goods and services are sold direct to the customer, such as via mail order. Alternatively, the channel may include a whole set of intermediaries, including brokers, wholesalers and retailers. In addition to selecting the route through which products will reach consumers, decisions must also be made as to the extent of distribution coverage. For example, some companies have a policy of **exclusive distribution** where only a small number of selected intermediaries are used to distribute company products. In other cases, a company may decide that it requires as wide a distribution cover as possible (**intensive distribution**) and will seek a large number of distribution outlets.
2. *Determining the level of customer service:* in addition to selecting channels of distribution, decisions must also be made concerning factors such as delivery periods and methods of transportation. Reduced delivery times can provide a significant advantage to a company in marketing its products. On the other hand, such a policy is often accompanied by a necessity to increase inventory levels, thereby increasing costs. A policy decision must, therefore, be made as to the requisite level of customer service, after consideration of the benefits and costs involved.
3. *The terms and conditions of distribution:* included under this heading would be conditions of sale on the part of distributors, minimum order/stocking quantities and the determination of credit, payment and discount terms for distributors.

There are other areas to be considered in the distribution element of the marketing mix, and in Chapter 14 we explore channel management in greater detail.

At this point we should note that distribution decisions have a significant impact on sales activities, e.g. the extent of distribution directly influences territory design and route planning (dealt with in detail in Chapter 15). Terms and conditions of distribution influence the framework within which sales are negotiated. The management of physical distribution influences the all-important delivery terms that the

salesforce are able to offer their customers. Probably no other area of the marketing mix has such a far-ranging influence on the sales process.

Communications

This final element of the marketing mix has the most direct influence on sales because personal selling itself is considered as one element of the total promotional mix of a company. Other elements of this communications sub-mix (sometimes called a promotional sub-mix) include advertising, sales promotion, publicity and sponsorship.

The notion of the integrated **communications mix** was first put forward by Shultz, Tannenbaum and Lauterborn in 1992.¹¹ The view was taken that the various sub-elements of communications have traditionally been considered as separate entities. They advocated linking all of these together to convey a cohesive message to target markets, one in which each aspect supports other parts of the communications programme. The American Association of Advertising Agencies defines integrated marketing communications as:

A concept of marketing communications planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communications disciplines and combines them to provide clarity, consistency and maximum communications impact through the seamless integration of discrete messages.

The implication of the integrated communications mix for selling is that the salesforce must be kept fully informed of any new sales promotions, direct marketing and advertising campaigns. Sometimes promotional campaigns have been counter-productive because sales staff have not been informed. It is clearly unsatisfactory when customers are the first to tell sales staff about a special offer that has been made through an advertising campaign of which they are not fully aware.

All of these sub-elements are covered throughout the text in a variety of contexts and their relationships with selling are fully examined. At this stage, however, it would be useful to return to our distinction between B2C and B2B markets to examine briefly how the application of the elements of the marketing mix differs between the two.

The marketing mix in B2C versus B2B markets

In discussing how the marketing mix tools may apply within each broad category of market we have to be careful because as we have seen there are several different types of B2C and B2B markets. Bearing this in mind, the following represent some of the key considerations in the application of the marketing mix tools in each type of market.

The marketing mix in B2C markets

As already mentioned, B2C marketing involves marketing to customers purchasing for their own or family needs and for private use and motives. In this type of context, although we find all sorts of different combinations of the marketing mix according

to an individual company's positioning strategy, and so on, as a generalisation when it comes to the mix elements we might expect to find the following.

1. *Product*: aspects of the product element of the mix that are particularly important in B2C contexts include branding, packaging, logos and design. The product itself is often standardised. Branding and brand image in particular are important as these provide reassurance for a customer and facilitate relatively easy brand choice. In many B2C markets products and brands have short product life-cycles, often due to fashion influences or consumers simply becoming bored. New product development and innovation is important in B2C markets then, if only by way of repositioning, repackaging, and so on, in order to keep customers interested.
2. *Promotion*: with regard to the promotional element of the mix there is likely to be heavy emphasis on non-personal tools of promotion such as advertising rather than personal selling. Advertising will generally be aimed at the mass market and will again tend to stress brand image and persuasive advertising messages rather than detailed factual messages. Sales promotion tools are used extensively and brand and corporate image are important.
3. *Price*: the importance and role of price in B2C marketing varies enormously across different products and markets, but value for money is likely to be particularly important and predominant in customer choice. Negotiation between buyer and seller regarding price is likely to be used infrequently in B2C marketing and selling. Nor is tendering widely used, though the importance and prevalence of negotiation will depend upon the culture in a market. In some cultures, therefore, negotiation is the order of the day even for B2C marketing.
4. *Place*: distribution in B2C markets will often need to be intensive and will often take place through intermediaries and particularly, of course, retailers. Although relationship marketing, particularly through the brand element of the marketing mix, may still be important in B2C markets, the degree of brand switching in this type of market often means that relationships are difficult to develop and maintain with customers. Finally, although we should not dismiss it entirely, in the past customer service played a less important role in B2C marketing than it did in B2B markets, though this is changing as markets become even more competitive and B2C customers more selective.

The marketing mix in B2B markets

Again remembering that there are several different types of B2B market, and again with the caveat that even within each of these markets the marketing mix will differ even between companies in the same category of B2B market, the following represent some of the considerations and differences in applying the marketing mix in B2B markets compared to B2C.

1. *Product*: in B2B markets buyers frequently choose on technical product specifications. Products are often customised to individual customer requirements, with quality assurance, and product after-sales and technical services being of particular importance. The reliability of the product, together with the degree of back-up service being offered are crucial elements of the marketing mix in B2B markets.

2. *Promotion*: in terms of the promotional element of the mix in B2B markets, much more emphasis is likely to be placed on personal selling as opposed to the advertising element, something we shall return to in more detail in later chapters. As in consumer markets, however, sales promotion is used extensively in B2B markets and especially when marketing to distributors/intermediaries. Publicity is also a valuable promotional tool in B2B marketing, especially when launching new products. Finally, direct marketing can be a very effective promotional tool in B2B markets as mailing lists tend to be more accurate and the message can be tailored more closely to individual customer needs.
3. *Price*: although price is a major factor in B2B markets, it would be a mistake to assume that all B2B customers buy only on price. They do not. In fact, as in consumer markets, it is overall value that counts. However, price is always going to be a key factor in the marketing mix in B2B markets. Prices are much more likely to be negotiated in the B2B market and we may get different processes for pricing and particularly quoting prices, such as tendering.
4. *Place*: with regard to place in B2B markets, although intermediaries are used, distribution is often direct. The logistics aspects of distribution are particularly important in B2B markets as speed and, above all, reliability of delivery are vital. This emphasis on reliability of delivery has increased in recent years with the introduction of just-in-time (JIT) and flexible manufacturing systems in purchasing and production.

Travis Perkins' customers and the marketing mix

- The internal customer – all employees and associates of the business are important; they are the point of contact with the external customer.
- The external customer – they buy goods from the business and they are also customers the business hopes to attract in the future.

Travis Perkins must strive to continuously improve performance and be better than the competition in keeping existing, and attracting new, customers. In order to pursue competitive advantage Travis Perkins is constantly reviewing and adjusting its marketing mix, paying attention to the little things that make a difference.

Price

Travis Perkins does not aim to be the cheapest. Its aim is to provide value for money and a service that customers can rely upon. Customers may have tight deadlines. A reliable supply to finish the job is essential.

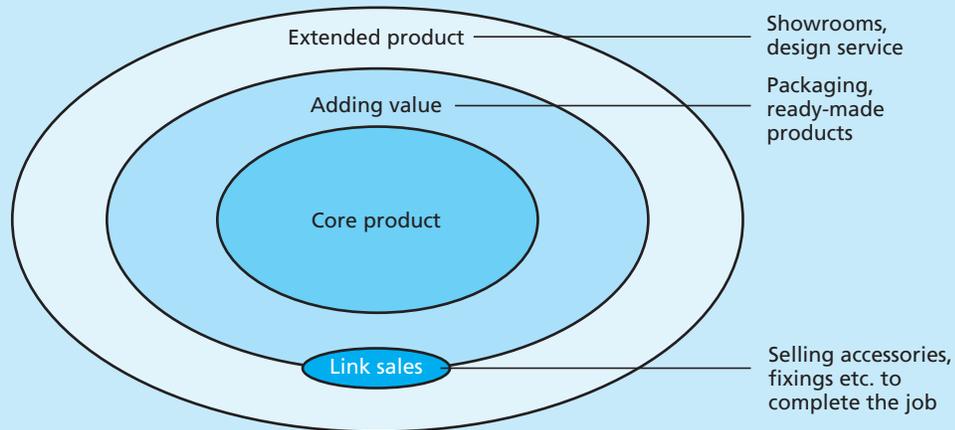
Some customers are more price sensitive than others. Account customers are given preferential rates depending on their product requirements and purchasing habits.

Travis Perkins' customers and the marketing mix (*continued*)

Volume and overall spend are two key drivers to create the correct price levels for a specific customer. Goods can also be delivered from the yard or direct from manufacturers to produce the most competitive rate.

Product

Travis Perkins needs to be aware of lifestyle and fashion changes when it decides which products are offered for sale. Many products are standard building materials but adding value to the product is important.



Place

Accessibility for customer and supplier is vital to the success of any business. It must also consider how to display goods within its premises, for instance, placing similar or complementary products close to each other and labelling products clearly.

Promotion

All businesses need to tell the customer what they have to offer. It is important that Travis Perkins considers carefully the most effective methods of promotion to maximise sales. Strategies might include special offers, online ordering, point of sale offers, trade shows and exhibitions.

The marketing mix for Travis Perkins:

Price

- standard prices for one-off customers
- differentiated discounts for account holders/frequent purchasers

Travis Perkins' customers and the marketing mix (*continued*)

- discounts on many products
- value for money and an excellent service.

Place

- branches need to be accessible by road
- adequate car and van parking
- space for loading/unloading
- complementary products need to be near each other
- impulse buys at point of sale
- associated services such as hire, kitchen planning where appropriate
- safe and friendly environment.

Product

- needs to reflect lifestyle changes
- needs to enable 'one stop' shopping/ordering
- needs to reflect legislation and technology advances
- needs to be environmentally friendly using, for example, renewable sources and recyclable materials
- needs added value, such as pre-packed bags of sand and cement for easy transportation
- ready-made wooden constructions such as trellis, fence panels, doors and windows
- link selling to ensure the customers buy associated products such as fixings and finishing materials.

Promotion

- website www.travisperkins.co.uk
- online ordering
- online tool hire
- exhibitions
- customer surveys
- special offers and value lines – Spotlight and Red Hot Offers feature the very best deals each month
- catalogues/direct mail
- sports sponsorship
- PR – through for example links with several charities including NCH, MENCAP, the Lighthouse Club.

Sources: http://www.thetimes100.co.uk/case_study with permission; <http://www.travisperkins.co.uk>.

1.10 THE RELATIONSHIP BETWEEN SALES AND MARKETING

Throughout this chapter we have examined the nature and roles of selling and sales management and have discussed a general move towards marketing orientation. In addition, we have seen that sales efforts influence, and are influenced by, decisions taken on the ingredients of a company's marketing mix, which in turn affect its overall marketing efforts. It is essential, therefore, that sales and marketing be fully integrated. The adoption of the marketing concept has in many companies been accompanied by changes in organisational structure, together with changes in the view of what constitutes the nature of selling.

Examples of the possible organisational implications of adopting the marketing concept are shown in Figure 1.8 which shows the organisation charts of a sales orientated and a marketing orientated company.

Perhaps the most notable difference between the pre- and post-marketing orientated company is the fact that sales are later seen to be a part of the activity of the marketing function. In the marketing orientated company, the marketing function

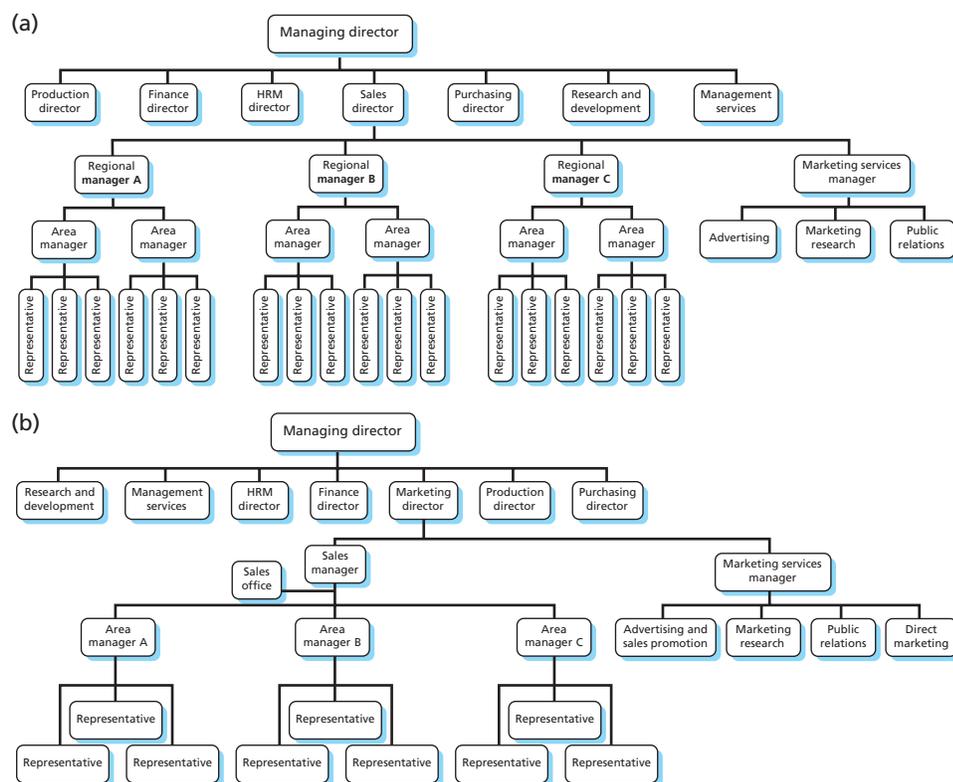


Figure 1.8 Organisational implications of adopting the marketing concept:

(a) company organisation chart, sales orientated company

(b) company organisation chart, marketing orientated company

takes on a much wider controlling and co-ordinating role across the range of company activities. This facet of marketing orientation is often misunderstood by those in sales, and a great deal of resentment is often engendered between sales and marketing. Such resentment is often due to insensitive and undiplomatic management when making the changes necessary to re-orientate a company. Selling is only a part of the total marketing programme of a company and this total effort should be co-ordinated by the marketing function. The marketing concept, however, does not imply that sales activities are any less important, nor that marketing executives should hold the most senior positions in a company.

In addition to changes in organisational structure, the influence of the marketing function and the increased professional approach taken to sales has meant that the nature and role of this activity has changed. Selling and sales management are now concerned with the analysis of customers' needs and wants and, through the company's total marketing efforts, with the provision of benefits to satisfy these needs and wants. Figure 1.9 gives an overview of the relationship between marketing and personal selling and outlines the key areas of sales management.

As with all parts of the marketing mix, the personal selling function is not a stand-alone element, but one that must be considered in the light of overall marketing strategy. At the product level, two major marketing considerations are the choice of target market and the creation of a differential advantage. Both of these decisions impact on personal selling.

Target market choice

The definition of a target market has clear implications for sales management because of its relationship with **target accounts**. Once the target market has been defined (e.g. organisations in a particular industry over a certain size), sales management can translate that specification into individual accounts to target. Salesforce resources can then be deployed to maximum effect.

Differential advantage

The creation of a differential advantage is the starting point of successful marketing strategy, but this needs to be communicated to the salesforce and embedded in a sales plan that ensures they can articulate it convincingly to customers. There are two common dangers:

1. The salesforce undermine differential advantage by repeatedly giving in to customer demands for price concessions.
2. The features that underlie the differential advantage are communicated, but customer benefits are neglected. Customer benefits need to be communicated in terms that are meaningful to customers. This means, for example, that advantages such as higher productivity may require translation into cash savings or higher revenue for financially minded customers.

The second way in which marketing strategy affects the personal selling function is through strategic objectives. Each objective – build, hold, harvest and divest – has

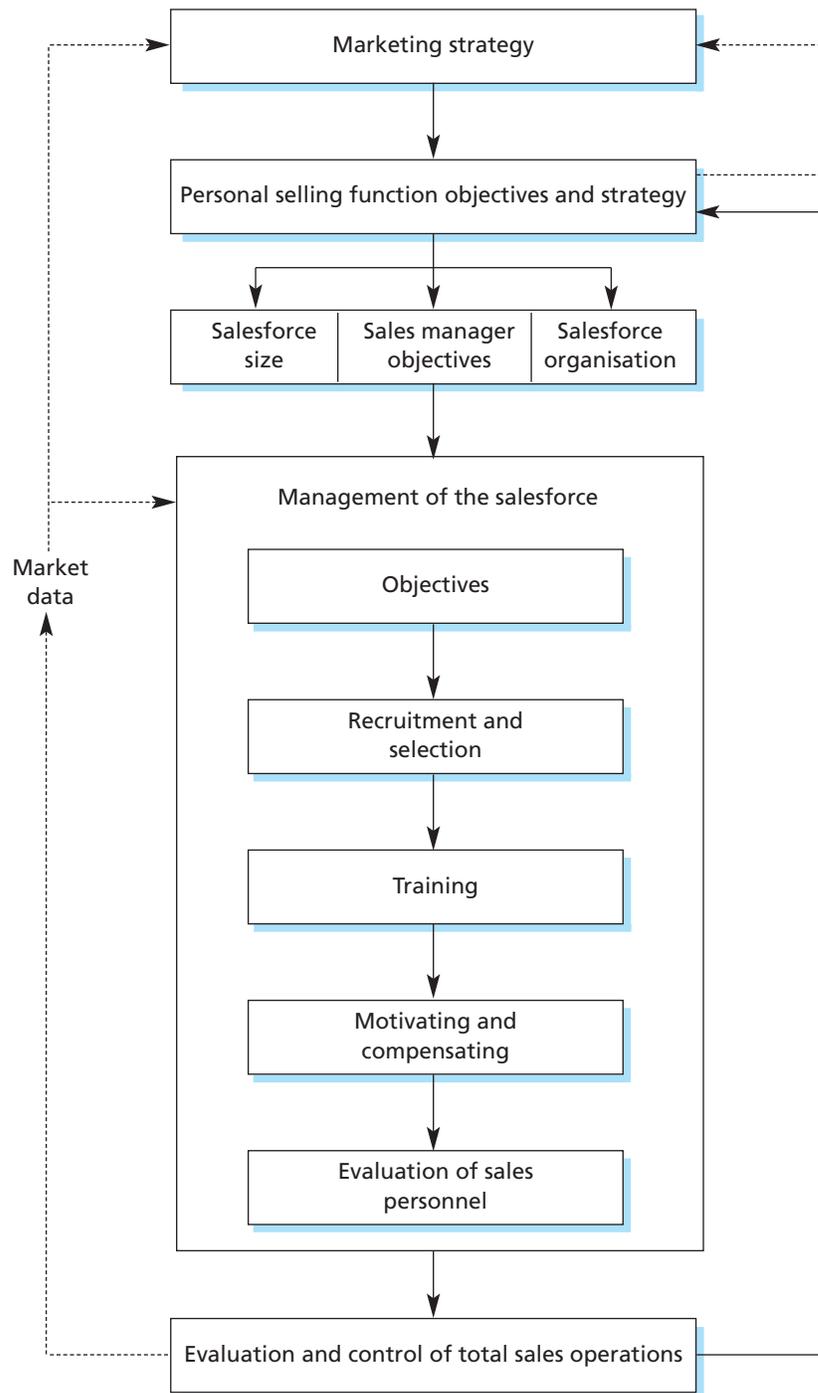


Figure 1.9 Marketing strategy and management of personal selling

Table 1.3 Marketing strategy and sales management

Strategic marketing objective	Sales objective	Sales strategy
Build	Build sales volume	High call rates on existing accounts
	Increase distribution	High focus during call
	Provide high service levels	Call on new accounts (prospecting)
Hold	Maintain sales volume	Continue present call rates on current accounts
	Maintain distribution	Medium focus during call
	Maintain service levels	Call on new outlets when they appear
Harvest	Reduce selling costs	Call only on profitable accounts
	Target profitable accounts	Consider telemarketing or dropping the rest
	Reduce service costs and inventories	No prospecting
Divest	Clear inventory quickly	Quantity discounts to targeted accounts

Source: Strakle, W. and Spiro, R.L. (1986) 'Linking market share strategies to salesforce objectives, activities and compensation policies', *Journal of Personal Selling and Sales Management*, August, pp. 11–18.

implications for sales objectives and strategy, outlined in Table 1.3. Linking business or product area strategic objectives with functional area strategies is essential for the efficient allocation of resources and effective implementation in the marketplace.

As we have seen, selling objectives and strategies are derived from marketing strategy decisions and should be consistent with other elements of the marketing mix. Indeed, marketing strategy will determine if there is a need for a salesforce at all, or whether the selling role can be better accomplished using some other medium such as direct mail. Objectives define what the selling function is expected to achieve. Objectives are typically defined in terms of the following:

- sales volume (e.g. 5 per cent growth in sales volume)
- market share (e.g. 1 per cent increase in market share)
- profitability (e.g. maintenance of gross profit margin)
- service levels (e.g. 20 per cent increase in number of customers regarding salesperson assistance as 'good or better' in annual customer survey)
- salesforce costs (e.g. 5 per cent reduction in expenses).

Salesforce strategy defines how those objectives will be achieved and the following may be considered:

- (a) call rates
- (b) percentage of calls on existing versus potential accounts
- (c) discount policy (the extent to which reductions from list prices is allowed)

- (d) percentage of resources
 - targeted at new versus existing products
 - targeted at selling versus providing after-sales service
 - targeted at field selling versus telemarketing
 - targeted at different types of customer (e.g. high versus low potential)
- (e) improving customer and market feedback from the salesforce
- (f) improving customer relationships.

Given this link between sales and marketing, it is important that personnel in these functions work effectively together. In particular, sales personnel who manage the external relationship with customers must collaborate internally with their colleagues in marketing to agree joint commercial objectives and to develop marketing programmes (for example, new products and promotions) that meet the needs of trade customers and that are readily adopted by them. Any lack of collaboration between sales and marketing has the potential to jeopardise the supplier's successful marketing to the trade customer, and, consequently, the firm's overall success in the marketplace.¹²

Unfortunately, the sales–marketing relationship, while strongly interdependent, is reported as being neither particularly collaborative nor harmonious. The relationship appears to be characterised by a lack of cohesion, poor co-ordination, conflict, non-cooperation, distrust and dissatisfaction.¹³ Research by Dewsnap and Jobber (2004) found that improved working relations can result when senior management actively supports the close collaboration between the two functions, and when sales and marketing personnel are placed in physical proximity to one another in the company.¹⁴

Subsequent research has also shown that collaboration between sales and marketing positively affects company performance and is facilitated by a positive senior management attitude toward collaboration between the two groups, the reduction of conflict between sales and marketing, the improvement of communications and a commitment to organisational learning (e.g. sharing new ideas and developing good practice).¹⁵

1.11 CONCLUSIONS

The nature and role of selling and sales management have been outlined and discussed and some of the more widely held misconceptions about these activities explored. It was suggested that selling and sales management are becoming more professional, and those individuals involved in these activities must now be trained and skilled in a range of managerial techniques.

One of the most significant developments in modern business thinking and practice has been the development of the marketing concept. Companies have moved from being production orientated, through being sales orientated to being market orientated.

Some of the key concepts in marketing have been outlined, including market segmentation and targeting, the product life-cycle and the marketing mix. The implications

of marketing orientation for sales activities and the role of selling in the marketing programme have been demonstrated.

Because of the emphasis given in marketing to the needs and wants of the customer, Chapter 3 is concerned with exploring further the nature of consumer and organisational buying behaviour.

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PRACTICAL EXERCISE

Mephisto Products Ltd

'Yet another poor year,' reflected the senior executive of Mephisto Products. 'Profits down by 15 per cent, sales and turnover static in a market that was reckoned to be growing at a rate of some 20 per cent per annum. It cannot go on.' These were the thoughts of Jim Bullins, and he contended that the company would be out of business if the next year turned out to be as bad.

Jim Bullins had been senior executive at Mephisto for the past three years. In each of these years he had witnessed a decline in sales and profits. The company produced a range of technically sophisticated electromechanical control devices for industry. Mephisto's major customers were in the chemical processing industry. The products were fitted to the customer's processing plant in order to provide safety and cut-out mechanisms, should anything untoward happen in the manufacturing process.

The products were sold through a UK salesforce of some 12 people. Each represented a different area of the country and all were technically qualified mechanical or electrical engineers. Although some 95 per cent of Mephisto's sales were to the chemical industry, there were many more applications for electromechanical control devices in a wide variety of industries.

The reason that sales were concentrated in just the one industry was historical, in that the firm's founder, James Watkinson, had some 30 years earlier married the daughter of the owner of a major detergent manufacturer. As an engineer, Watkinson had seen the potential for such devices in this type of manufacture and, with the aid of a small loan from his father-in-law, had commenced manufacture of such devices, initially for his father-in-law's company and later for wider application in the chemical industry. Watkinson had long since resigned from active participation in Mephisto Products, although he still held a financial interest. However, the philosophy that Watkinson had brought to the company was one which still pervaded business thinking at Mephisto.

The essence of this philosophy was centred on product and production excellence, backed by strong technical sales support. Watkinson believed that if the product was right, i.e. well designed and manufactured to the highest level of quality, there would be a market. Needless to say, such a product then needed selling (because customers were not necessarily aware that they had a need for such safety mechanisms) and salespeople were encouraged to use what may be described as high pressure salesmanship, pointing out the consequences of not having such mechanisms in a manufacturing plant. They therefore tended to emphasise the negative aspects (of not having such devices) rather than the positive aspects (of how good they were, time saving in the case of plant breakdown, etc.). Needless to say, in Watkinson's day such products then needed selling and, even though sales were to industrial purchasers, it was felt that such selling techniques were justified. This philosophy still pertained and new salespeople were urged to remember that, unless they were pressed, most customers would not consider updating their control equipment.

Little advertising and sales promotion were carried out, although from time to time, when there was some spare cash, the company did purchase advertising space in the *Chemical Processors' Quarterly*. Pricing was done on a cost-plus basis, with total costs being calculated and a fixed percentage added to account for profits. Prices were thus fixed by the accounts department and sales had no say in how they were established.

This led to much dissent among the salespeople, who constantly argued that prices were not competitive and if they were cut, sales could be increased substantially.

Delivery times were slow compared with the average in the industry and there were few discounts for large order quantities, with the salesperson first having to clear such discounts with accounts before agreeing to such an arrangement. Again, Watkinson's old philosophy still prevailed: 'If they want the product badly enough, they will wait for it,' and 'Why offer discounts for large quantities – if they did not want that many they would not order them.'

During the previous five years, from being a relatively successful company, market share for Mephisto Products dropped substantially. The market became much more competitive with many new entrants, particularly from EU countries, coming into the UK market that had traditionally been supplied by UK manufacturers. Many of these market entrants had introduced new and updated products, drawing upon recent advances in electronics. These new products were seen by the market as being technically innovative, but the view taken by Mephisto management was that they were faddish and, once the novelty had worn off, customers would revert to Mephisto's superior products.

Unlike many of his colleagues, Jim Bullins was worried by developments over the past five years and felt there was a need for many changes. He was aware that the more successful new entrants to the industry had introduced a marketing philosophy into their operations. Compared with ten years ago in this type of business, it was now common practice for companies to appoint marketing managers. Furthermore, he knew from talking to other people in the industry that such companies considered sales to be an integral part of marketing. At a recent meeting with his senior staff, he mentioned to the sales manager the possibility of appointing a marketing director. The sales manager, who was shortly expecting to be made sales director, was scathing about the idea. His view was that marketing was suitable for a baked beans manufacturer but not for a company engaged in the manufacture and sale of sophisticated control devices for the chemicals industry. He argued that Mephisto's customers would not be swayed by superficial advertising and marketing ploys.

Although Jim Bullins always took heed of advice from his senior managers, recent sales figures had convinced him that the time had now come to make some changes. He would start, he decided, by appointing a marketing manager. This person would have marketing experience, and most probably come from the chemical industry. The person appointed would have equal status to the sales manager, and ultimately either the new appointee or the existing sales manager would be promoted to the board of directors.

Discussion questions

- 1 Criticise Mephisto Products' approach to sales and marketing.
- 2 Comment on the following as they exist now at Mephisto Products:
 - (a) marketing orientation
 - (b) the marketing mix
 - (c) the product life-cycle
- 3 What problems can you anticipate if Jim Bullins goes ahead and appoints a marketing manager?
- 4 What general advice can you give to the company to make it more marketing orientated?

Examination questions

- 1 Discuss the place of selling in the marketing mix.
- 2 How does the role of selling tend to differ between
 - (a) industrial products and
 - (b) consumer products?
- 3 Differentiate between production, sales and marketing orientation.
- 4 Give reasons as to why the shape of the curve of the product life-cycle is similar to that of the adoption of innovations curve.