**Chapter 1**

**RELATIONSHIP SELLING OPPORTUNITIES IN**

**THE INFORMATION ECONOMY**

The two chapters that make up Part 1 establish a foundation for the entire textbook. Chapter 1 provides a contemporary definition and description of personal selling and describes information-age personal-selling career opportunities. Sales-training programs offered by academic institutions, sales-training companies, and employer-provided sales training are also presented.

**EXTENDED PRESENTATION OUTLINE**

Today’s workforce is made up of millions of knowledge workers who succeed only when they add value to information. Salespeople, and many other knowledge workers, add value to information when they collect it, organize it, clarify it, and present it in a convincing manner.

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

# Personal Selling – A Definition and a Philosophy

1. Definition: **Personal selling** occurs when a company representative interacts directly with a customer to present information about a product or service.
2. Personal selling is a process of:
3. Developing relationships.
4. Discovering needs.
5. Matching the appropriate products with these needs.
6. Communicating benefits through informing, reminding, or persuading.
7. A **product** is broadly defined as information, services, ideas, and issues.
8. Increasingly, personal selling is viewed as a process that adds value
9. In an ideal situation, the salesperson:
10. Builds a mutually rewarding relationship.
11. Diagnoses the customer’s needs.
12. Custom fits the product to meet these needs.

5. Having knowledge of customer needs will:

a. Lead to higher customer satisfaction.

b. Willingness to purchase a product.

1. Developing a **personal selling philosophy** includes three prescriptions, which are part of the Strategic/Consultative Selling Model:
2. Adopt the marketing concept.
3. Value personal selling.
4. Become a problem solver or partner.

# Emergence of Relationship Selling in the Information Age

## Shifts from industrial economy to an information economy began approximately 50 years ago

## Major advances in information technology and electronic commerce.

1. Strategic resource is information.
2. Information is often too plentiful.
3. Salespeople help filter information.
4. Business is defined by customer relationships.
5. The *real* new economy is the customer economy.
6. Customers have taken more control of their destinies.
7. Relationships build a conduit of trust for information exchange.
8. Sales success depends on adding value.
9. **Value-added selling** is defined as a series of creative improvements in the sales process that enhance the customer experience.
10. Salespeople can create value by:
11. Developing a quality relationship.
12. Carefully identifying the customer needs.
13. Configuring and presenting the best possible product solution.
14. The value added by salespeople today is increasingly derived from intangibles such as:
15. Quality of advice offered
16. Level of trust that underlies relationship between salesperson and customer

# Considerations for a Future in Personal Selling

1. Wide range of employment opportunities.
   * + 1. The 500 largest sales forces in America employ more than 24 million salespeople.
       2. There is no single “selling” occupation.
       3. Opportunities exist that match your interests, talents, and ambitions.
       4. Old stereotypes about sales are gradually going by the wayside.
       5. Careers of highly successful relationship salespeople discover that ethical sales practices represent the key to long-term success.
2. Activities performed by salespeople.
3. Outside salespeople spend 26 percent of their time in face-to-face sales and 75 percent in sales prep, travel, waiting, and administrative tasks.
4. Salespeople have tremendous freedom to manage their time and activities.
5. The proliferation of sales titles in today’s business world has two causes:
6. The shift from selling to consulting and partnering.
7. The increased skill sets and education needed to fill selling positions.
8. Titles used in selling today.

1. Just as selling occupations differ, so do the titles by which salespeople are known.

2. Two factors have contributed to the creation of new titles.

a. Shift from “selling” to “consulting” and “partnering.”

b. New titles reflect a difference in education and skill sets needed for the position.

c. Regardless of title, salespersons play an important role in sustaining the growth and profitability of organizations of all sizes.

d. Also support the employment of many non-selling employees.

1. Above-average income.
2. Table 1.1 describes sales force compensation for different performance levels.
3. Research indicates that salespeople involved in transactional sales earned the lowest compensation.
4. Sales personnel involved in value-added sales earned the highest compensation.
5. Above-average **psychic income.**
6. **Psychic income** (psychological rewards) gained from a selling career may include recognition and security.
7. In selling, recognition will come more frequently and with greater intensity than in most other occupations.
8. Accomplishments of sales personnel seldom go unrecognized.
9. Opportunity for advancement.
10. High visibility affords opportunities for advancement.
11. Sales experience is invaluable in many middle and high management positions.
12. Opportunities for women and minorities.
13. Sales offer women high income and flexible work schedules.
14. There is a growing awareness that gender is not a barrier to success in selling.

# Employment Settings in Selling Today

A. Careers in sales include both inside and outside sales positions.

1. **Inside salespeople** perform selling activities at the employer’s location, typically using the telephone and e-mail.

a. In some cases called “customer service representatives” and provide a number of support services on behalf of field salespeople.

b. Inside sales can be either “inbound” or “outbound.”

2. **Outside salespeople** travel to meet prospects and customers in their places of business or residence.

3. Inside and outside salespersons often work together and rely heavily upon each other.

B. Three major settings include:

1. Services channel.
2. Business goods channel.
3. Consumer goods channel.

C. Services Channel.

1. Approximately 80 percent of the U.S. labor force is now employed in the service sector.
2. Career opportunities in the service channel:
3. Hotel, motel, and convention center services.
4. Salespeople sell room space, food, beverages, and services related to hosting seminars, conferences, and meetings.
5. Competition for convention business is intense.
6. Telecommunication services:

1) Deregulation of telephone service has resulted in the fragmentation of major telephone companies and the creation of numerous new communication companies.

1. Financial services:
   1. There are nearly 342,000 sales jobs in securities and financial services.
2. Media sales:
3. Sales force employed by radio/television stations sell broadcasting time to current and prospective advertisers.
4. Newspapers and magazines generate their main revenue from advertising rather than from subscriptions.
5. Media sales personnel help develop advertising campaigns.
6. Real Estate:
7. Buying a home is usually the largest single expenditure in an average consumer’s life.
8. Real estate salespeople play an important role.
9. Insurance:
10. One of the most rewarding careers in sales.
11. Policies sold include: fire, liability, life, health, automobile, casualty, and homeowner’s.
12. Two broad types of insurance salespeople.
13. Those employed by major insurance companies.
14. Independent insurance agents who represent various companies.
15. Business services:
16. Outsourcing of services is increasing.
17. Other fields of service sales include: home and business security, travel and recreation, pest control, and transportation.

## C. Business Goods Channel.

1. Common titles of salespeople:
2. Sales engineer or applications engineer – must have detailed and precise technical knowledge.

1). Requires expertise in identifying, analyzing, and solving customer problems

2) May introduce new products and answer technical questions.

1. Field salespeople – find and meet needs of new customers.
2. Missionary salespeople, (detail salespersons) – primary goal is to develop goodwill and stimulate product demand.
3. Calls on wholesale, retail, and other customers to help improve their marketing.
4. Collects information regarding customer acceptance of products.
5. Must be able to offer advice on credit policies, pricing, displays, and so forth.

## D. Consumer Goods Channel.

1. Retail selling:
2. Profile: Asbury Automotive Group
3. Success due to expert staff.
4. Customers are willing to pay higher prices because they value the quality products and assistance provided by salespeople.
5. Well- trained salespeople add value to the shopping experience.
6. Profile: Asbury Automotive Group
7. Direct selling:
8. Independent contractors who represent manufacturers.
9. There are 18.2 million direct salespeople in the United States and 78.2 million outside this country.
10. The top 15 countries each have more than $1 billion in direct sales revenue and are a combination of old and new markets
11. $90.8 billion in annual revenues for the world’s direct-selling companies, which translates to almost 90 percent of the industry’s global sales.
12. A rapidly growing form of direct sales is network (or multilevel) marketing.

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

1. **Knowledge workers** are individuals whose work effort is centered on creating, using, sharing, and applying knowledge.

1. One way to add value to information is to collect it, organize it, clarify it, and present it in a convincing manner.

2. Creating networks with social ties allows knowledge workers to acquire and provide information more successfully.

1. The following four groups of knowledge workers use selling skills, too:
2. Managerial personnel.

Some of the managers’ most valuable information comes from customers.

Executive selling helps managers learn more from customers.

1. Professionals.
2. Doctors, accountants, lawyers, engineers, and other professionals need to use selling skills.
3. Technical skills are not enough in the information age.
4. Professionals need relationship skills to develop new business.
5. Entrepreneurs and Small Business Owners.
6. Entrepreneurs need to sell their new business plan to investors and others.
7. Business owners rely on personal selling to build their business.
8. Marketing Personnel and Customer Service Representatives (CSRs).
9. CSRs have traditionally worked with customers in non-selling areas.
10. CSRs are now learning and applying selling skills.
11. CSRs often discover customer needs.

# Learning to Sell

1. Basic question: “Are salespeople made or are they born?”
2. The principles of selling can be learned and applied by a variety of people.
3. Hundreds of corporations spend millions of dollars to develop salespeople.

B. Sales training has been expanded on four fronts.

1. Corporate-sponsored training

2. Training provided by commercial vendors (see Table 1.2).

3. Certification programs

4. Courses provided by colleges and universities (see Table 1.3).

**END-OF-CHAPTER ACTIVITES**

Included in this section are answers to selected end-of-chapter exercises. Answers are provided for all review questions, application exercises and case problems. In addition, a brief description of each role-play is provided.

Not included in this section are answers to the Regional Accounts Management Case Study. The answers are found in the Instructor’s Manual for Appendix 2: Answers to the Regional Accounts Management Case Study.

Also not included in this section are answers to exercises related to Appendix 3: “Partnership Selling: A Role-Play/Simulation.” Answers, forms, and instructions related to Appendix 3 will be found in Instructor’s Manual for Appendix 3 and the Instructor’s Manual titled Traditional Role Play Exercises and Forms.

**Key Terms**

**Personal selling,** p. 5**:** *Personal selling* occurs when a company representative interacts directly with a customer or prospective customer to present information about a product or service. It is a process of developing relationships; discovering needs; matching the appropriate products with these needs; and communicating benefits through informing, reminding, or persuading.

**Product,** p. 5**:** The term *product* should be broadly interpreted to encompass information, services, ideas, and issues.

**Personal-selling philosophy,** p. 5**:** The development of a *personal-selling philosophy* involves three prescriptions: adopt the marketing concept, value personal selling, and assume the role of a problem solver or partner in helping customers make informed and intelligent buying decisions (Figure 1.1).

**Information economy,** p. 5**:** The restructuring of America from an industrial economy to an *information economy* began approximately 50 years ago (Figure 1.2). During this period, our economy began shifting from an emphasis on industrial activity to an emphasis on information processing.

**Selling,** p. 6**:** *Selling* is the second-largest employment category in the United States (government jobs are the largest) and research indicates there will be two million more salespeople added to the U.S. sales force by 2020. One out of every nine people in the United States is employed in selling, a number that has remained constant for many years.

**Value-added selling,** p. 7**:** *Value-added selling* can be defined as a series of creative improvements within the sales process that enhance the customer experience.

**Psychic income,** p. 10**:** *Psychic income,* which consists of factors that provide psychological rewards, helps satisfy these important needs and motivates persons to achieve higher levels of performance.

**Inside salespeople,** p. 11**:** *Inside salespeople* are those who perform selling activities at the employer’s location, typically using the telephone and e-mail.

**Outside salespeople,** p. 11**:** Unlike inside sales, *outside salespeople* travel to meet prospects and customers in their places of business or residence.

**Trade selling,** p. 12**:** *Trade selling* refers to the sale of a product or service to another member of the supply chain.

**Missionary, or detail, sales,** p. 12 **:** Another example of B2B sales is *missionary, or detail, sales*. Rather than selling directly to the end user, the missionary salesperson attempts to generate goodwill and stimulate demand for the manufacturer’s product among channel members.

**Field salespeople,** p. 12**:** *Field salespeople* interact with new customers and current customers. They must be able to identify customer needs and requirements and to recommend the proper product or service to meet the customer’s needs.

**Missionary salespeople,** p. 15**:** *Missionary salespeople*, also known as “detail salespeople,” serve to develop goodwill, provide information, and stimulate demand for the manufacturer’s products. A missionary salesperson does not sell the product but receives recognition for increasing the sale of products indirectly.

**Direct salespeople,** p. 16**:** Direct salespeople are independent contractors who represent manufacturers and Internet. In 2014, *Direct Selling News* reported there are 18.2 million direct salespeople in the United States and 78.2 million outside this country.

**Customer relationship management,** p. 17**:** *Customer relationship management* (CRM), sometimes referred to as “sales automation,” is software that records in one place the extensive information necessary to understand a customer and his or her needs and expectations.

**Knowledge workers,** p. 18**:** *Knowledge workers* are individuals whose work effort is centered on creating, using, sharing, and applying knowledge.

**Business or client development,** p. 19**:** Many employers expect the professional to bring in new business, often referred to as *business or client development,* in addition to keeping current customers satisfied.

**Customer service representative (CSR),** p. 20**:** The term *customer service representative* (CSR) is used to describe knowledge workers who process reservations, accept orders by phone or other means, deliver products, handle customer complaints, provide technical assistance, and assist full-time sales representatives.

MyMarketingLab

To complete the problems with the \* in MyLab, students should go to the EOC Discussion Questions.

# Answers to Review Questions

1. Explain how personal selling can help solve the problem of information overload.

In an era of limitless data, informed salespeople can help customers decide which information has value and which information should be ignored. Customers who have less time to adjust to new products and circumstances value this assistance.

✪ 1-2 According to the Strategic/Consultative Selling Model (see Figure 1.1), what are the three prescriptions for developing a successful personal-selling philosophy?

The three prescriptions for the development of a successful personal selling philosophy are (1) full acceptance of the marketing concept, (2) developing an appreciation for the expanding role of personal selling in our competitive national and international markets, and (3) assuming the role of a problem solver/partner.

1-3 List and describe the four employment settings for people who are considering a selling career.

According to the employment setting, the classifications are: retail, wholesale, manufacturer, and service careers. (See the responses to Questions 5, 7, and 8 for additional information regarding these four employment settings.)

1-4 What future for women is there in selling?

There are growing opportunities for both women and minorities. This is due in part to state and national equal employment legislation. However, a more important reason is the knowledge that women and minorities can be highly successful salespeople.

✪ 1-5 Some salespeople have an opportunity to earn certification in a sales or sales-related area. How can a salesperson benefit from certification?

Most certification programs can result in increased sales competence and a more professional approach to selling. Earning a certificate can give a salesperson a great deal of personal pride and greater self-confidence.

1-6 Explain why high-performance value-added salespeople earn much more than high-performance transactional salespeople.

There are two reasons why high-performance value-added salespeople earn more than twice as much as high-performance transactional salespeople. First, salespeople who can add value during the sales process tend to close more sales. Second, value-added salespeople are often involved in selling complex products such as commercial security systems, computer systems, insurance, and other expensive items. Salespeople who sell these products often earn a generous commission.

1-7 List three titles commonly used to describe manufacturing salespeople. Describe the duties of each.

The three types of manufacturing salespeople are (1) field salespeople who sell well-established products. A high degree of technical knowledge is not required. (2) Sales engineers must have a high degree of technical knowledge. They identify, analyze, and solve highly technical customer problems. (3) Detail salespeople develop goodwill and stimulate demand for products. Detail salespeople also train employees and offer advice on advertising, credit, pricing, display, store layout, and storage.

1-8 Develop a list of eight selling-career opportunities in the service field.

Selling careers in the service field consist of (1) radio and television sales, (2) newspaper advertising sales, (3) hotel, motel, and convention center sales, (4) insurance sales, (5) financial services, (6) real estate sales, (7) bank service selling, and (8) business services.

1-9 List and briefly describe the four major sources of sales training.

Corporate-sponsored training, commercial vendor training, certification studies, and courses provided by colleges and universities.

# Suggested Answers for Application Exercises

1. Examine a magazine or newspaper ad for a new product or service that you have never seen. Evaluate its chances for receiving wide customer acceptance. Does this product require a large amount of personal-selling effort? What types of salespeople (service, manufacturing, wholesale, or retail) are involved in selling this product?

The objective of this exercise it to have the students gain a better understanding of the different types of selling that influence product acceptance. They are also likely to discover that with convenience products, such as those in a grocery store, even though there is little or no personal selling at the retail level, there may be a large amount of personal selling effort at the wholesale and manufacturing levels. At the retail level, a retail sales clerk could handle the order taking of convenience items, but for other items, such as those found at an appliance store, a retail salesperson would be required in most cases.

1-11 For each of the following job classifications, list the name of at least one person you know in that field:

a. Full-time person who sells a service

b. Full-time inside wholesale salesperson

c. Full-time manufacturer’s salesperson

d. Full-time retail salesperson

Interview one of the people you have listed, asking the following questions concerning their duties and responsibilities:

a. What is your immediate supervisor’s title?

b. What would be a general description of your position?

c. What specific duties and responsibilities do you have?

d. What is the compensation plan and salary range for a position like yours?

Write a job description from this information.

The objective of this field-based exercise is to get the student talking with someone in the selling field. The suggested questions will tend to make the visit more informative for the student. Students can share a large amount of field-based information if they are asked to make oral reports on their interviews.

**1-12** Shelly Jones, a vice president and partner in the Chicago office of the consulting firm Korn/Ferry International, has looked into the future and he sees some new challenges for salespeople. He recently shared the following predictions with *Selling Power* magazine:

a. Salespeople will spend more time extending the range of applications or finding new markets for the products they sell.

b. The selling function will be less pitching your product and more integrating your product into the business equation of your client. Understanding the business environment in which your client operates will be critical.

c. In the future, you will have to be a financial engineer for your client. You need to understand how your client makes money and be able to explain how your product or service contributes to profitable operation of the client’s firm.

Interview a salesperson who is involved in business-to-business selling – a manufacturer’s representative, for example – and determine whether this person agrees with the views of Shelly Jones.

This field interview will give students an opportunity to reflect on some of the new challenges facing business-to-business salespeople.

**1-13** There are many information sources on selling careers and career opportunities on the Internet. Two examples include Monster.com and CareerBuilder.com. Search the Internet for information on selling careers.

Use your search engine to find career information on a pharmaceutical representative, a field sales engineer, and a retail salesperson.

Students will find a variety of information on the listed career choices – from job descriptions to job ads to periodicals relating to the jobs. After students find information on their desired career, have them print and submit it.

# Role-Play Exercise

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

# Solution for the Case Problem

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