

precise information on the price determinants becomes available.

The last step of the multidimensional method includes the testing of alternative prices to provide more precise information on demand that can be used for further adjustment of price. This is particularly appropriate for new products where the demand schedule is likely to be highly uncertain and difficult to estimate. Most price testing uses experimental methods, sometimes in the field and sometimes in laboratory settings.⁹

⁹See Gordon A. Wyner, Lois H. Benedetti, and Bart M. Trapp, "Measuring the Quantity and Mix of Product Demand," *Journal of Marketing* 48 (Winter 1984), pp. 101-109. See also GLOSSARY entries C.32 and C.20.

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WYNER, GORDON A., LOIS H. BENEDETTI, and BART M. TRAPP. "Measuring the Quantity and Mix of Product Demand." *Journal of Marketing* 48 (Winter 1984), pp. 101-109.

C.20 Personal Selling

THE NATURE OF PERSONAL SELLING

The personal selling program, developed as part of the marketing mix, is implemented by **recruiting and selecting salespeople** (GLOSSARY entry C.31), **training of salespeople** (GLOSSARY entry C.39), and **personal selling**, the subject of this entry.

Determinants of Selling Effectiveness. The stereotype of the successful salesperson, still carried in the minds of many, is of a hard-driving, egocentric, back-slapping, smooth-talking "Music Man." We now know that successful personal selling requires more than a particular set of personality characteristics. The factors that lead to success in personal selling are complex and not fully understood. Yet, if marketing managers are to direct personal selling programs and be able to diagnose problems in personal selling programs, they must understand the elements of effective selling.

Walker, Churchill, and Ford developed a model of personal selling effectiveness that integrated available empirical evidence on

sales force performance.¹ The model suggests that a salesperson's effectiveness is determined by five factors:

- **Role Perception.** A salesperson's role is the set of attitudes and behavior expected of that job. A salesperson's perception of the role is formed by communication with sales supervisors, customers, and other salespeople. If salespeople have a negative, conflicting, or unclear perception of their role, they will likely be dissatisfied and ineffective. If the salesperson's role perception differs from the role perception held by a customer, communication between the two will be ineffective and lead to poor sales performance.² One of the barriers

¹See Orville C. Walker, Jr., Gilbert A. Churchill, Jr., and Neil M. Ford, "Motivation and Performance in Industrial Selling: Present Knowledge and Needed Research," *Journal of Marketing Research* 14 (May 1977), pp. 156-68. The model is also presented in the authors' textbook *Sales Force Management*, 2d ed. (Homewood, Ill.: Richard D. Irwin, 1985), pp. 297-306. This section draws from both of these sources.

²Frederick E. Webster, Jr., "Inter-personal Communication and Salesman Effectiveness," *Journal of Marketing* 32 (July 1968), pp. 7-13.

to personal selling success that the salesperson must overcome is the negative stereotype that salespeople are inferior to customers, are unwelcome, and are bent on manipulation.³ Sales managers are responsible for helping salespeople develop positive and accurate perceptions of their roles.

- **Motivation.** Motivation is the amount of effort that a salesperson is willing to expend on doing the job. Sales managers develop motivation by directing and training salespeople in the use of skills that will lead to improved selling performance and by providing desirable rewards for selling success. Sales force motivation is considered in detail in GLOSSARY entry C.8.
- **Aptitude.** Aptitude refers to the personal characteristics of the salesperson, including such variables as age, sex, intelligence, empathy, sociability, and drive. Despite a great many studies in this area, there is no agreement on a set of personal characteristics that lead to selling success. The personal characteristics required for effective personal selling appear to vary with the selling task, situation, and product.⁴ Other research suggests that the appropriate personal characteristics for a salesperson depend upon the customer-salesperson dyad. The more similar the salesperson's personal characteristics are to those of the customer, the more they will like each other and the more likely the sale will be made.⁵
- **Level of Skill.** Selling effectiveness is determined in part by the selling skills learned by salespeople as a result of training and experience. Skills commonly considered necessary include how to make a presentation, knowledge about the product, listening skills, how to elicit problems and needs from customers, how to close a sale, and how to write up a sale. Sales managers attempt to control this element of effectiveness through training programs and field supervision. (See GLOSSARY entry C.39 on training of salespeople.)
- **Environmental Factors.** Selling performance is believed to be influenced by a broad array of

environmental factors that act as constraints on performance. Some of these factors considered in separate GLOSSARY entries include **sales territory design** (C.37), **sales force organization** (C.34), **sales force size** (C.35), and **selling tasks** (C.38). Selling performance is clearly influenced by the product. The better the product quality and the greater its competitive advantage, the greater the opportunity for good sales performance. Research by Levitt indicates that a favorable company reputation and a quality sales presentation also have favorable affects on sales force effectiveness.⁶

Approaches to Personal Selling Another determinant of selling effectiveness is what is commonly called the selling approach. It is one of the skill components in the model discussed above. Many personal selling approaches have been proposed, many of them similar to one another. Most suggest ways of being responsive to customer needs. Some of the better known personal selling approaches are described below.

- **Stimulus-Response versus Need Satisfaction.** Among the earliest and most often repeated selling approaches are the stimulus-response approach, the canned sales pitch, and the need satisfaction approach. Using the **stimulus-response approach**, the salesperson, without inquiring into customer needs, offers a series of product benefits (stimuli), seeking one that will elicit a favorable response from the customer. The same sales presentation is used with all prospects, the burden of adjustment being placed on the customer. This approach simplifies selection and training of salespeople, but it is appropriate only for low involvement purchase situations (see GLOSSARY A.2).

The **canned pitch** requires the salesperson to memorize a sales talk prepared by the company and deliver it without variation or interruption to the prospect. It is usually considered "high pressure" selling. The salesperson makes no inquiry into customer needs and lets the customer do very little talking. Using a canned pitch ensures that all sales points for the product are covered. It is used primarily with new, untalented, and untrained salespeople.

³See Robert N. McMurry, "The Mystique of Super-Salesmanship," *Harvard Business Review* (March-April 1961), pp. 113-22.

⁴Churchill, Ford, and Walker, *Sales Force Management*, p. 300.

⁵See discussion in Harry L. Davis and Alvin J. Silk, "Interaction and Influence Processes in Personal Selling," *Sloan Management Review* (Winter 1972), pp. 59-76.

⁶Theodore Levitt, "Communications and Industrial Selling," *Journal of Marketing* 31 (April 1967), pp. 15-21.

ple for relatively simple selling situations or for unsought goods (see GLOSSARY entry A.3).

The contrasting selling approach is termed **need satisfaction**. Here the salesperson starts the presentation by attempting to draw out the prospect and eliciting information about the problem that the customer faces. Only when the salesperson has a good understanding of the customer's needs is a sales presentation made. The presentation is not a memorized one, but is tailored to the needs of each individual customer. The needs satisfaction approach utilizes true two-way communication and is a superior approach for any high-involvement purchase situation. It is more effective because it responds to the **consumer decision-making process** and because of this consumer responsiveness, it is a more satisfying approach to the salesperson. However, it requires salespeople with considerably greater training and aptitude.

- **Systems selling.** **Systems selling** is an evolutionary development from the needs satisfaction approach and offers a complete package of products and services that are custom-designed to meet customer needs.⁷ Systems selling begins with analysis of customer needs. Based upon that analysis, a complete system of products is designed, assembled, and installed for the customer. Included in the system is a complete service package for training, repair and upgrading, and, if necessary, operation of the equipment. The system may also provide a program for financing the purchase. Systems selling is a very sophisticated approach applicable to complex, major purchases where customer needs are unique.
- **Assertive Selling.** Jolson divides selling approaches into three classes: aggressive, submissive, and assertive.⁸ The most appropriate approach depends upon the personal characteristics of the individual salesperson and the selling task to be performed, although Jolson recommends that the professional salesperson strive for the assertive style. The **aggressive selling approach** is favored by salespersons who are dominant rather than submissive and hostile rather than warm. In this approach, the salesperson overwhelms the prospect with talk rather than listening, makes little inquiry into

customer needs, and brushes aside objections and questions. It is most appropriate for cold calling and prospecting activities and least appropriate for building long-term relationships.

The **submissive selling approach** is used by salespeople who are submissive rather than dominant in personality and not forceful or enthusiastic in their approach. They attempt to build a relationship to customers by being likable. They inquire into customer needs, but are unwilling to challenge or probe deeply into stated needs. This submissive approach works poorly in prospecting for new customers, but may be successful in servicing current customers and building long-term relationships.

Assertive selling requires a dominant, but warm personality and results in a deliberate, planned approach to selling. Assertive selling calls for thorough preplanning of selling activities, precise scheduling, and careful management of time. Because meetings with prospects are well prepared and carefully scheduled, the assertive salesperson is welcomed. Assertive selling requires in-depth inquiry into customer needs before a presentation is made. The approach is thorough, logical, and backed by facts. Assertive selling is applicable both to prospecting and to building long-term relationships with current customers.

- **Relationship versus Transaction Selling.** The choice between a selling approach designed to build a long-term relationship with a customer and one designed to gain a one-time sale depends upon the nature of the buyer.⁹ When a customer makes repeated purchases of a product and there is little cost to them in switching vendors, then **transaction selling** is appropriate. The buyer will have little reason for vendor loyalty and will shop for the best short-term offer. The salesperson should not invest time and resources in trying to create a long-term relationship.

When a purchaser will make a series of purchases over time, but is locked into one vendor because of the high cost of switching product, then **relationship selling** is called for. Knowing that the relationship with the seller will be a more permanent one, the buyer will be more concerned with the seller's long-term

⁷M. Hanan, J. Cribbin, and J. Davis, *Systems Selling Strategies* (New York: AMACOM, 1978).

⁸Marvin A. Jolson, "Selling Assertively," *Harvard Business Review* (September–October 1984), pp. 71–77.

⁹Barbara Bund Jackson, "Build Customer Relations That Last," *Harvard Business Review* (November–December 1985), pp. 120–28.

product and service capabilities. The salesperson in this instance can justify major commitment of time and resources to capture such a customer because of its long-term value.

- **Consultative Selling.** **Consultative selling** is an approach designed for selling to key accounts and high-level decision makers.¹⁰ Consultative selling requires selling the financial benefits of the purchase to the firm. It is contrasted to **vending**, which is selling of price-performance benefits to purchasing agents. Consultative selling requires intimate knowledge of the customer's business. The consultative seller attempts to become a partner with the customer in devising ways to improve profitability of the customer firm. Rather than offer products, the consultative seller offers service that improves profitability.

The selling approaches that have been described are partly conflicting and partly overlapping. However, they suggest that the approach selected should depend upon the characteristics of the individual salesperson and should be matched to the **selling task** (see GLOSSARY entry C.38).

THE PERSONAL SELLING PROCESS

The skill component in selling effectiveness includes a number of elements such as making presentations, prospecting, and closing. The personal selling process provides a useful framework by relating the major selling skill components that an effective salesperson must learn and apply.

The Elements of Personal Selling. The personal selling process presented below describes and relates nine skill elements required in personal selling. The process is summarized in Figure C.20-1.

- **Step 1: Prospecting.** Most salespersons are expected to divide their time between servicing existing customers and prospecting. **Prospecting** is the identification of potential new customers and is essential to maintaining the cur-

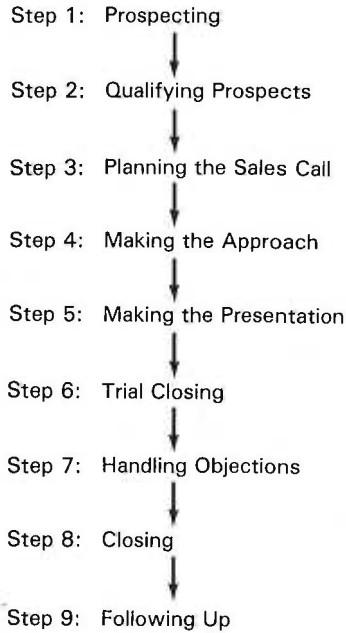


FIGURE C.20-1

The Personal Selling Process

rent base of business, since there is an inevitable loss of existing customers through changing needs, competitive activity, or moving away. Prospecting first requires finding the names of potential customers. These names might come from inquiries directed to the firm, directories or other published lists, or from announcements in the newspaper or trade press. The best source of new prospect names is referrals by current customers. Good salespeople solicit referrals as a payoff for offering good service.

- **Step 2: Qualifying Prospects.** Qualifying a prospect means determining the likelihood that the firm or the consumer will buy the product. It is essential to selling effectiveness that salespeople not waste time calling on prospects that are unlikely to buy. Many firms have established criteria that must be followed in qualifying prospects. Most important is determining if the prospect really has and recognizes an unfulfilled need that the product can satisfy. It is also important to determine whether the prospect has the financial ability to buy and whether the contact has the authority to buy.

¹⁰Mack Hanan, *Consultative Selling*, (New York: AMACOM, 1985).

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- *Step 3: Planning the Sales Call.* No sales call should ever be made without thorough pre-planning. The first step is to gather information about the customer. Most important is information about the customer's likely needs. Other information about the company, competition, and personal characteristics of the prospect will help shape the selling approach to be used. Next, the selling approach must be formulated. The objective of the sales call must be determined. This can range from exploring the prospect's needs to consummating a sale. The selling approach must be decided upon. What needs will be addressed and what benefits will be stressed? The company and product selling plans will give guidance in this as will the **positioning** of individual products. Finally, the salesperson must decide what action to seek from the prospect. In the early stages, this may be agreement to meet again or to attend a presentation, but eventually the action must be a purchase.
- *Step 4: Making the Approach.* For all but the most routine follow-up calls, a firm appointment should be made in advance of the sales call. In making the appointment, it is usually best to be clear and open about the purpose of the call. The **approach** refers to the opening moments of the sales call when the salesperson must gain the attention of the prospect and develop involvement in the presentation that is to follow. The best approaches are ones that speak to the customer's needs by bringing the customer news about a product or suggesting a benefit that might be of interest.
- *Step 5: Making the Presentation.* The form of the presentation depends upon the selling approach that is adopted. The purpose remains the same, however. The salesperson wishes to show how the benefits of the company's product meet the needs of the customer and to verify that the benefits are true. The best sales presentations are ones that gain the active involvement of the prospect so that communication is two-way. The presenter may ask questions as part of the presentation or may elicit questions. Objections from the prospect should be encouraged as a means of gaining involvement and seized upon as a means of reinforcing the benefits. Visual aids and actual demonstration of the product can be used to heighten interest and credibility in the presentation. Although sales presentations can and should be tailored to each selling situation, they can and should be practiced before the meeting. This gives the salesperson confidence and generally improves delivery.
- *Step 6: Trial Closing.* In some cases, the sales person, after making the presentation, will make a **trial closing** to see if the prospect is ready to make a purchase decision. This is usually done by trying to get agreement on some order detail such as the delivery date or the financing method. When prospects are ready to confirm such details, it is a sign that they are ready to buy.
- *Step 7: Handling Objections.* During or after the presentation or if the trial closing fails, the prospect is likely to raise objections. **Handling objections** is the salesperson's most demanding task. Objections should be welcomed. They indicate prospect involvement and they provide feedback on how well the salesperson is communicating. When objections arise, it is best to answer them immediately rather than defer until later. Listen very carefully to the objection to be sure that you understand it. Rephrasing it and playing it back is often an effective way of showing interest and clarifying the issue. Sometimes the voiced objection is only a symptom of the real concern. If this is suspected, a careful probing of the objection may reveal the real problem. Objections must, of course, be addressed. Evasive answers merely reinforce the prospect's objection. Objections should be answered by relating the benefits offered by the product to the objection and by providing data or a demonstration that support the benefits.
- *Step 8: Closing.* For some salespersons the most difficult part of selling is **closing** or asking for the order. Because they are afraid of being turned down, some salespersons defer closing and some never close. Numerous techniques designed to make closing less painful have been developed, although none is as effective as simply asking for an order. Prospects expect such a request and will seldom be caught by surprise. Techniques sometimes used to aid the close are to assume a sale and start to write up the order, offer a special incentive for an immediate order, or suggest that the supply or the current price is limited. A prospect's request to defer a decision, a common response to a request for an order, should not be accepted without some effort to reinforce the benefits and the desirability of making a decision. Some final encouragement will frequently get action by the prospect.
- *Step 9: Following Up.* Good follow-up is the key

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to building customer loyalty. The salesperson should be certain that the order is shipped and received. A follow-up call should be made to be certain that the order was correct and to determine satisfaction with the product in use. Many product sales require follow-up installation, service, and training. The quality of such **customer service** is an important determinant of further orders (see GLOSSARY entry C.9). Follow-up calls provide the salesperson with the opportunity to introduce other products in the line and to get referrals to other prospects.

Application of the Personal Selling Process.

The personal selling process can be used by the marketer in several ways. To the salesperson, it offers a framework for organizing personal selling activities. To the sales manager, it suggests an outline of activities and skills that need to be covered in **sales training** (see GLOSSARY entry C.39). To the marketing decision maker, the personal selling process provides an outline for analyzing problems in the personal selling activities of the firm.

C.21 Price Determinants

THE ROLE OF PRICE DETERMINANTS IN THE PRODUCT PRICING DECISION

Price is one of the major marketing mix variables. The price of a product is initially set in the **new product introduction** plan and after that is regularly reviewed and revised, if necessary, as part of the annual **marketing planning process** or when pricing problems arise.

The Process for Pricing a Product. Arriving at a product price is a multistep decision process. The pricing objective must first be determined. This objective defines what the price is designed to accomplish, such as maximizing sales, maximizing profits, or maintaining price stability in the industry. **Pricing objectives** and criteria for their selection are presented in GLOSSARY entry C.23.

The second step in product pricing is to search for and analyze the factors that need to be considered in determining price. These factors are concerned with product cost, demand for the product, and environmental conditions affecting the market for the product. These determinants of price are considered in this GLOSSARY entry.

The third step in pricing a product is to find a method that applies the pricing objective and the pricing determinants to generate a product price. Alternative **pricing methods** are presented in GLOSSARY entry C.22.

Application of the Determinants of Price. The determinants of price can be applied through the pricing process to determine the price of a new product. (This new product situation has some special conditions

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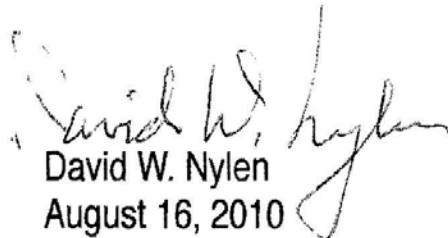
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