Selling Today Creating Customer Value (Canadian) 7th edition Manning Solutions Manual

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Chapter 2

EVOLUTION OF SELLING MODELS THAT COMPLEMENT THE MARKETING CONCEPT

EXTENDED PRESENTATION OUTLINE

Personal selling is an important force in maintaining the economic vitality of a nation. Many productive salespeople are using the strategic consultative-selling approach to determine and fulfill consumers' product and service needs.

As part of the Reality Selling Video Series, this chapter features Marcus Smith from Liberty Mutual, selling financial services.

I. Marketing Concept Requires New Selling Models

A. Evolution of the marketing concept.
   1. The **marketing concept** is a principle that holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired products.
   2. The foundation for the marketing concept is a business philosophy that leaves no doubt in the mind of every employee that customer satisfaction is of primary importance.
   3. The marketing concept was introduced in the early 1950s (discuss Table 2.1).

B. Marketing concept yields marketing mix.
   1. The **marketing mix** is a network of marketing activities that will maximize customer service and ensure profitability.
   2. Elements of the marketing mix:
      a. Product
      b. Promotion (includes personal selling)
      c. Place
      d. Price

C. Important role of personal selling.
   1. Personal selling is often the major promotional method used —whether measured by people employed, by total expenditures, or by expenses as a percentage of sales.
   2. Firms make investments in personal selling in response to several major trends:
      a. Products and services are becoming increasingly sophisticated and complex.
      b. Competition has greatly increased in most product areas.
      c. Demand for quality, value, and service by customers has sharply risen.

II. Evolution of Consultative Selling

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A. **Consultative selling** emerged in the late 1960s and early 1970s (see Table 2.1) and is an extension of the marketing concept.
B. **Transactional selling** is the sales process that serves the buyer primarily interested in price and convenience.
C. Major features of consultative selling:
    1. The customer is seen as a person to be served, not a prospect to be sold.
    2. The salesperson doesn't use a high-pressure sales presentation; two-way communication identifies (diagnoses) customer's needs.
    3. Consultative selling emphasizes need identification, problem solving, and negotiation rather than manipulation.
    4. Consultative selling emphasizes service at every phase of the personal selling process.
D. Consultative selling practices are not easily mastered.

III. Evolution of Strategic Selling

A. Strategic selling began receiving considerable attention during the 1980s (see Table 2.1).
B. During the 1980s we witnessed the beginning of several trends that resulted in a more complex selling environment.
C. **Strategic planning** is the managerial process that matches the firm's resources to its market opportunities. It takes into consideration the various functional areas of business that must be coordinated such as financial assets, workforce, production capabilities, and marketing.
D. The strategic market plan is often the guide for a strategic selling plan.
    1. **Tactics** are techniques, practices, or methods you use when you are face-to-face with a customer.
    2. A **strategy** is a prerequisite to tactical success. If you develop the correct strategies, you are more likely to make your sales presentation to the right person, at the right time, and in a manner most likely to achieve positive results.
    3. Strategic planning sets the stage for a form of consultative selling that is more structured, more focused, and more efficient.
E. Strategic/Consultative-Selling Model.
    1. The model is divided into four broad strategic areas:
        a. **Relationship strategy**: A well thought-out plan for establishing, building, and maintaining quality relationships.
        b. **Product strategy**: A plan that helps salespeople make correct decisions regarding the selection and positioning of products to meet identified customer needs.
        c. **Customer strategy**: A carefully conceived plan that will result in maximum responsiveness to the customer's needs. It involves the collection and analysis of specific information on each customer.
        d. **Presentation strategy**: A well-developed plan that includes preparation of the sales presentation objectives, understanding the buying process, and renewing one's commitment to provide outstanding customer service.

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2. Interrelationship of basic strategies—the relationship, product, and customer strategies all influence development of the presentation strategy.

IV. Evolution of Partnering

A. The partnering concept emerged in the early 1990s (see Table 2.1).
B. **Partnering** is a strategically developed, long-term relationship that solves the customer's problems.
C. Today's customer wants a quality product and a quality relationship. Partnering requires that salespeople continuously search for ways to add value to their selling relationships.
D. Partnering is the key to building repeat business and referrals.
   Note: The partnering concept is covered in more detail in Chapter 3.
E. Strategic Alliances – The Highest Form of Partnering.
   1. The goal of strategic alliances is to achieve a marketplace advantage by teaming up with another company.
   2. Partnering is enhanced with high ethical standards.
   3. Partnering is enhanced with **customer relationship management (CRM).**

V. Value Creation – The New Selling Imperative

a. The *information economy* will reward salespeople who can create value at every step of the sales process.
b. Traditional selling has too often emphasized communicating value that lies in the product rather than creating value for the customer.
c. Creating and Delivering Customer Value Model:
   a. Understanding Customer's Value Needs.
   b. Creating the Value Proposition.
   c. Communicating the Value Proposition.
   d. Delivering the Value Proposition.

END-OF-CHAPTER ACTIVITIES

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.

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CHAPTER 2

Answers to Review Questions

2-1. In adapting to the marketing concept, emphasis is now placed on satisfying the customer through "partnering." Instead of "pushing" goods, salespeople now form relationships and seek to identify specific customer needs.

2-2. The marketing concept sparked development in marketers' fundamental understanding of personal selling. This change of mindset altered companies' focus from an orientation that is focused on selling to one that is focused on the customer. Models of selling that have emerged in response to the marketing concept include consultative selling, strategic selling, and partnering. These models have progressed to our current focus on partnering and are outlined in Table 2.1.

2-3. Personal selling is the point at which the marketing concept is implemented. A personal selling philosophy that is centred on partnering allows a company to generate customer information that is necessary to be customer focused. Further, as personal selling is a boundary-spanning task, it has considerable impact on customers' perceptions of a product or service.

2-4. Consultative selling emphasizes need identification that is achieved through effective communication between the salesperson and customer. The salesperson assumes the role of consultant and offers well-considered recommendations. Negotiation replaces manipulation as the salesperson sets the stage for a long-term partnership.

2-5. The four steps include need discovery, selection of product, need-satisfaction presentation, and servicing the sale.

2-6. The four broad strategic areas that make up the selling process are (1) developing a relationship strategy—success in selling depends heavily on the salesperson's ability to develop, manage, and enhance interpersonal relations with the customer, (2) developing a product strategy—products and services represent problem-solving tools, (3) developing a customer strategy—sales and marketing efforts are organized around the needs and desires of the customer, and (4) developing a presentation strategy—although the sales call may last no more than 25 minutes, the presentation is definitely a critical part of the selling process.

2-7. In the 1990s, many companies began to see the merits of maintaining long-term relationships. With more look-alike products, customers are seeking quality products and quality relationships.

2-8. Value-added selling can be defined as a series of creative improvements in the sales process that enhance the customer experience. Salespeople can add value by carefully identifying the customer's needs and then prescribing the best possible product solution. Value-added selling has surfaced in response to increased levels of competition and the

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growing complexity of many products and services. The value added by salespeople today is increasingly derived from intangibles such as the quality of the advice offered.

2-9. The goal of strategic selling alliances is to achieve a marketplace advantage by teaming up with another company whose products or services fit well with your own. Both companies hope to achieve a mutual competitive advantage.

2-10. Because salespeople are a vital link between a company and its customers, buyers will usually form impressions about the company based on the salesperson.

Suggestions/Answers for Application Exercises

2-1. The outline should include the following topics: Economic benefits—development of global markets; stimulate our local economy, which reduces unemployment. Consumer benefits—assistance with the purchase of complex products; service after the sale.

2-2. She will have to (1) research the kind of customer her product appeals to as well as the customer's motivation for purchasing the product; (2) improve the product by engineering product features that will appeal to the customer; (3) package and brand it so it will be convenient and memorable to the customer; (4) price the product so it will be within the economic means of the customer and yet allow the company to make a reasonable profit; (5) select dealers and physically transport and store the product so it will be available in the right place at the right time; and (6) promote the sale of the product by communicating to the consumer through the mediums of personal selling, advertising, and other forms of sales promotion.

2-3. In teaching and selling, Brenda must be able to present scientific ideas accurately and persuasively. She must be able to motivate others as well as enjoy working with people. The differences consist of working without a prearranged schedule; she will need to organize her own time in sales work. Compensation plans, especially extra financial incentive, are usually found in selling; they are not usually found in teaching.

2-4. Students will find information regarding sales training offered by the company. Have them print and submit this information. Likely similarities that students will mention are partnering, win-win exchanges, problem solving, understanding the customer's business, value-added selling, adaptive selling, and others.

2-5. This exercise will certainly have those who support and those who do not support that women make better salespeople. There are a number of research papers that discuss gender in sales, and how purchasing people view male versus female salespeople. Most studies conclude that men and women are equally suited to sales positions, although some studies do suggest that women have some particularly important attributes: the ability to empathize, greater service-orientation, willingness to listen, etc. Be prepared for a good discussion.

Role-Play Exercise

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Provide students with a brief introduction to the wide variety of pens and pencils available. A nice gold pen, for example, might sell for $100 or more.

Solution for the Case Problem

2-1. Yes, it appears that Smith has adopted the three prescriptions of a personal selling philosophy. He demonstrates adoption of the marketing concept because he is constantly seeking to offer his customers the best value. He appears to value personal selling because he participates in a high degree of ongoing training. He also approaches selling as a problem solver because he bundles insurance policies that are in the customer's best interest and works with all individuals who directly or indirectly influence the sale.

2-2. Smith has adopted the win-win philosophy; projects a professional image; and maintains high ethical standards. See page 38 for a description of why a relationship strategy is especially important in personal selling.

2-3. Smith can create value for his customers by helping them understand complicated insurance terms, comparing terms across policies (and even competitors), bundling policies to save the customer money, providing information about new policy types, and quantifying the benefit of having a particular insurance policy or the risk of not having a particular insurance policy.

2-4. It is imperative that Liberty Mutual employees in the marketing research and advertising departments understand personal selling because of the cross-functional demands placed on the marketing discipline. That is why Smith regularly communicates with employees in other departments – to understand the highly competitive insurance industry and to share market knowledge with them. Marketing support people in the departments mentioned in the question would all benefit from acquiring personal selling skills due to their interaction with stakeholders of the organization that are external to Liberty Mutual.

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Chapter 02

Evolution of Selling Models That Complement the Marketing Concept

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Learning Objectives



1) Discuss the evolution of personal selling models as an extension of the marketing concept.
2) Describe the evolution of consultative selling from the marketing era to the present.
3) Define *strategic selling* and name the four broad strategic areas in the Strategic/Consultative Selling Model.

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Learning Objectives (continued)



4) Describe the evolution of partnering and the nature of strategic account management.
5) Explain how value-added selling strategies enhance personal selling.

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Marketing Concept Requires New Selling Models



- Evolution from early *persuader stage*
  - Emphasized pushing or peddling products
- To *problem-solver stage*
  - Obtaining participation of buyers in identifying their problems, then translated into needs
- Salespeople are increasingly becoming diagnosticians of customers' needs and problems

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Evolution of the Marketing Concept



- **Marketing Concept** – a principle that holds that achieving organizational goals depends on:
  - knowing the needs and wants of target markets and
  - delivering the desired products.
- Customer focus and value are the paths to sales and profits

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Marketing Concept Yields Marketing Mix



- **Marketing mix** – a set of controllable, tactical marketing tools that consists of everything the firm can do to influence the demand for its product



Figure 2.1 Each of the elements that make up the marketing mix must be executed effectively for a marketing program to achieve the desired results.

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Important Role of Personal Selling



- Personal selling is often the major promotional method used – whether measured by people employed, by total expenditures, or by expenses as a percentage of sales
  - >10% of total workforce in Canada and US
    - 40% have field responsibility

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Important role of Personal Selling (continued)



- Several major trends:
  - Products and services have become increasingly sophisticated and complex
  - Competition has greatly increased in most product areas
  - Demand for quality, value, and service by customers has risen sharply
- Trends yielded a new level of professionalism

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Evolution of Consultative Selling



- **Consultative Selling** – an approach to personal selling that is an extension of the marketing concept
  - Emphasizes need identification, need satisfaction, and the building of a relationship that results in repeat business

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Evolution of Consultative Selling (continued)



- **Transactional Selling** - a sales process that most effectively matches the needs of the value-conscious buyer, who is primarily interested in price and convenience
  - Low-cost strategies include telesales, direct mail, and the Internet
- Declining in popularity due to the:
  - rise of e-commerce, and
  - increasing complexity of businesses

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Evolution of Consultative Selling (continued)



Major features are as follows:

1) Customer is seen as a *person to be served*
2) Buyer's needs are identified through *two-way* communication
3) Emphasizes *need identification, problem solving,* and *negotiation* instead of manipulation
4) Emphasizes *service* at every phase

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Evolution of Consultative Selling (continued)



- Complex process that puts great demands on sales personal
- Employs principles from psychology, communications, and sociology

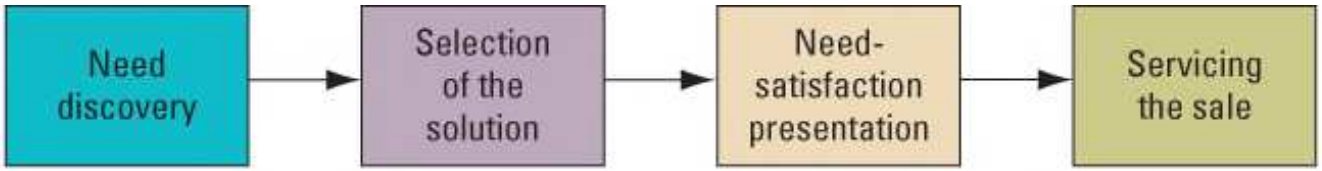


Figure 2.2 The Consultative Sales Presentation Guide. This contemporary presentation guide emphasizes the customer as a person to be served.

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Evolution of Strategic Selling



- **Strategic Planning** – process that matches the firm's resources to its market opportunities
  - Takes into account all the major functional areas of the business that must be coordinated, such as financial assets, workforce, production capabilities, and marketing

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Evolution of Strategic Selling (continued)



- **Tactics** – techniques, practices, or methods that a salesperson uses during face-to-face interactions with customers
- **Strategies** – the things that salespeople do as the result of precall planning to ensure that they call on the right people, at the right time, and with the right tactics to achieve positive results

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Evolution of Strategic Selling (continued)



- Strategic planning sets the groundwork for a value-added form of consultative selling more structured, more focused, and more efficient
- Results in better time allocation, more precise problem solving, and a greater chance of a good match between product and customer need

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Evolution of Strategic Selling (continued)



- **Adaptive Selling** - altering sales behaviours during a customer interaction in order to improve communication
- Another key element of the *problem-solver stage*

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The Strategic/Consultative Selling Model



Strategic/Consultative Selling Model*	
Strategic step	**Prescription**
Develop a personal selling philosophy	• Adopt marketing concept • Value personal selling • Become a problem solver/partner
Develop a relationship strategy	• Maintain high ethical standards • Project professional image • Manage the relationship process
Develop a product strategy	• Become a product expert • Sell benefits • Configure value-added solutions
Develop a customer strategy	• Understand the buying process • Understand buyer behaviour • Develop prospect base
Develop a presentation strategy	• Prepare objectives • Develop presentation plan • Provide outstanding service

* Strategic/consulative selling evolved in response to increased competition, more complex products, increased emphasis on customer needs, and the growing importance of long-term relationships.

Marketing Concept:
- coordinate all activities
- to create satisfied customers
- and achieve company goals.

Figure 2.3 The Strategic/Consultative Selling Model is an extension of the marketing concept.

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Strategic/Consultative Selling Model (continued)



1) **Personal Selling Philosophy**
2) **Relationship Strategy** – a well thought-out plan for establishing, building, and maintaining long-term quality relationships
   - ✧**Relationship Selling** –involves securing, developing, and maintaining long-term relationships
     - ✧Adopt a win-win philosophy

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Strategic/Consultative Selling Model (continued)



2) Relationship Strategy (continued)

- ✧Primary goal is to create rapport, trust, and mutual respect
- ✧Maintain high ethical standards which forms the very foundation for long-term partnership

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Strategic/Consultative Selling Model (continued)



3) **Product Strategy** – a well-conceived plan that emphasizes acquiring extensive product knowledge, learning to select and communicate appropriate product benefits that will appeal to the customer, and configuring value-added solutions

- ✧Satisfaction from the product, the manufacturer or distributor, and the salesperson

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Strategic/Consultative Selling Model (continued)



4) **Customer Strategy** – a carefully conceived plan that will result in maximum responsiveness to the customer's needs

- ✧ Develop an understanding of the customer's buying process, understand buyer behaviour, and develop a prospect base

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Strategic/Consultative Selling Model (continued)



5) **Presentation strategy** – a well-developed plan that includes preparing the sales presentation objectives, preparing a presentation plan that is needed to meet these objectives, and renewing one's commitment to providing outstanding customer service

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Strategic/Consultative Selling Model (continued)



Figure 2.4 The major strategies that form the Strategic/Consultative Selling Model are by no means independent of one another. The focus of each strategy is to satisfy customer needs and build quality partnerships.

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Evolution of Partnering



- Today's customer wants a quality product **and** a quality relationship
- **Partnering** – a strategically developed, long-term relationship that solves the customer's problems
  - Serves as a barrier to competing salespeople
  - Costs four to five times more to get a new customer than to keep an existing one

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Strategic Selling Alliance – the highest form of partnering



- **Strategic Selling Alliance** – goal is to achieve a marketplace advantage by teaming up with another company whose products or services fit well with your own
  - Often formed by companies with similar business interests to gain a mutual competitive advantage

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Strategic Selling Alliance
– the highest form of partnering (continued)



Steps in building an alliance

1) Learn as much as possible about the proposed partner
2) Meet with the proposed partner and explore mutual benefits

✧Performed by account *managers*

✧Enhanced with high ethical standards and customer relationship management (CRM)

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Value Creation – The New Selling Imperative



- The information economy will reward those salespeople who have the skills, the knowledge, and the motivation to determine how to create value at every step of the sales process

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Value Creation – The New Selling Imperative (continued)



- Improving the sales process to create value for the customer by:
  - Establishing a relationship based on trust
  - Carefully identifying the customer's needs
  - Identifying the best possible product solution

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Value Creation – The New Selling Imperative (continued)



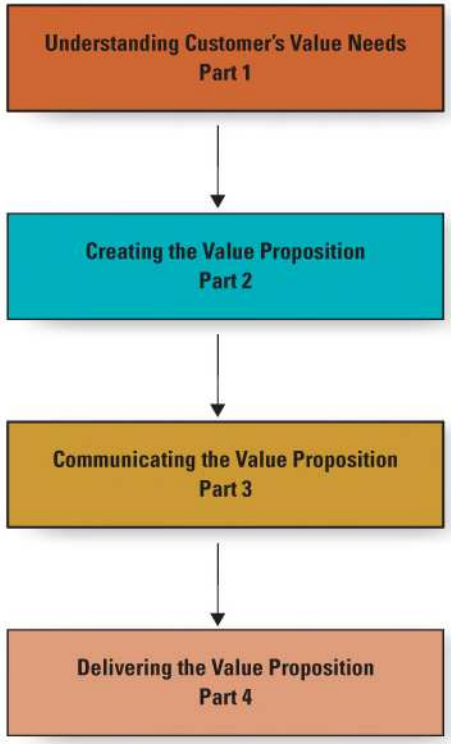


Figure 2.6 Creating and Delivering Customer Value Model
The salesperson's role in value creation is illustrated in this figure.

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