Selling Today Partnering to Create Value 14th edition Manning Solutions Manual

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Chapter 2

EVOLUTION OF SELLING MODELS THAT COMPLEMENT THE MARKETING CONCEPT

Chapter 2, in response to the developments associated with the information economy, presents the evolution of contemporary selling models that complement the marketing concept. Chapter 2 also introduces the major themes that connect all of the chapters.

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 Today 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. Sweeping change in personal-selling models, from peddling to long-term consultative problem solving and value-added partnering, was prompted by the emergence of the marketing concept.
   2. 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.
   3. 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.
   4. The era of marketing and the age of information began in the 1950s (discuss Table 2.1).
   5. 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.

B. Marketing concept yields marketing mix.
   1. The combination of elements making up a program based on the marketing concept is known as the **marketing mix** (Figure 2.1).
   2. The marketing mix is a set of controllable, tactical marketing tools that consists of everything the firm can do to influence the demand for its product.
   3. Elements of the marketing mix:
      a. Product
      b. Promotion
      c. Place

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d. Price

4. Promotion—can be further subdivided into:
   a. Advertising
   b. Public relations
   c. Sales promotion
   d. Personal selling

C. Important role of personal selling.
   1. Personal selling is often the major promotional method used in—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.
   3. Since beginning of information age, personal selling has evolved through three distinct developmental periods:
      a. Consultative-selling era
      b. Strategic-selling era
      c. Partnering era

II. Evolution of Consultative Selling

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 sale process that serves the buyer primarily interested in price and convenience.
   1. The transaction-based buyer tends to focus primarily on low price; some marketers are adopting lower-cost selling channels.
   2. Transactional selling usually used by marketers who do not see the need to spend very much time on:
      a. Customer need assessment
      b. Problem solving
      c. Relationship building
      d. Sales follow-up.

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
   1. Requires an understanding of concepts and principles borrowed from the fields of psychology, communications, and sociology.

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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.
    1. It takes into consideration the various functional areas of business that must be coordinated.
    2. Areas include financial assets, workforce, production capabilities, and marketing.
    3. Strategic plan should be a guide for a strategic-selling plan.
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. A selling strategy is a carefully conceived plan that is needed to accomplish a sales objective.
    4. Strategic planning: an important element of the "problem-solver stage."
    5. Strategic planning sets the stage for a valued-added form of consultative selling that is more structured, more focused, and more efficient.
    6. Adaptive selling is another key element of the "problem-solver stage."
        a. Defined as altering sales behaviors during a customer interaction in order to improve communication.
        b. Relates to a salesperson's ability to collect information regarding the customer's needs and responding appropriately
        c. Adaptive selling frequently requires complex behavioral adjustments.
E. Strategic/Consultative-Selling Model.
    1. The model is divided into five steps. Each step is based on three prescriptions:
        a. **Relationship strategy**: A well thought-out plan for establishing, building, and maintaining quality relationships.
            1) Must encompass every aspect of selling from the first contact with a prospect to servicing the sale once this prospect becomes an established customer.
            2) Integral dimension of **`relationship selling`**.
            3) Relationship selling is a form of personal selling that involves securing, developing, and maintaining long-term relationships with customers
        b. **Product strategy**: A plan that helps salespeople make correct decisions regarding the selection and positioning of products to meet identified customer needs.
            1) The three prescriptions for the product strategy are (1) become a product expert, (2) sell benefits, and (3) configure value-added solutions.
            2) Development of a product strategy begins with a thorough study of one's product (see Figure 2.3) using a feature–benefit analysis approach.
            3) Development of a product strategy often requires thoughtful decision making

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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.
    1) Customers have become increasingly sophisticated in their buying strategies.
    2) Customers expect value-added products and services and long-term commitments.
    3) When developing a customer strategy, the salesperson should:
        i. Develop an understanding of the customer's buying process
        ii. Understand buyer behavior
        iii. Develop a prospect base.
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.
    1) Presale presentation plans give salespeople the opportunity to consider those activities that take place during the sales presentation.
    2) Presale planning ensures that salespeople are well organized during the sales presentation and prepared to offer outstanding service.

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) and in 2000s became a business reality.
B. Partnering has been driven by several economic forces.
    1. Demise of the product solution in several industries.
    2. Partnerships grow out of the need for customized products or services.
    3. Today's customer wants a quality product *and* a quality relationship.
    4. Even small increases in customer retention can result in major increases in profits.
C. **Partnering** is a strategically developed, long-term relationship that solves the customer's problems.
D. 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.
E. Partnering is the key to building repeat business and referrals.
    Note: The partnering concept is covered in more detail in Chapter 3.
F. 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. Strategic account management is usually led by a **Strategic Account Manager,** (SAM).
        a. Execute an enterprise-wide sales strategy for growth, profitability, customer loyalty, and customer-driven innovation.
        b. Key element of strategic account management is involving senior level management on the sales and buying teams in relationship development, product configuration, and service after the sale.

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c. Technical sales-support personnel are also an important part of the strategic account management team.

3. Other strategic account management roles and titles are:
   a. **Regional Account Manager** (RAM): part of a larger sales team and acts as the direct client contact and manager of a number of business accounts.
   b. **Key Account Manager (KAM):** responsible for the coordination and management of a company's prioritized accounts.
   c. **National Account Manager (NAM):** responsible for recruiting and negotiating various business transactions and sign on new regional and national retailers.
   d. **Global Account Manager (GAM)**: key account manager specialized on a specific product portfolio not on a given customer or geography.
4. Partnering is enhanced with high ethical standards.
5. Partnering is enhanced with **customer relationship management (CRM).**
   a. Sometimes referred to as "sales automation"
   b. System used for building and maintaining strong customer relationships while adding customer value.

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:
   1. Understanding customer's value needs.
   2. Creating the value proposition.
   3. Communicating the value proposition.
   4. Delivering the value proposition.

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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. Also, 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

Marketing concept, p. 31: The *marketing concept* is the belief that a firm should dedicate all its policies, planning, and operations to the satisfaction of the customer.

Marketing mix, p. 32: The *marketing mix* is a set of controllable, tactical marketing tools that consists of everything the firm can do to influence the demand for its product. The many possibilities can be organized into four groups of variables: *product, price, place,* and *promotion*.

Consultative selling, p. 33: *Consultative selling,* which emerged in the late 1960s and early 1970s, is an extension of the marketing concept. This approach emphasizes need identification, which is achieved through effective communication between the salesperson and the customer.

Transactional selling, p. 33: *Transactional selling* is a sales process that most effectively matches the needs of the value-conscious buyer who is primarily interested in price and convenience.

Strategic planning, p. 35: *Strategic planning* is the process that matches the firm's resources to its market opportunities.

Tactics, p. 35: *Tactics* are techniques, practices, or methods you use when you are face-to-face with a customer.

Strategy, p. 35: A *strategy,* on the other hand, is a prerequisite to tactical success.

Adaptive selling, p. 35: *Adaptive selling* is another key element of the "problem-solver stage." Adaptive selling can be defined as altering sales behaviors during a customer interaction in order to improve communication.

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Relationship strategy, p. 37: A relationship strategy is a well-thought-out plan for establishing, building, and maintaining quality relationships.

Relationship selling, p. 37: *Relationship selling is* a form of personal selling that involves securing, developing, and maintaining long-term relationships with customers.

Product strategy, p. 38: The *product strategy* is a plan that helps salespeople make correct decisions concerning the selection and positioning of products to meet identified customer needs.

Customer strategy, p. 38: A *customer strategy* is a carefully conceived plan that results in maximum responsiveness to the customer's needs.

Presentation strategy, p. 39: The *presentation strategy* is 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 provide outstanding customer service.

Partnering, p. 40: *Partnering* is a strategically developed, long-term relationship that solves the customer's problems.

Strategic Account Management, p. 40: A strategic selling alliance also called *strategic account management* is usually led by a Strategic Account Manager (SAM).

Information economy, p. 43: 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.

MyMarketingLab

To complete the problems with the * in your MyLab, go to the EOC Discussion Questions.

ANSWERS TO REVIEW QUESTIONS

✪ **2-1** Why is peddling or "pushing products" inconsistent with the marketing concept?
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 Describe how new models of selling emerged in response to the marketing concept.
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.

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✪ **2-3** Describe the importance of personal selling as a part of the marketing concept.
Personal selling is the point at which the marketing concept is implemented. A personal selling philosophy that is centered 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 What is consultative selling? Give examples.
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 Diagram and label the four-step Consultative Sales Presentation Guide.
The four steps include: need discovery, selection of product, need-satisfaction presentation, and servicing the sale.

2-6 List and briefly explain the four broad strategic areas that make up the selling process.
The four broad strategic areas that make up the selling processes 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 Briefly describe the evolution of partnering. Discuss the forces that contributed to this approach to selling.
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 Provide a brief description of value-added selling. What economic forces have motivated companies to adopt value-added selling?
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 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** Explain why the ethical conduct of salespeople has become so important today.
Because salespeople are a vital link between a company and its customers, buyers will usually form impressions about the company based on the salesperson.

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SUGGESTED ANSWERS FOR APPLICATION EXERCISES

2-10. Assume that you are an experienced professional salesperson. A professor who teaches at a nearby university has asked you to speak to a consumer economics class about the benefits of personal selling to customers. Make an outline of what to say.

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.

2-11. A friend of yours has invented a unique and useful new product. This friend, an engineer by profession, understands little about marketing and selling this new product. She does understand, however, that "nothing happens until somebody sells the product." She has asked you to describe the general factors that need to be considered when you market a product. Prepare an answer to her question.

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.

2-12. Sharon Alvarez has been teaching college biology courses. She is offered a position selling pharmaceutical products. This position requires that she call on doctors and pharmacists to explain her product line. Describe the similarities and the differences between personal selling and teaching.

In teaching and selling, Sharon 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.

2-13. To learn more about industry-based, global, sales-training programs, access www.wilsonlearning.com. Click on the "Sales Effectiveness" link and examine the content of the various sales courses offered throughout the world by this company. From this review, describe the similarities between what this company offers and the material in this chapter.

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.

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ROLE-PLAY EXERCISE

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

2-14. 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.

2-15. Smith has adopted the win-win philosophy; projects a professional image; and maintains high ethical standards. See page 36 for a description of why a relationship strategy is especially important in personal selling.

2-16. 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.

2-17. 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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