NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: MKT 730

COURSE TITLE: SALESMANSHIP

COURSE MATERIAL DEVELOPMENT

MKT 730

SALESMANSHIP

COURSE GUIDE

Course Developer/Course Writer: **ADEGBOLA, EUNICE ABIMBOLA**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Editor **PROFESSOR K. OSHOTIMEHIN**

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE

Programme Leader: **PROFESSOR IYABO OLOJEDE**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Coordinator: GANA, M.A.

NATIONAL OPEN UNIVERSITY OF NIGERIA

TABLE OF CONTENT

COURSE GUIDE

Introduction

This course guide tells you the nature of the course, the materials you are going to use and how you are expected to use the materials for meaningful benefits. It is expected that at least three hours should be devoted to the study of every unit. For each course units there are exercises. You are encouraged to do these exercises. They serve as points of reflections, which are necessary for proper understanding of the facts.

At the end of each unit, there are tutor-marked assignment, which you are expected to answer. They serve as revision and continuous assessment. Tutorial lectures will be provided. This is the opportunity you have for a face-to-face contact with your facilitator. Any area you did not understand will be explained during the tutorial classes.

Course Aims

The course aims at exposing you (students) to the necessary information that will add to the students' knowledge on marketing ethics and social responsibility. The aim of the course will be achieved by:

Introducing you to the concept and principles of salesmanship.

Explaining the meaning and purpose of salesmanship. Knowing the framework for understanding the personal selling process.

Knowing the various groups towards whom business must show responsible behaviour.

Explaining recruitment and selection of salesmen.

Detailing the various problems of implementing good salesmen compensating plan.

Analyzing the various challenges of forecasting and planning

Explaining marketing strategy, communication and relationship management.

Knowing the ethical issues in marketing management.

Course Objectives

By the end of this course, you should be able to:

1. Define salesmanship
2. Explain the Salesforce management
3. Discuss Salesforce management system
4. Discuss Recruitment and selection of salesmen
5. Explain salesmen performance appraisal
6. Discuss the principles of salesmanship
7. Identify product pricing decisions
8. Discuss sales quota and analysis
9. Explain international marketing
10. Discuss relationship management and ethical issue in marketing

COURSE MATERIALS

1. Course Guide
2. Study units
3. Textbooks

4. Assignment files
5. Tutorials

STUDY UNITS

There are twenty-one study units into four modules as shown below:

MODULE 1

MODULE 1:	OVERVIEW AND FUNDAMENTALS OF SALESMANSHIP
UNIT ONE:	INTRODUCTION TO SALEMANSHIP
UNIT TWO:	FUNDAMENTALS OF SALEMANSHIP
UNIT THREE:	SALESFORCE MANAGEMENT
UNIT FOUR:	SALES FORCE MANAGEMENT SYSTEM
UNIT FIVE:	RECRUITMENT AND SELECTION OF SALESMEN
UNIT SIX:	SALESMEN TRAINING AND MOTIVATION

MODULE TWO	**CONCEPTS AND PRINCIPLES OF SALESMANSHIP**
UNIT ONE:	EVALUATING SALESPEOPLE (PERFORMANCE APPRAISAL)
UNIT TWO:	PRINCIPLES OF SALESMANSHIP
UNIT THREE:	PRODUCTS DESIGN ANS DECISION
UNIT FOUR:	PRODUCTS BRANDING

UNIT FIVE: PRODUCT PACKAGING

UNIT SIX: PRICING DECISION

MODULE THREE: SALES FORCE RECORDS, APPRAISAL AND ANALYSIS

UNIT ONE: PRODUCT PRICING STRATEGIES

UNIT TWO: SALES BUDGETING

UNIT THREE: SALES FORECASTING AND PLANNING

UNIT FOUR: SALES QUOTA AND ANALYSIS

UNIT FIVE: SALES RECORD

MODULE FOUR MARKETING COMMUNICATION AND STRATEGY

UNIT ONE MARKETING STRATEGY

UNIT TWO INTERNATIONAL MARKETING

UNIT THREE COMMUNICATION IN MARKETING

UNIT FOUR RELATIONSHIP MARKETING AND MARKETING ETHICS

For each study unit, which you are expected to spend at least three hours, there are specific objectives. At the end of this unit, measure what you have learnt against the objectives. If there is any deviation go back to the contents of the unit. There are textbooks, which you may go for additional information.

The exercise in each unit have to be attempted to ensure that you are following the ideas being presented. In addition, there tutor-marked assignments. You are entreated to attempt them, as some of them will form part of the continuous assessment.

Assignment File

There will be four assignments, which will cover the following areas:

1. OVERVIEW AND FUNDAMENTALS OF SALESMANSHIP (unit 1,2,3,4,5, and 6 of module one)
2. CONCEPTS AND PRINCIPLES OF SALESMANSHIP (units 1,2,3,4,5 and 6 of module two).
3. SALES FORCE RECORDS, APPRAISAL AND ANALYSIS(unit 1,2,3,4,and 5 of module three)
4. MARKETING COMMUNICATION AND STRATEGY. (unit 1,2,3, and 4 of module four)

PRESENTATION SCHEDULE

This concerns date for tutorials, submission of assignment to be sent to you in due course.

ASSESSMENT

This will be in two forms

1. The continuous assessment, which will be based on 30%.
2. The final semester examination as you have completed the material 70%

TUTOR-MARKED ASSIGNMENT

There is TMA at the end of each unit and you are to submit the four. Each of them is 10%. As soon as you complete your assignment, send it immediately to the tutor. The best three (3) will be selected for continuous assessment purpose.

FINAL EXAMINATION PURPOSE

The final examination of MKT 730 will be of three hour duration and have a value of 70% of the total course grade. The examination will consist of questions which reflect the type of self-testing, practice exercises and tutor-marked problems you have come across. All areas of the course will be assessed.

You are advised to revise the entire course after studying the last unit before you sit for the examination. You will find it useful to review your tutor-marked assignments and the comments of your tutor on them before the final examination course overview.

This table brings together the units, the number of weeks you should take to complete them, and the assignments that follow them.

	TITLE OF THE WORK	**WEEKS ACTIVITY**	**ASSESSMENT END OF UNIT**
	MODULE 1: Overview And Fundamentals Of Salesmanship		
1.	Introduction To Salesmanship	1	
2.	fundamentals of salesmanship	1	
3.	Salesforce Management	1	

4.	Sales Force Management System	1	1st Assignment
5.	Recruitment And Selection Of Salesmen	1	
6.	Salesmen Training And Motivation	1	
	Module II: CONCEPTS AND PRINCIPLES OF SALESMANSHIP		
1.	Evaluating Salespeople (performance appraisal)	1	
2.	Principles Of Salesmanship	1	
3.	Products design and decision	1	
4.	products branding	1	2nd Assignment
5.	product packaging	1	
6.	Product Pricing Decision	1	
	Module Three: Sales Force Records, Appraisal And Analysis		
1.	Product Pricing Strategies	1	
2.	Sales Budgeting	1	
3.	Sales Forecasting and Planning	1	3rd Assignment
4.	Sales Quota and Analysis	1	
5.	Sales Record	1	
	Module four Marketing Communication and Strategy		
1.	Marketing Strategy	1	
2.	International Marketing	1	
3.	Communication In Marketing	1	4th Assignment

4.	Relationship Marketing And Marketing Ethics	1	
	Revision	1	
	Total	**22**	**4 Assignment**

HOW TO GET THE MOST FROM THIS COURSE

In Distance Learning the study units replace the University lecturer. This is one of the greatest advantages of distance learning; you can read and work through specially designed study materials at your pace, and at a time and lace that suit you best. Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tells you when to read your set books or other material.

Just as a lecturer might give you an in-class exercise, you study units provide exercise for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objective to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. If you make a habit of doing this you will significantly improve you chances of passing the course. The main body of the unit guides you through the required reading from other sources.

READING SECTION

Remember that you tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

1. Read this course guide thoroughly.
2. Organise a study schedule. Refer to the "course overview" for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Whatever method you choose to use, you should decide on and write in you own dates for working on each unit.
3. Once you have created your own study schedule, do every thing you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule , please let your tutor know before it is too late for help.
4. Turn to unit I and read the introduction and the objectives for the unit.
5. Assemble the study materials. Information about what you need for a unit is given the "Overview" at the beginning of each unit. You will almost always need both the study unit you are working on and one of your set books on your desk at the same time.
6. Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.

7. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about and of the objectives, review the study material or consult your tutor.
8. When you are confident that you have achieved a unit's objectives, you can start on the next unit. Proceed unit by unit through the course and try to space your study so that you keep yourself on schedule.
9. When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor's comments. Consult your tutor as soon as possible if your have any questions or problems.
10. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objectives (listed in the course Guide).

TUTOR AND TUTORIALS

There are 8 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignment, keep a close on your progress and on any difficulties you might encounter and provide assistance to you during the course.

You must mail your tutor-marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

CONTACT YOUR TUTOR IF:

- You do not understand any part of the study units or the assigned readings.
- You have difficulty with the self-tests or exercises.
- You have a question or problem with an assignment with your tutor's comments on an assignment or with the grading of an assignment.
- You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will gain a lot from participating in discussion activity.

SUMMARY

Salesmanship refers to the job skills, work habits, and ethics of a business sales representatives. Sales representatives with strong salesmanship qualities are able to reliably attain their sales objectives and maintain good relationships with their clients.

Salesmanship is basically the ability skill or a technique of selling. Personal selling puts the consumer face-to-face with the seller under

COURSE MATERIAL DEVELOPMENT

MKT 730

SALESMANSHIP

COURSE GUIDE

Course Developer/Course Writer: **ADEGBOLA, EUNICE ABIMBOLA**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Editor **PROFESSOR K. OSHOTIMEHIN**

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE

Programme Leader: **PROFESSOR IYABO OLOJEDE**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Coordinator: GANA, M.A.

NATIONAL OPEN UNIVERSITY OF NIGERIA

MODULE FOUR **MARKETING COMMUNICATION AND STRATEGY**

UNIT ONE MARKETING STRATEGY

UNIT TWO INTERNATIONAL MARKETING

UNIT THREE COMMUNICATION IN MARKETING

UNIT FOUR RELATIONSHIP MARKETING AND MARKETING ETHICS

UNIT ONE **MARKETING STRATEGY**

CONTENTS

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Definition and meaning of marketing strategy

3.2 Company wide strategic planning and its four steps

3.2.1 Defining a market oriented mission

3.2.2 Setting objectives and goals

3.2.3 Designing the business portfolio

Planning marketing and other functional strategies

3.2.4 (Developing strategies for growth and downsizing)

3.3 Marketing strategy and the marketing mix i.e. building a consumer driven marketing strategy

3.3.1 Market segmentation

3.3.2 Target marketing

3.3.3 Market Differentiation and Positioning

3.4 Managing the marketing effort

3.4.1 Marketing Analysis

3.4.2 Marketing Planning

3.4.3 Marketing Implementation

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 Reference/Further Reading

1.0 INTRODUCTION

A marketing strategy is the planning and deployment methods used to obtain customers for an organisation. The marketing strategy involves segmentation and targeting which market will be most beneficial to an organisation and then marketing to those markets. T he marketing strategy involves the planning of company positioning as well. Marketing is the process of planning and executing the conception, pricing, promotion and distribution (4ps) of ideas, goods and services to create exchanges (with customers) that satisfy individual and organisational objectives.

Exchange and utility encompass the criteria needed for an exchange to occur. It must have something of value to exchange. It needs to be able to communicate. It must be to exchange for instance under 21 drinking. At least two people are needed for an exchange to occur. The exchange process creates utility. Utility is the satisfaction, value or usefulness a user receives from a good or a service. When you purchase a vehicle, it saves you most time you could have spent either trekking to wherever you wish to go to or waiting at the bus-stop for public transport.

Marketing strategy must create a marketing mix (4ps);

Products – border lights a new menu of “light foods”

Price – value pricing as with their other menu items.

Promotion – various media and methods that are employed in announcing the arrival and location of a new product.

Distribution

According to the customer service institute, it costs as much as five times as much to acquire a new customer than it does to service the existing one.

2.0 OBJECTIVES OF THE UNIT

After studying this unit, you should be able to:

- Explain what is meant by marketing strategy
- Explain strategic planning and the four steps that are involved
- Discuss how business portfolios are designed and develop growth strategies.
- Explain the role of marketing in strategic planning
- Examine the elements of a customer driven marketing strategy and mix, and the force that influence it.
- Highlight the marketing management functions and the goal of marketing process.

3.0 MAIN CONTENT

3.1 Definition and meaning of marketing strategy

Market strategy refers to the type of market in which a firm wants to serve.

Strategy is a plan for achieving company's long run sales and profit objective. A company size of operations and position in a market determine its competitive strategy. Solid marketing strategy is the foundation of a well written marketing plan. A marketing strategy is the planning and development methods used to obtain customers for an organisation. While marketing plan contains a list of actions, a marketing plan without a sound strategic foundation is of little use.

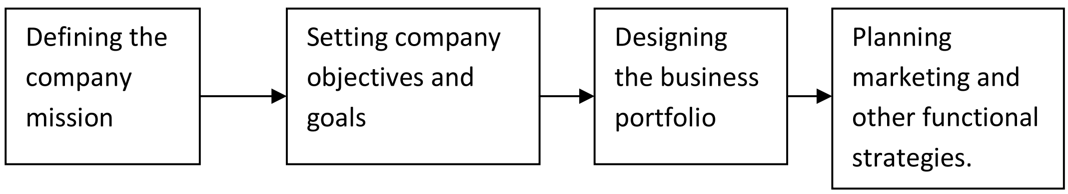
According to Daft, (2003), marketing strategy pertains to the mix of business units and products line that fit together in a logical way to provide synergy and competitive advantage of the firm.

3.2 THE MARKETING STRATEGIC PLANNING AND ITS FOUR STEPS

Strategic planning by definition is the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities. Strategic planning is an annual process, typically convering just the year ahead.

Occasionally, a few organisations may look at a practical plan which stretches three or more years ahead.

Steps in Strategic Planning



3.2.1 Defining a market –oriented mission

- Mission statement: Behind the corporate objectives which in themselves offer the main context for the marketing plan, will lie the "corporate mission” which in turns provides the context for these corporate objectives. In sales –oriented organisation, the marketing planning function designs incentive pay plans to not only motivate and reward front line staff fairly but also to align marketing activities be thought of what the organisation is, of what it does and our business is. This definition should not be too narrow or it will construct the development of the organisation.

Perhaps the most important factor in successful marketing is the “corporate vision” surprisingly, it is largely neglected by marketing textbook authors. Nothing drives progress as imagination. A high standard organisation has a string vision of where its future lies, then there is a good chance that the organisation will achieve a strong position in its markets and attain that future.

3.2.2 SETTING COMPANY OBJECTIVES AND GOALS.

The marketing objectives state just where the company intends to be at some specific time in the future.

James Quinn Succinctly defined objectives in general as: Goals or objectives state what is to be achieved and when results are to be accomplished, but they do not state how the results are to be achieved. They typically relate to what product or service will be where and in what markets and musty be realistically based on consumer behaviour in those markets).Objective for pricing, distribution, advertising and so on are at lower level and should not be confused with marketing objectives. Objectives should be capable of measurement and therefore quantifiable. This measurement may be in-terms of sales volume, money value, market share, percentage penetration of distribution outlets and so on. A example of such a measurable marketing objective might be to enter the market with product Y and capture 10% of the market by value within one year.

3.2.3 Designing the business portfolio

The Boston consulting group matrix (BCG) is a scheme which helps firms focus on two aspects or dimensions of a market. It is one of the most popular techniques for analyzing corporate strategy for managing its portfolio. Each business in the corporation is plotted on the matrix on the basis of:

- Growth rate of market/business
- Products relative market share.

The business is represented by a circle whose size depends on the business's contribution to corporate revenues (Bateman and Snell, 2009). Market/business growth rate pertains to how rapidly the entire industry is increasing. Marketing share defines whether a business unit has a larger or smaller share than competitor-rs.

The combination of high and low market share and high and low business growth rate provides four categories for a corporate portfolio.

LOW	**HIGH**
Question mark (?) Problem child (New ventures Risky – a few becomes stars, others are divested)	Rapid growth And expansion
DOGS (No investment keep if some profit, consider divestment)	**CASH COWS** (Milk to finance question marks and stars)

LOW → HIGH

Market share

- A dog is a firm's product which exists in slow market share, in a slow growing market. It is a poor performer since it is doing poorly in a weak performer since it is doing poorly in a weak market. The dog provides little profit for the corporation and may be targeted for divestment or liquidation if turnaround is not possible. For a company like Nigeria Brewery, its dog product is Heineken beer.
- The cash cow is a dominant business in the industry, but exists in a mature, slow growth industry with a high rate market share. Economics of scales are achieved with this product and a lots of money generated. It provides money to fund other products. For example, a firm like Nigerian Breqeries plc, its cash cow is a STAR larger Beer.
- A star is a business product that has a high market share in a rapidly growing or expanding market. The star is important because it has

additional growth potential, and profits should be ploughed into the business as investments for future growth and profits. The star is feasible and attractive and will generate a lot of money, just for its promotion but sometimes need resources from the cash cows, for example, a company like Nigerian Breweries, its star product is harp.

- Question mark are firm's products that exist in a new, rapidly growing industry but has only a low market value. The question-mark business is risky. It could become a star or could fail. The business can invest the cash earned from cash cows into question mark for sustainability. For example a firm like Nigeria Breweries plc, its problem child or question mark product is Farouz and Guiders.

3.2.4 Developing Strategies for Growth and Down Sizing

Beyond evaluating current business, designing the business portfolio involves finding business and products the company should consider in future. Companies need growth if they are to compete more effectively, satisfy their stakeholders and attract top talents.

Marketing has the main responsibility for achieving profitable growth for the company. The following are the useful approach for indentifying growth opportunities.

a. Product and market expansion grid

	Existing product	**New products**
Existing Markets	Market penetration	Products development
New Markets	Market development	Diversification

The product and market expansion Grid is a portfolio-planning tool for identifying company growth opportunities through market penetration market development, product development or diversification.

- Market penetration: Is a strategy for company growth by increasing sales of current products to current market segments without changing the product. It entails making more, sales to current customers without any modification of the products.
- Market Development: Identifying and developing new markets for its current products. For example, manages could review new demographic markets. Product development on the other hand, the management could consider offering modified or new products to current markets. For example, china produces Nokia cell phones at a reduced price to the world market.
- Diversification:- Is a strategy for company growth through starting up or acquiring business outside the company's current products and markets.

- Companies must not only develop strategies for growing their business portfolios but also strategies for downsizing them. Downsizing is a strategy which involves reducing the business portfolio by eliminating products of business units that are not profitable or that no longer fit the company's overall strategy.

3.3.0 BUILDING A CONSUMER DRIVEN MARKETING STRATEGY

3.3.1 Market segmentation: The market consists of many types of customers, products and needs. Market segmentation only helps to group consumers who have similar spending power and preferences. It involves dividing a market into district groups of buyers who have district needs, characteristics, or behaviour and who might require separate products or marketing programmes. A segment is a group of consumers who respond in a similar way to a given set of marketing efforts. Methods of market segmentation includes Age, Loyalty, Neighbourhood, Socio-economic status, Psychographics etc.

3.3.2 Target Marketing:- Market for a product must be understood before appropriate marketing programme can be developed.

After a company has defined market segments, it can enter one or many of these segments. Market targeting involves evaluating each market segments attractiveness and selecting one or more segments to enter. A company should target segments in which it can profitably generate the greatest customer value and sustain it over time.

A company with limited resources might decide to serve only one or a few special segments or "market niches". Such "niches" specialize in serving customer segments that major competitors overlook or ignore. Alternatively, a company might choose to serve. Several related segments-perhaps those with different kinds of customers but with the same basic wants.

3.3.3 Market Differentiation and positioning. Effective market positioning begins with differentiation, actually differentiating the company's market offering so that it gives consumers more value. Once the company has chosen a desired position, it must take strong steps to deliver and communicate that position to target consumers. The company's entire marketing programme should support the chosen positioning strategy.

Product positioning is arranging for a product to occupy a clean distinctive, and desirable place relative to competing products in the minds of target consumers.

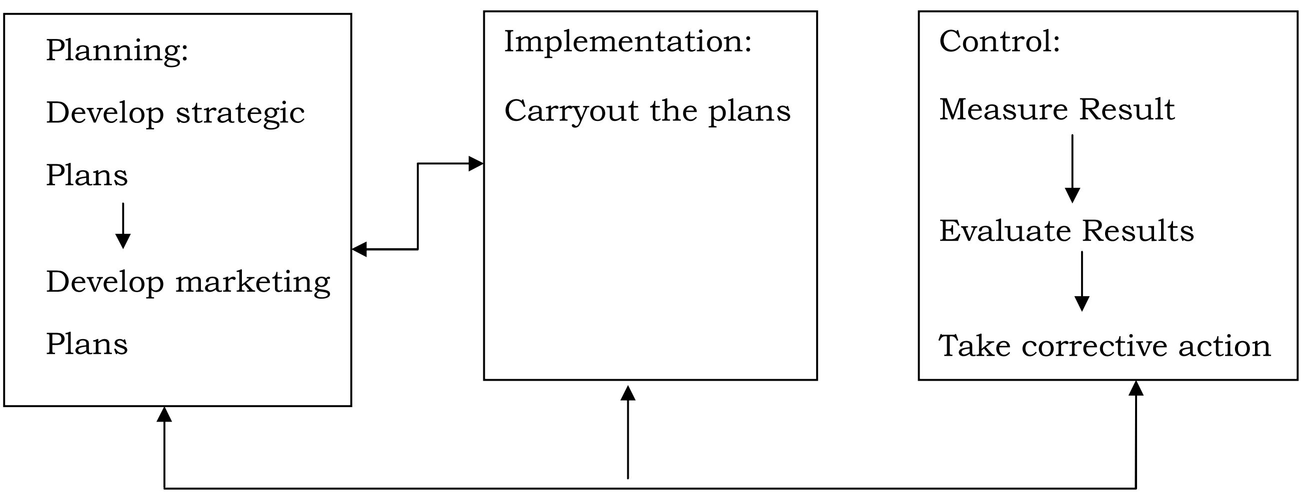
3.4.0 MANAGING THE MARKET EFFORT

A company must develop its strategic plans and then translates them into marketing and other plans for each division, product, and brand. Through implementation, the company turns the plans into actions as would be discussed below:

3.4.1 Marketing Analysis: The emphasis that corporations may like to have a balanced mix of business divisions known as SBUs. The PESTLE (political, Environmental, societal, technological, legal, economic) analysis which are identified as factors that influence the markets aid an organisation in positioning its market. Apart from the PESTLE analysis, other schemes such as The SWOT (Strength, Weakness, Opportunity and Traits) are used to evaluate the company's business environment. Strength and weaknesses are internal controllable forces within the organisation. While the Trait and Opportunity are exogenous uncontrollable forces that influence the activities of the company.

3.4.2 Marketing Planning: Through strategic planning, the company decides what it wants to do with each business unit. Marketing planning involves deciding on marketing strategies that will help the company attain its overall strategic objectives. A detailed marketing plan is needed for each business, product or brand. Marketing plan begins with executive summary, which quickly overviews major assessments, goals, and recommendations. See the figure below:

Analysis



3.3.4 Marketing Implementation

Planning good strategies is only a start toward successful marketing. A brilliant marketing strategy counts for little if the company fails to implement it properly.

Marketing implementation is the process that turns marketing plans into marketing actions in order to accomplish strategic marketing objectives. Whereas marketing planning addresses what and why of marketing activities, implementation addresses the who, where, when and how.

SELF ASSESSMENT EXERCISE

- The cash cows generate a lot of cash to fund other products. What is the management strategy for these types of products?

4.0 CONCLUSION

This unit has been broadly dealt with to expose you to marketing strategies and planning group matrix a strategy for improving business and market portfolios.

5.0 SUMMARY

Marketing plan of an organisation. It tells business owners where they want to go from the present. The marketing plan is a specific road map that is going to get them there. Marketing plan may be developed as a stand document or as part of a business plan. Either way, the marketing plan is a blue print for communicating the value of your products and/or services to your customers.

6.0 TUTOR MARKED ASSIGNMENT

TUTOR-MARKED ASSIGNMENT QUESTION

Write shot note on the following boston consulting group, product growth strategy:

- Cash cows
- Star product
- Question mark product

ANSWERS TO SELF ASSESSMENT EXERCISE

- Keep cash cows (such products) productive through new versions
- Maintain customer interests
- Cut promotion and production cost as necessary harvest and use the cash flows as much as possible to maintain its leadership position

7.0 REFERENCE/FURTHER READING

Akeke Niyi (2009): Essentials of corporate Strategy and Policy

Rakson Nig. Ltd., Mushin, Lagos.

G.U. Onwuchuruba (2003); Marketing management (Strategic Planning Approach) Sewd. Marketing and Management services, Ikeja.

Philip Kotler and Gary Armstrong (2008); Principles of management 12th edition, prentice hall Inc.

UNIT TWO INTERNATIONAL MARKETING

CONTENTS

1.0 INTRODUCTION

International marketing or Global marketing refers to marketing carried out by companies over seas or across national boarders. This strategy uses an extension of the techniques used in the home country firm.

It is refers to the firm-level marketing practices across the boarder including market identification and targeting, entry mode selection, marketing mix, and strategic decisions to complete in international markets. According to American marketing Association (AMA).

International Marketing is the multinational process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisation objective. In contrast to the definition of marketing only the word multinational has been added. In simple words international marketing is the application of marketing principles to across national boundaries.

However, there is a crossover between what is express as international marketing and global marketing, which is a similar term.

The intersection is the result of the process of internalization. Many Authors see international marketing as a simple extension of exporting, whereby the marketing mix 4P'S is simply adapted in some way to take into account differences in consumers and segments. It then follow that global marketing takes a more standardized approach to world markets and focuses upon sameness, in other words the similarities in consumers and segments.

2.0 OBJECTIVES OF THE UNIT

After studying this unit, you should be able to:

- Define and explain international marketing
- Identify the major tasks of international marketing
- Discuss how the international trade system and the economic, political-legal and cultural environments affect a company's international marketing decisions.
- Describe the approaches to entering international markets.
- Explain how companies adapt their marketing mixed for international markets.
- Identify the three major forms of international marketing organisaitons.

3.0 MAIN CONTECT

3.1 DEFINTION, NATURE AND SCOPE OF INTERNATIONAL MARKETING

If one talks in general terms, global and international marketing are used interchangeable nowadays. But considering it in the perspective of marketing theories, international marketing was a stage in the evolution of Global marketing. Let us see how,

Stage 1 – Domestic Marketing: Companies manufacturing products and selling those within the country itself so, no international phenomenon at all:

Stage2: Export marketing: company starts exporting products to another countries also. This is the very basic stage of global marketing. Approach of marketer in this stage is said to be "ethnocentric" because although he is selling goods to foreign countries, product development is totally based upon the taste of local customer. So, focus is still on domestic market.

Stage 3: International marketing: Now, company start selling products to various countries and the approach is "polycentric: i.e. making different products for different countries.

Stage 4: Multinational marketing: Now in this stage, the number of countries in which the company is doing business gets bigger than that in earlier stage. And so, instead of producing different goods for different countries companies try to identify different regions for which it can deliver same product. So same product for countries lying in one region but different from product offered in countries of another region. E,g a company may decide to offer same product to Nigeria, Ghana, and Benin Republic if it thinks the taste of people of these countries is same byt at the same time offering different products for European countries. This approach is called "region centric approach.

Stage 5: Global Marketing: This is the final stage of evolution. In this stage company really operates in a very large number of countries and for the purpose of achieving cost efficiencies it analyses the requirement and taste of customers of all the countries and come out with a single product which can satisfy the needs of all. This approach is called "Geocentric" approach.

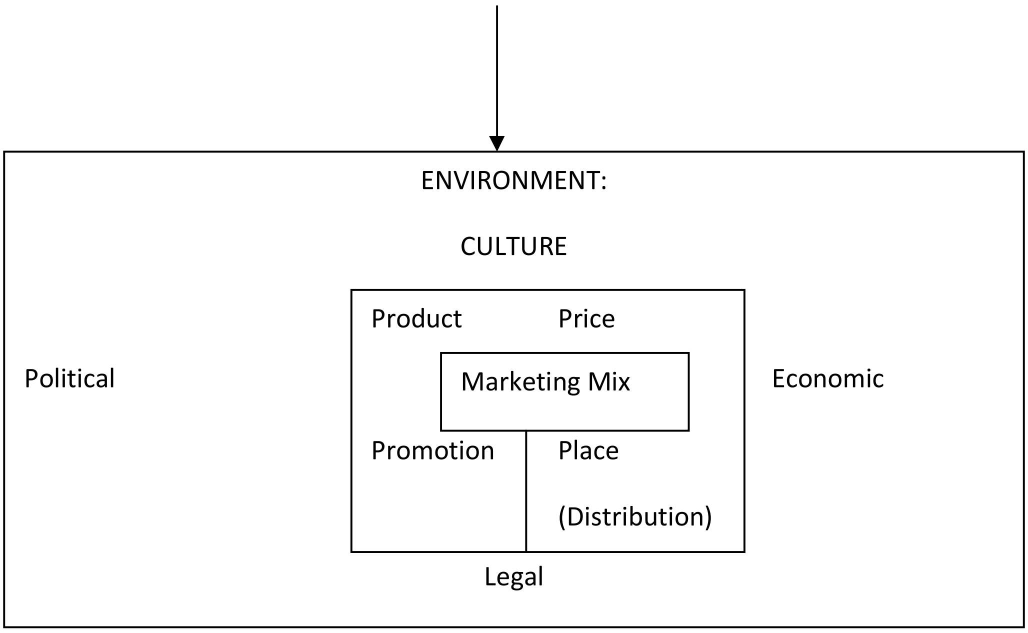
So, one main difference between international marketing and Global marketing is the approach of the marketer. A truly global company instead of offering different products to different countries as in international marketing, develops and offers a single product to the world.

In summary, Nwokoye (1981) says and form of marketing conducted beyond boundaries is international marketing.

3.2.0 THE TASK OF INTERNATIONAL MARKETING

ORGANISATION:

Controllability determined by method of entry and level of involvement



3.3.0 INTERNATIONAL MARKETING ENVIRONMENT

The Nigeria firm operating international must analyse the environment in which they will be operating. This involvement will largely determine the action they would take and the kinds of adaptation they must make. The major factors involved in this international environment will explained in the following section.

3.3.1 Culture Environment: When a marketing operations extend beyond its own domestic fromtiers there are always problems related to differences in customs and habits. While operating in its domestic market the organisation has the advantage of being a part of the dominant culture and understanding. When a company goes international, here is no such advantage understanding ignorance of culture differences can lead to the most elementary and expensive marketing mistakes. Seven elements of culture which need careful attention include material culture referring to tools and artifacts. For example, the technology gap between the Nor and South represents a difference in material culture. Other elements are language, aesthetics (referring to such things as colour, design music, brand names etc) education (referring to the degree of illiteracy), religion, attitudes and values, social organization etc.

3.3.2 Economic Organisation: this relates to import controls set by foreign government, export controls set by domestic government to control the exit of products, exchange controls and regional economic grouping such as ECOWAS, EEC etc. It also includes inflation and other necessary economic indicators. Every year, the federal Government of Nigeria announces its annual budget, the following day or thereafter the finance minister would address the nation, listing items of products that are prohibited for importation and other guidelines for its implementation. Some of these controls are discussed below:

- Import controls organisation: These are set by the foreign government in terms of tariffs or quotas and are intended either to protect home industries or earn revenue. They usually affect the price or quantity of imported goods available for sales in the country, thereby making them competitive against locally produced goods, other things being equal. This may no be true in a country with a level of smuggling as it is in Nigeria at present.

- Export controls: These are set by domestic government to control the exit of products considered sensitive, such as high technology in United State of America and armaments in other advanced countries. Some West African countries do not permit the export of some agricultural staple food items in order to reserve them for local consumption, others are:
- Exchange control and inflation.

3.3.3 The Political/Legal: The role of government in the economy differs from country to country from relative freedom of operations to complete state of control of all businesses, including all distribution channels.

Political stability is very necessary if the company is considering any sizeable investment in foreign market. It needs to know that it will be able to stay long enough to recover and make a return on the investment without the danger of expropriation or nationalization. In this direction also the company going to market its products abroad should consider taxation, patent and trademarks law, foreign law bothering on immigration, etc there are other marketing environment variables to be considered but those discussed above are the most important.

3.4.0 DECISIONS ON METHODS OF ENTERING FOREIGN MARKET

After the decision to invest has been made, the exact mode of operation has to be determined. The risks concerning operation in the foreign market is often dependent on the level of control a firm has, coupled with the level of capital expenditure outlayed. The principal modes of engagement are listed below:

3.4.1 Indirect Exporting: this takes place when a company's products are sold in a foreign market but no special export activity is carried out by the company itself. The actual exporting can be done by a specialized export house, by a special buying group working on behalf of overseas clients or by what we call "piggyback" exporting where another often a larger company includes the product along side its own and export actively.

3.4.2 Direct Exporting: This involves a firm shipping goods directly to a foreign market. A firm employing indirect exporting would utilize a channel. Intermediary, who in turn would disseminate the product in the foreign market. From a company's stand point, exporting consist of the least risk. This is so since no capital expenditure or outlay of company finance on new current assets, has necessarily taken place. Thus, the likelihood of sunk costs, or general barriers to sunk costs, or general barriers to exit, is slim. Conversely, a company may possess less control when exporting into a foreign market.

3.4.3 Marketing Subsidiary: The decision to take up marketing subsidiary will be take when a market shows sufficient potential. The subsidiary operates under the company direct control within the market in question. A marketing subsidiary receives product from outside the market but can operate as effectively as the local companies with its own sales force, advertising after sales service and full facilities.

3.4.4. Marketing Subsidiary plus local assembly: By this method, a company continues to make its products components at home while assembling them aboard into final product. This method is used extensively by the Motor industry such as ANAMCO, VOLSWAGEN Nigeria Plc, Guinness Nigeria Plc, and Coca-cola. Its economy is derived from reduction on transport costs, opportunity to avoid some of the tarrif barriers, thereby making the final product more price competitive in the local market.

3.4.5. Licensing: this enables and organisation to obtain local manufacture without a capital investment on its part. In licensing agreement, the licensor (International company) will normally receive royalties of sales of the product and the licenses (local company) normally receives either the patent rights, the trademark rights, copy rights or the technical know-how with the right to produce and market the licensor's product in a pre-determined market.

3.4.6 Joint Ventures: A joint venture is a combined with the aim of mutual benefit from a given economic activity. Some countries often mandate that all foreign investment within it should be via joint ventures (such as India and the people's Republic of China). By comparison the level of risk is also increased.

3.4.7 Wholly owned operation: This represents the greatest commitment to foreign markets by the international company and may be achieved by acquisition.

3.4.8 Direct Investment: In this mode of engagement, a company would directly construct a fixed/Non-current asset within a foreign country, with the aim of manufacturing a product within the overseas market.

Assembly denoted the literal assembly of completed product. An example of this is the Dell Corporation. Dell possess plant in countries external to Nigeria, however it assembles personal computers and does not manufacture them from scratch. In other words,, it attains parts from other firms, and assembles a personal computer's constitutent parts (such as a motherboard, monitor, CPU, RAM, Wireless card, modem, sound card etc). Within its factories, manufacturing concerns the actual forging of a product from scratch. Direct investment has the most control and the most risk attached. As with any capital expenditure, the return on investment (defined by the payback period, Net present value, Internal Rate of Return, etc) has to be ascertained, in addition to appreciating any related sunk costs with the capital expenditure.

3.5.0 THE INTERNATIONAL MARKETING MIX

When launching a product into foreign markets do you standardize or adapt your marketing mix to the foreign market? A company can simply adopt to use a standardized marketing mix around the world an adapted marketing mix in each country.

3.5.1 International product strategy/policy

Basic marketing concept tells us that we will see more of a product if we aim to meet the needs of our target market. In international market, we have to take into consideration consumers cultural background, buying habits, level personal disposable income etc in order to deliver a tailored marketing mix programmes to suit their needs.

The arguments however for standardization suggests that if you go through the process of adapting the product to local markets it does little but add to the overall cost of producing the product and weakens the brand on the global scale. In today's global world, where consumers travel more, watch satellite television, communication and shop internationally over the internet, the world now is becoming a lot smaller. Because of this there is no need to adapt products to local markets. Brand such as coca-cola, MTV, NIKE, Levis are all successful global brands where they have a standardized approach to their marketing mix, all these products are targeted at similar groups globally.

3.5.2 International pricing Strategies/Policies

Pricing on an international scale is difficult. As well as taking into account traditional price consideration, (marketing mix pricing): Fixed and variable costs, competition, company objectives, proposed positioning strategies, target group and willingness to pay. The organisation needs to consider the costs of transportation, any tariffs or import duties (VAT) that may be levied on their products when they are sold on the international scale. Also what currency d you expect to be paid in (home or international currency). Here, exchange rate fluctuation will also impact profitability and influence pricing decision. Other factors to consider include: local incomes, and the general economic situation of the country.

3.5.3 International Distribution Strategies/Policies: This will depend on the method of entering foreign market. In indirect export, for example the distribution policy is controlled by the agent or a specialized export house. The international company determines and control distribution policies in direct export. The size, number and efficiency of existing intermediaries will affect the organisation distribution strategy.

3.5.4 International Promotional Policies: Promotion is normally aimed at enhancing the image of the company, its product and its brands. We have already seen that the situation of the company in terms of product line and brand names is often not the same from one market to another. As a result, promotional task will also differ from market to market. For example, certain constraints must be considered when decisions on adverting are to be made. They are language and media availability and agency availability.

3.5.5. International Marketing Information Strategy: The amount of information required by the organisation will depend on its level of involvement in international marketing: This, in turn is largely determined by the chosen level of the foreign market entry. In addition to the kinds of information required for normal domestic marketing operations, the organisation must also pay special attention to local culture and habits, the availability of distribution channels, media, raw materials and finance, etc as well as the present and likely future movements of exchange rates, foreign taxes, domestic controls and foreign political and economic situation

SELF ASSESSMENT EXERCISE

- What is international marketing?
- What is the major difference between international marketing and global marketing?

4.0 CONCLUSION

You have in this unit learnt about the nature and scope of international marketing. You are taken beyond marketing shore within the shore of Nigeria. The unit has exposed you to the mode of entry by organisations with their products into the world market and the relevant strategies or policies at stake-international: product strategy, pricing strategy, distribution policy, promotional strategy and marketing information.

5.0 SUMMARY

Trade is increasingly global in scope today. There are reasons (several) for this. One significant reason is technological because of improved transportation and communication opportunities today. Now consumers and business how have access to the very best products from many different countries. In part to accommodate these realities, countries in the last several decades have taken increasing steps to promote global trade through agreements such as the

General Treaty on Trade and Tariffs and Trade Organisations such as the World Trade Organisation (WTO).

6.0 TUTOR-MARKED ASSIGNMENT

- Discuss international product strategy as a major type of international marketing mix:

Answers to Self Assessment Exercise

Put succinctly, international marketing involves the firm in making one or more marketing mix decisions across national boundaries. At its most complex level, it involves the firm in establishing manufacturing facilities overseas and coordinating marketing strategies across the globe.

The major difference between international marketing and Global marketing is the approach of the marketer. Global marketing company only offers a single product to the world while international marketing company offers different products to different countries.

7.0 REFRENCE/FURTHER READING

Rakesh Mohan (2005): International Marketing, Oxford University Press, New Delhi and New York.

Shaw J. John (2009): International Marketing; analysis and strategy 4th Edition, P.3.

Jim Blythe (2002): the Nature of International Marketing 3rd Edition.

G. U. Onwuchuruba (2003): Marketing Management: Strategic Planning Approach. Servo marketing and management services.

UNIT THREE COMMUNICATION IN MARKETING

CONTENT

3.5.3 designing the message

3.5.4 message content

3.6.0 Establishing the total marketing communication budget.

3.6.1 Affordable Method

3.6.2 Percentage of sales method

3.6.3 Competitive –parity method

3.6.4 Objective and task method

3.7.0 Deciding on the marketing communication mix

3.7.1 Advertising

3.7.2 Sales promotion

3.7.4 Personal selling

3.7.5 Direct marketing

3.8 The Promotion mix strategies

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Readind

1.0 INTRODUCTION

Integrated Marketing Communication (IMC) is the coordination and integration of all marketing communication tools; avenues, functions and source within a company into a seamless programme that maximizes the impact on consumers and other end users at a minimal cost.

The starting point of the integrated marketing communication process is the marketing mix that includes different types of marketing, advertising, and sales efforts. Without a complete IMC plan there is no integration or harmony between client and customers. The goal of an organisation is to create and maintain communication throughout its own employees and throughout its customers. Integrated marketing communication is based on a master marketing plan. This plan should coordinate efforts in all components of the marketing mix. A marketing plan consists of the following steps: Situation analysis, marketing objectives and marketing budget.

IMC aims to ensure consistency of message and the contemporary use of media. The concepts include online and offline marketing channels. Online marketing channels include any marketing campaign or programs, from search engine optimization (SEO), pay-per-click, affiliate, email, banner to latest web related channels for Webninar, blog, micro blogging, RSS, Pod cast (IPOD, IPAD), internet, Radio and Internet TV. Offline marketing channels are traditional print (Newspaper, magazine), mail order, public relations, industry relations, billboard and traditional ratio and television. A company develops its integrated marketing communication program using all the elements of the marketing mix (product, price, place and promotion).

2.0 OBJECTIVES OF THE UNIT

Upon successful completion of this units, you should be able it

- Discuss the process and advantage of integrated marketing communications in communicating customer value.
- Define the five promotion tools and discuss the factors that must be considered in shaping the overall promotion mix.
- Outline the steps in developing effecting marketing communications.
- Explain the methods for setting the promotion bud get and factors that affect the design of the promotion mix.

3.0 MAIN CONTENT

3.1 definition and meaning of integrated marketing communication

What is IMC?

Integrated marketing communications is a process for managing customer relationships that drive brand value primarily through communication efforts. Such efforts often include cross functional process that create and nourish profitable relationships with customers and other stakeholders by strategically controlling or influencing messages sent to these groups and encouraging date –drive, purposeful dialog with them. Integrated marketing communication tools, avenues and sources within a company within a company into a seamless program in order to maximize the impact on end users at a minimal cost. This integration affects all forms business-to-business, marketing channel, customer-focused, and internally directed communication.

3.2 THE COMPONENTS OF INTEGRATED MARKETING COMMUNICATION

- The foundation – corporate image and brand management, buyer behaviour, promotions opportunity analysis.
- Advertising tools – advertising management, advertising design, theoretical framework and types of appeals, advertising design to include message strategies and executioner frameworks advertising media selection, also advertising re-enforces brand and form image.

- Promotional tools – trade promotions; consumer promotions. Personal selling databases marketing and customers, personal selling database marketing, and customer relations management, public relations and sponsorship programmes.
- Integrated tools – internet marketing; IMC for small business and entrepreneurship ventures evaluating and integrated marketing communication plans are vital to achieving success. The reasons for their importance begin with the explosion of information technologies. Channel power has shifted from manufacturer to retailers and to consumers.

Using out-side in thinking, integrated marketing communication is a data-driven approach that focuses on identifying consumer insights and developing a strategy with the right (online and offline combination) channels to forge a strangers brand – consumer relationship. This in reach consumers and understanding how and where they consume different types of media. Regression analysis and customer lifetime value are the key data elements in this approach.

3.3 IMPORTANCE OF INTEGRATED MARKETING COMMUNICATION

Several shifts in the advertising and media industry have caused IMC to develop into a primary strategy for marketers:

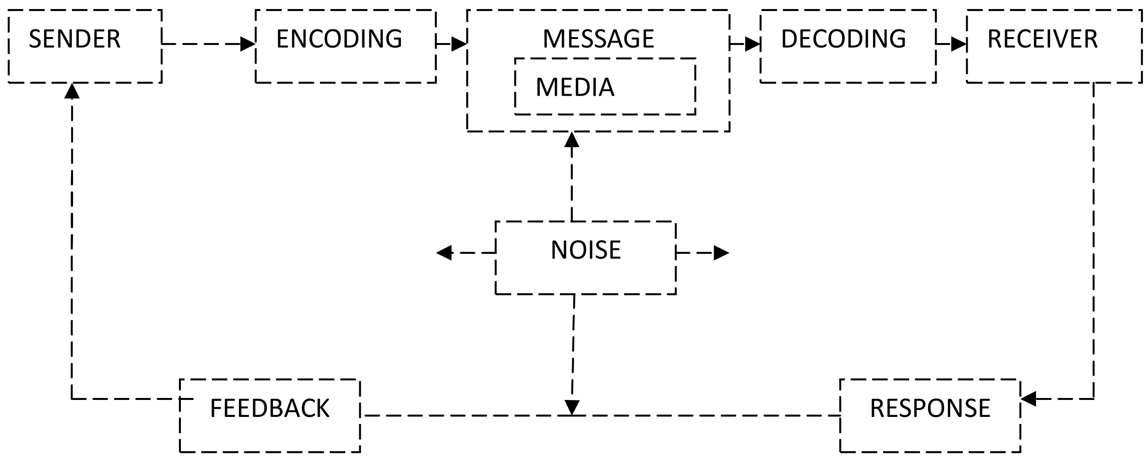
- From media advertising to multiple forms of communication.

- From mass media to more specialized (niche) media, which are centered on specific target audiences.
- From a manufacturer- dominated market to retailer –dominated, consumer controlled market.
- From general focus advertising and marketing to data-based marketing.
- From low-agency accountability to greater agency accountability, particularly in advertising.
- From traditional compensation to performance based compensation (increased sales or benefit to the company)
- From limited internet access to 24/7 internet availability and access to goods and services.

3.4 INTEGRATED MARKETING COMMUNICATION PROCESS

Because customers differ, communications programmes need to be developed for specific segments, niches and even individuals.

The communication process should start with an audit of all the potential contacts target customers may have with the company and its brands. For example, some one purchasing a new kitchen appliance may talk to others, see television ads , read articles and ads in newspapers and magazines, visit various websites and check out appliances in one or more stores. To communicate effectively, marketers need to understand how communication works. Two of the nine elements through which communication evolves are the major parties in a communication, the sender and the receiver. Another two are the major communication tools- the message and the media communication tools – the message and the media. Four more are major communication functions – encoding, decoding, response and feedback. The last element is noise in the system.



Sender's Field   Receivers' Field

Of experience   of experience

COMPONENTS IN THE COMMUNICAITON PROCESS

3.5.0 STEPS IN DEVELOPING EFFECTIVE COMUNICAITONS

There are eight steps in developing effective communications. The marketing communication must.

3.5.1 Identify the target Audience: This process must start with a clear target audience in mind, potential buyers of the company's products, current users deciders, or influences, individuals, groups, particular publics or the general public. The target audience is a critical influence of the communication's decisions on what to say, how to say it, when to say it, where to say it and to who to say it.

3.5.2 Determine the communication objectives: Once the target market and its perceptions are identified, the marketing communicator must decide on the desired audience response. The marketer can be seeking a cognitive affective or behavioural response.

That is, the marketer might want to put something into the consumer's mind, change and attitude, or get the consumer to act.

The target audience may be in any of six buyer-readiness stages, the consumers normally pass through on their way to making purchase. Thus.

Awareness ► knowledge► liking ⟶ preference → conviction → purchase

3.5.3 Design the message: Having defined the desired response, the communication moves to developing an effective message ideally, the message should gain attention, hold interest, arouse desire, and elicit action. In practice, few messages take the consumer all the way from awareness through purchase, but the AID framework suggests the desirable qualities of any communications. Formulating the message will require solving four problems. What to say (message content) how to say it logically (message structure) how to say it symbolically (message format) and who should say it (message source0.

3.5.4 Message Content: In determining message content management searches for as appeal theme idea, or unique selling propositions. There are three types of appeals, rational, emotional and moral.

- Rational Appeals Self-interest: They claim the product will produce certain benefits.
- Emotional appeals: Attempt to stir up negative or positive emotions that will motivate communicators also use positive emotional appeals such as humour, love, pride and joy. Evidence has not established that a humorous message is necessarily more effective than a straight version of the same message.
- Moral Appeals: are directed to the audience's sense of what is right and proper. They are often used to extort people to support social causes.
- Message format: The communicator must develop a strong message format. In a print the communicator has to decide on headline, copy, illustration and colour. If the message is to be carried over the radio, the communicator has to choose words, voice qualities and vocalizations.
- Message source: Message delivered by attractive or popular sources achieve higher attention and recall. This is why advertisers are often used as spokes peoples.
- Selecting communication channels: The communicator must select efficient communication channels to carry the message. For example,

pharmaceutical company sales-people can rarely rest more than ten minutes time from a busy physician.

3.6.0 ESTABLISHIGN THE TOTAL MARKETING COMMUNICATION BUDGET

One of the most difficult marketing decision is how much to spend on promotion. How companies decide on the promotion budget could be described in a common methods like affordable method, percentages of sales method.

3.6.1 Affordable Method: this method has to do with the management setting the promotion budget at the level management thinks the company can afford. Small business often use this method, reasoning that the company cannot spend more on advertising than it has. They start with total revenues deduct the operating expenses and capital outlays and then devote some portion of the remaining funds to advertising.

3.6.2 Percentage-of –sales method: Setting the promotion budget at a certain percentage of current or forecasted sales or as a percentage of the unit sales price.

The method is simple to use and helps management thinks about the relationships between promotion spending , selling price, and profit per unit. But this method wrongly vies sales as the cause of promotion rather than as the result. Thus, the percentage-of-sales budget is based on availability of funds rather than on opportunities.

3.6.3 Competitive-Parity Method: Two arguments support this method. First, competitors' budgets represent the collective wisdom of the industry. Second, spending what competitors spend helps prevent promotion wars.

Unfortunately neither argument is valid. There are no grounds for believing that the competition has a better idea of what a company should be spending on promotion than does the company itself.

3.6.4 Objective and task method:

The advantage of this method is that it force management to spell out its assumption about the relationship between naira spent and promotion results. But it is also the most difficult method to use. Often is is hard to figure out which specific tasks will achieve stated objectives. In the same vein, it is the most logical budget-setting method which entails developing the promotion budget by

- Defining specific objectives,
- Determining the tasks that must be performed to achieve the objectives and estimating the costs of performing these tasks.

3.7.0 DECIDING ON THE MARKETING COMMUNICATION MIX

Companies must allocate the promotion budget over the five promotional tools, such as advertising, sales promotion, public relations and publicity, sales force and direct marketing.

Companies are always searching for way to gain efficiency by substituting one promotional tool for another, many companies have replace some field sales activity with aids, direct mail and telemarketing. Each unique tool has its own unique characteristics and costs.

3.7.1 Advertising: Because of the many forms and uses of advertising, it is difficult to make all-embracing generalizations. Yet the following qualities can be noted, public presentation, pervasiveness, amplified, impersonality advertising can be used to build up a long term image for a product (coca-cola) or trigger quick sales (a sear ad for a weekend sale). Advertising efficiently reap on geographically dispersed buyers.

3.7.2 Sales Promotion: Although sales promotion tools – coupons, contest, premium ad the like are highly diverse, they offer three distinctive benefits: communication, incentive invitations. Companies use sales promotion tools to draw a stronger and quicker buyer response, sales promotion can be used for short-run effects such as to dramatise product offers and boost sagging sales.

3.7.3 Public Relations and Publicity: the appeal of public relations and publicity is based on three distinctive qualities: high credibility, ability to catch buyers off guard and organisation.

Marketers tend to under used public relations yet a well –throughout program co-ordinated with the both co-ordinated with the other promotion mix elements can be extremely effective.

3.7.4 Personal Selling: Personal selling is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction, and action, personal selling has three distinctive qualities. Personal confrontation, cultivation and response.

3.7.5 Direct Marketing: Although there are many forms of direct marketing- directional, telemarketing, internet marketing. They all share four distinctive characteristics. Direct marketing is: non public, customized, up-to-date and interactive.

3.8.0 PROMOTION MIX STRATEGIES

Marketers can choose from two basic promotion mix strategies – Push promotion or pull promotion. The relative emphases on the specific promotion tools differs for push and pull strategies. A push strategy involves "pushing" the product through marketing channels to final consumers. The producer directs its marketing activities (primary personal selling and trade promotion) toward channel members to include them to carry the product and the promote it to final consumers. A pull strategy is a promotion strategy that calls for spending a lit on advertising and consumer promotion to induce final consumers to buy the product. If the pull strategy is effective, consumers will them demand the product from channel members, who will in turn demand it from producers.

SELF ASSESSMENT EXERCISE

- What is integrated marketing communication?
- Itemise the major communication in marketing mix.

4.0 CONCLUSION

Modern marketing cause for more than developing a good product, pricing it attractively, and making it accessible companies must also communicate with present and potential stakeholders and the general public. Every company is inevitably cast into the role of communicator and promoter. This has broadly discussed the meaning of integrated marketing communication, the process and promotion mix strategies

5.0 SUMMARY

Integrated marketing communication is a concept that is designed to make all aspects of marketing communication such as advertising sales promotion public relations and direct marketing work together as a unified force, rather the permitting each to work in isolation. The American Association of Advertising agencies defined integrated marketing communications as the concept marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines (general adverting, and direct response sales promotion and public relations), and combines these disciples to provide clarity consistency and maximum communication impact.

6.0 TUTOR MARKED ASSIGNMENT

- Discuss the various promotion mix strategies you know.

Answers to self assessment exercise

Marketing Communication is a way of looking at the whole marketing process from the view point of the receiver. It is carefully integrating and coordinating the company's many communications channels to deliver a clear, consistent, and compelling message about the organisation and its products.

- The marketing communication mix consists of five major modes of communications – Advertising sales promotion, public relations, personal selling, direct marketing.

7.0 REFERENCE/FURTHER READING

Daramola, Y. (1996); Economic Recovery through Advertising, Advertising in Nigeria Vol. II, No. 4

Dicker, P. (1985); Fundamental of Modern Marketing 4th ed., Prentice Hall of India, New Delhi.

Evans, R.J. and Berman, B. (1990); Marketing, Macmillan a publishing company, New York.

G.U. Onwuchuruba (2003); Marketing management (Strategic planning approach) Serve marketing and management services Ikeja, Lagos.

UNIT FOUR RELATIONSHIP MARKETING MANAGEMENT AND MARKETING ETHICS

CONTENTS

1.0 INTRODUCTION

The more satisfied your customers are, the more likely they will continue to support your brand. And the old saying is true that is far more cost effective to retain customers and clients than continually source, new "one-off" transactions.

The Relationship management recommendations and strategies for managing customers relationship management systems(CRM).

- Creating and scheduling different activities for different customer groups.
- After sales activities –keep in touch programmes, regular communication and events.
- Training and support services for customer facing teams.
- Loyalty programmes and,
- Complaint management programmes.

Conscientious marketers face many moral dilemmas. The best thing to do is often unclear. Because not all managers have fine moral sensitivity, companies need to develop corporate marketing ethics policies. These are broad guidelines that everyone in the organization must follow. These policies should cover distributor relations, advertising standards, customer service, pricing, product development, and general ethical standards.

An enlightened company makes marketing decisions by considering consumer's wants and interests, the company's requirements and society's long-run interests (societal marketing). As such, the activities of marketing have to be regulated to shave off deceptive advertisement, marketing shoddy product and other unethical practices.

2.0 OBJECTIVES OF THE UNIT

After studying this unit, it is expected of you do be able to do the following:

- Define the relationship marketing and customer relationship management.
- Trace the Relationship Marketing Development
- Discuss the scope of relationship marketing management
- Explain the approaches to relationship marketing management
- Discuss customer retention and satisfaction
- Explain the efforts put forth towards retaining existing customers
- Discuss the application of relationship marketing management
- Explain the marketing live-in concept, and
- Describe the role of ethics in marketing

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF RELATIONSHIP MARKETING

Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions.

Students should not be confused with customer relationship management and relationship marketing. They both mean the same thing and can be used interchangeably.

As a practice, relationship marketing differs from other forms of marketing functions in that it recognizes the long term value of customer relationships and extends communication intrusive advertising and sales promotional messages.

With the growth of the internet and mobile platforms, relationship marketing management has continued to evolved and move forward as technology opens more collaborative and social communication channels.

This includes tools for managing relationships with customers that goes beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content, social media and application development). Relationship marketing is a broadly recognized, widely implemented strategy for managing and nurturing a company's interactions with clients and sales prospects. Is also involves using technology to organize, synchronize business process, (principally sales and marketing activities), and most importantly automate those marketing and communication activities on concrete marketing sequences that could run in autopilot also known as marketing sequences. The overall goals are to find, attract and win new clients, nurture and retain those the company already has, notice former clients back to the fold and reduce the cost of marketing and client services.

3.2.0 THE DEVELOPMENT OF RELATIONSHIP MARKETING

Relationship marketing refers to a long-term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. This approach attempts to transcend the simple purchase-exchange process with a customers to make more meaningful and richer contact by providing a more holistic, personalized purchase, and uses the experience to create stronger ties.

According to Liam Alvey, relationship marketing can be applied when there competitive product alternatives for customers to choose from; and when there is an ongoing and periodic desire for the product or service.

Fornell and Wernerfelt used the term “defensive marketing to describe attempts to reduce customer turnover and increase customer loyalty.

This customer retention approach was contrasted with “offensive marketing” which involved obtaining new customers and increasing customers’ purchase frequency. Defensive marketing focused on reducing or managing the dissatisfaction of your customers, while offensive marketing focused on “liberating” dissatisfied customers from your competition and generating new customers. There are two components to defensive marketing: increasing customer satisfaction and increasing switching barriers.

Modern consumer marketing originated in the 1960s and 1970s as companies found it move profitable to sell relatively low-value products to mass of customers.

Relationship marketing has also migrated back into direct mail, allowing marketers to take advantage of the technological capabilities of digital, toner-based printing presses to produce unique, personalized pieces for recipient.

3.3.0 THE SCOPE OR RELATIONSHIP MARKETING MANAGEMENT

Relationship marketing has also been strongly influenced by re-engineering. According to (process) re-engineering theory, organisation should be structure according to complete tasks and process rather than functions.

That is, cross-functional teams should be responsible for a whole process, from beginning to end, rather than having the work go from one functional department to another. Traditional marketing is said to use the functional (or solo") department approach.

According to Gordon (1999), the marketing mix approach is too limited to provide a usable framework for assessing and developing customer relationships in many industries and should be replaced by the relationship marketing alternative model where the focus is on customer's relationships and interaction over time, rather than markets and products.

In contrast, relationship marketing is cross-functional marketing. It is organized around process that involves all aspects of the organization. In fact, some authors prefer to call relationship marketing "relationship management". Relationship marketing involves the application of the marketing philosophy to all parts of the organisation (quality management, customer service management and marketing). Every employee is a "part time marketer" Regis Mcjenna (1991).

This means that marketing is not a function, it is a way of doing business. Marketing has to be all pervasive, part of everyone's job description, from the receptionist to the board of directors.

3.4.0 APPRAOCHES TO RELATIONSHIP MANAGEMENT (MARKETING)

Relationship marketing relies upon the communication and acquisition of consumer requirements solely from existing customers in a mutually beneficial exchange usually involving permission for contact by the customer through an "opt-in" system. With particular relevance to customer satisfaction the relative price and quality of goods and service produced or sold through a company alongside customer service generally determine the amount of sales relative to that of competing companies. Although groups target through relationship marketing may be large, accuracy of communication and overall relevance to the customer remains higher than that of direct marketing, but has less potential for generating new leads than direct marketing and is limited to viral marketing for the acquisition of further customers.

3.5.0 CUSTOMER RETENTION AND SATISFACTION

A key principle of relationship marketing is the retention of customers through varying means and practices to ensure repeated trade from pre existing customers by satisfying requirement above those of competing companies through a mutual beneficial relationship. This techniques is now used as a means of counterbalancing new customers and opportunities with current and existing customers as a means of maximizing profit and counteracting the "leaky bucket theory of business" in which new customers gained in older direct marketing oriented business were at the expense of or coincided with the loss of older customers. This "churning" process is less economical viable than retaining all or the majority of customers using both direct and relationship management as lead generation via new customers required more investment.

Relchhheld and Sasser claim that 5% improvement in customer retention can cause an increase in profitability of between 25 and 85 percent in terms of net present value.

Buchanan and Gilles posited that the increase in profitability associated with customer retention efforts occurs because of several factors that occur once a relationship has been established with a customer.

- The cost of acquisition occurs only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost.
- Account maintenance costs decline as a percentage of total costs or as a percentage of revenue.
- Long-term customers tend to be less inclined to switch, and also tend to be less price sensitive.
- Long-term customers may initiate free word of mouth promotions and referrals.

3.5.1 CUSTOMER RETENTION EFFORTS

Customer retention efforts involve the following considerations:

a. Customer valuation: Gordon(1999) describes how to value customers and categorize them according to their financial and strategic value so that companies can decide where to invest for deeper relationship and which relationship need to be served differently or even terminated.
b. Customer retention measurement: Dawkins and Reichheld (1990) calculated customer retention rate in terms of customers at the beginning of the year to those at the end of the year who are still customers. (customer life cycle value).
c. Determine reasons for customer defection e.g. benchmarking, analyzing customer complaints.
d. Develop and implement a corrective plan.

3.6.0 APPLICATION OF RELATIONSHIP MARKETING

Relationship marketing or transactional marketing are not mutually exclusive and there is no need for a conflict between them. A relationship oriented marketer still has choices at the level of practice, according to the situation variables. Most firms blend the two approaches to match their portfolio of products and services.

3.6.1 Internal Marketing

Relationship marketing also stresses what is call internal marketing. This refers to using a marketing orientation within the organisation marketing attributes like collaboration, loyalty and trust determine what “internal customers” team or department in the company is simultaneously as supplier and a customer of services and products. It helps employees understand the significance of their roles and how it relates to others.

3.6.2 Christopher Payne and Ballantyne Market Models

Christopher Payne and Ballantyne (1991) from Grandfield University identify six markets which are related and central to relationship marketing. They are:

- Internal Markets: supplier markets, recruitment markets, referral markets, influence markets and customer markets.
- Referral markets: Developing and implementing a marketing plan to stimulate referrals. Marketing to suppliers is aimed at enduring a long-term conflict-free relationship in which all parties understand each others needs and exceed each others' expectations. Such strategy can reduce costs and improve quality.
- Influence markets: Involve a wide range of sub-markets including government regulators, standard bodies, lobbyists, stockholders, bankers, venture capitalists, financial analysts, stockbrokers etc.
- Public relations: Department, but relationship marketers feel that marketing to all six is the responsibility of everyone in the organisation. Each market may require its own explicit strategies and a separate marketing mix for each.

3.7.0 LIVE –IN MARKETING CONCEPT

This is a term used to describe a variant of marketing and advertising in which the target consumer is allowed to sample or use a brand is product in a relaxed atmosphere over a longer period of time. Much like product placement in film and television live-in marketing (LIM) was developed as a means to reach select target demographics in a non-evasive and much less garish manner than traditional advertising.

3.7.1 The History of Live-In Marketing

While LIM represents an entirely untapped avenue of marketing for both big and small brands alike, it is not an all that novel no idea. With the rising popularity of experiential and event marketing in Europe and Nigeria, as well as the relatively high ROI (Return On Investment) in terms of advertising cost spent on experiential marketing compared to traditional big media advertising, industry analysts see LIM as a Natural progression.

3.7.2 The Premise of Live-In Marketing

LIM functions around the premise that marketing or advertising agencies go out on behalf of the brand in question and finds its demographic. From that point forward, avenues such as sponsorship or direct product placement and sampling are explored. Unlike traditional event marketing, LIM suggests that end users will sample the product or service in a comfortable and relaxed manner. Because LIM is a fairly new concept many agencies are now beginning to incorporate it into their advertising and marketing portfolios.

3.8 ETHICAL ISSUES IN MARKETING

Ethics are a collection of principles or right conduct that shapes the decisions people or organisation make. Practicing ethics in marketing means deliberately applying standards of fairness, or moral rights and wrongs to marketing decision marketing, behaviour and practice in the organisation.

As our economic system has become more successful at providing for needs and wants, there has been greater focus on organisations' adhering to ethical values rather than simply providing products. This focus has come about for two reasons. First when organisation behaves ethically, customers develop more positive attitudes about the firm, its products, and its services. When marketing practices depart from standards that society considers acceptable, the market process becomes less efficient – Sometimes it is even interrupted. Not employing ethical marketing practices may lead to dissatisfied customers, bad publicity, lack of trust, lost businesses, or sometimes legal action. Thus, most organisations are very sensitive to the need and options of their customers and look for ways to protect their long-term interests.

Second, ethical abuses frequently lead to pressure (social or government) for institutions to assume greater responsibility for their actions. As a result of consumer interest groups, professional associations, and self-regulatory groups exert considerable influence on marketing.

The Federal Trade Commission (FTC), and other Federal and State government agencies are charged both with enforcing the laws and creating policies to limit unfair marketing practices. Marketing practices are deceptive if customers believe they will get more value from a product or service ten they actually receive.

Deception takes the form of misrepresentation, omission or misleading practices can occur when working with any element of the marketing mix.

Marketing ethics also address offensive materials and projection marketing practices. For example some people find advertising for all product promoting sexual potency to be offensive. You can also examine:

- Ethical product and distributional practices
- Special ethical issues in marketing to children
- Ethical issues in marketing to minorities
- Ethical issues surrounding the portrayal of women in marketing efforts.

SELF ASSESSMENT EXERCISE

- What is relationship marketing.
- Define marketing ethics

4.0 CONCLUSION

In this unit, you have learnt about relationship marketing or customer relationship management, the approaches, and the different market models. You have also learnt about consumer and customer retention and efforts put forward to retain customers.

5.0 SUMMARY

Relationship marketing is defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions.

Because marketing decisions often require specialized knowledge, ethical issues are often more complicated than those faced in personal life and effective decision making required consistency. Because each business situation is different, and not all decision are simple, many organisations have embraced ethical codes of conduct and riles of professional ethics to guide managers, marketers and employees.

6.0 TUTOR MARKED ASSIGNMENT

- Examine critically the market models in relationship marketing you know.

ANSWERS TO SELF ASSESSMENT EXERCISE

- Relationship marketing is also known as relationship management. It is defined as a form of marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions.
- Marketing Ethics is the area of applied ethics which deals with the more principles behind the operation and regulation of marketing. Some areas of marketing ethics involved advertising and promotion) overlap with meda ethics.

7.0 REFERENCE /FURTHER READING

Gale, B. T. Chapman (1994): Managing Customer Value: Creating quality and Service that Customer can see. Free Press New York.

Gordan, Lan (1999): Relationship- marketing: Techniques for winning customers you want to keep forever. Sons Publishers. P. 336.

Philip Kotler & Armstrong (1999: "Principle of Marketing" 2nd Edition Prentice Hall, Europe.

Richheld F. and Carrol P. (1992): The fallacy of Custmer Retention Journal of Retail Banking Vol. 13 no. 4

COURSE MATERIAL DEVELOPMENT

MKT 730

SALESMANSHIP

COURSE GUIDE

Course Developer/Course Writer: **ADEGBOLA, EUNICE ABIMBOLA**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Editor **PROFESSOR K. OSHOTIMEHIN**

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE

Programme Leader: **PROFESSOR IYABO OLOJEDE**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Coordinator: GANA, M.A.

NATIONAL OPEN UNIVERSITY OF NIGERIA

MODULE THREE: SALES FORCE RECORDS, APPRAISAL AND ANALYSIS

UNIT ONE PRODUCT PRICING STRATEGIES

CONTENT

1.0 INTRODUCTION

In this unit, we will look at complex dynamic of pricing. A company sets a single price, but rather a pricing structure that covers different items in its line. This pricing structure changes over time as products move through their life cycles. The company adjusts product prices to reflect changes in costs and demand and to account for variations in buyers and situations. As the competitive environment changes, the company considers when the initiate price changes and when to respond to them.

The unit also examines the major dynamic pricing strategies available to management. The unit will discuss the nine laws of price sensitivity and consumer psychology and strategies for initiating and responding to price changes.

2.0 OBJECTIVES OF THE UNIT

Upon successful completion of this unit, you are expected to do the following:

- Distinguish between pricing a product that imitates existing products and pricing an innovative product that is patent protected.
- Discuss the complex dynamics of pricing.
- Examine critically the eighteen new-products pricing strategies.
- Differentiate between market penetration and market creaming.
- Explain contribution margin-based pricing.
- Assess the nine laws of pricing sensitivity and the consumer psychology.

- Discuss the dimensions of response to price changes.

3.0 MAIN CONTENT

3.1 THE COMPLEX DYNAMICS OF PRICING

Organisations want to make as much profit as possible with adequate capital and efficient production process; earn a rapid return on investment or charge what the traffic can bear or charging high prices. This happens when demand can warrant high price or in inelastic demand conditions. As such a company sets not a single price, but rather a pricing structure that covers different items in its line. This pricing structure changes from time to time as products move through their life cycles. The company adjusts product prices to reflect changes in costs and demand to account for variations in buyers and situations. Pricing decisions are subject to an incredible complex array of environmental and competitive forces.

3.2.0 NEW PRODUCT PRICING STRATEGIES

An organisation can set price for the first time when it develops or acquires a new product, or introduced a product into new channel of distribution or area. Pricing strategies usually change as the product passes through its life cycle.

A company that plans to develop an imitative new product faces a product-positioning problem. It must decide where to position the product versus competing where to position the product versus competing products in terms of quality and price. The figure below sheds more light into price quality strategies.

PRICE

Higher

QUALITY			
	HIGHER	Premium Strategy	Good-Via Strategy
	LOWER	Overhanging Strategy	Economic Strategy

Companies bringing out an innovative, patent protected product face the challenge of setting prices for the first time. They can choose from the following:

3.2.1 CREAMING OR MARKET-SKIMMING PRICING

Selling a product at a high price, sacrificing high sales to gain a high profit, therefore "skimming" the market. Usually employed to reimburse the cost of investment of the original research into the product. It is commonly used in electronic markets when a new range, such as DVD players, are firstly dispatched into the market at a high price. This strategy is often used to target "early adopters" of a product or service. These early adopters are relatively less price-sensitive because either their need for the product is more than others or they understand the value of the product better than others. In market skimming goods are sold at higher price so that fewer sales are needed to break even.

This strategy is employed only for a limited duration to recover most of investment made to build the product. To gain further market share a seller must use other pricing tactics such as economy or penetration. This method can come with some set backs as it could leave the product at a high price to competitors.

3.2.2 Limit Pricing

A limit price is the price set by a monopolist to discourage economic entry into a market and is illegal in many countries. The limit price is the price that the entrant would face upon entering as long as the incumbent form did not decrease output. The limit price is often lower than the average cost of production or just low enough to make entering not profitable. The quantity produced by the incumbent firm to act as a deterrent to entry is usually larger than would be optimal for a monopolist, but might still produce higher economic profits than would be earned under perfect competition.

The problem with limit pricing as strategic behaviour is that once the entrant has entered the market, the quantity used as a threat to deter entry is no longer the incumbent firm's best response.

3.2.3 LOSS LEADER

A loss leader or leader is a product sold at other price (at cost or below cost) to stimulate other profitable sales.

3.2.4 MARKET ORIENTED-PRICING

This is a product pricing strategy which has to do with setting a price based upon analysis and research compiled from the target market.

3.2.5 Penetrating Pricing

However, to increase market share, producer may engage in penetration pricing strategy. It involves setting the price low in order to attract customers and gain market share. The price will be raised later once this market share is gained. For example, Dell and Gateway used penetration pricing to sell high quality computer products through lower-cost mail-order channels.

3.2.6 Price Discrimination

Implies setting a different price for the same product in different segments to the market. For example, this can be for different ages or for different opening times, such as cinema tickets.

3.2.7 Premium Pricing

This is the practice of keeping the price of a product or service artificially high in order to encourage favourable perceptions among buyers, based solely on the price. The practice is intended to exploit the (not necessarily justifiable) tendency for buyers to assume that expensive items enjoy an exceptional reputation or represent exceptional quality and distinction.

3.2.8 PREDATORY PRICING

This is an aggressive pricing intended to drive out competitors from a market. It is illegal in some places.

3.2.9 Contribution Marginal-Based Pricing

Contribution margin-based pricing maximizes the profit derived from an individual product based on the difference between the products price and variable cost (the product's contribution margin per unit), and on one's assumptions regarding the relationship between the product's price and the number of units than can be sold at the price. The product's contribution to total firm profit (i.e. to operating income) is maximized when a price is chosen that maximizes the following: (contribution margin per unit) x (number of units sold).

3.2.10 Psychological Pricing

This is a pricing strategy designed to have a positive psychological impact. For example, selling a product at N3.95 or N3.99, rather than N4.00. It is also known as prestige pricing. It can be used to reflect the views and emotions of some buyers who are ego sensitive and also with ego sensitive products.

The naira digit appears cheaper and has symbolic and visual qualities to some consumers.

3.2.11 Dynamic Pricing

This is a flexible pricing mechanism made possible by advances in information technology, and employed mostly by internet based companies. By responding to market fluctuations or large amounts of data gathered from customers-ranging from where they live to what they buy to how much they have spent on past purchase. Dynamic pricing allows online companies to adjust the prices of identical goods to correspond to a customer's willingness to pay. the airline industries is often cities as a dynamic pricing success story. Infact, it employs the techniques so artfully that most of the passengers on any given airplane have paid different ticket prices for the same flight.

3.2.12 Price Leadership

This is an observation made of oligopic business behaviour in which one company, usually the dominant competitor among several, leads the way in determining prices, the others soon following.

3.2.13 Target Pricing

Target pricing is a pricing method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electri and gas companies and companies whose capital investment is high, like automobile manufacturers.

Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be under stated. Also the target pricing method is not keyed t the demand for the product, ad if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.

3.2.14 Absorption Pricing

This is a method of pricing in which all costs are recovered. The price of the product includes the variable cost of each item plus a proportionate amount of the fixed costs. A form of cost plus pricing.

3.2.15 High-Low Pricing

This is a pricing strategy for an organisation where the goods or services offered by the organisation are regularly priced higher than competitors, but through promotions, advertisements, and or coupons, lower prices are offered on key items. The lower promotional prices are targeted to bring customers to the organisation where the customer is offered the promotional product as well as the regular higher priced products.

3.2.12 Premium Decoy Pricing

Is a pricing method where an organisation artificially sets one product price high, in order to boost sales of a lower priced product.

3.2.17 Marginal –Cost Pricing

In business, the practice of setting the price of a product to equal the extra cost of producing an extra unit of output, by this policy , a producer charges, for each product unit sold, only the addition to total cost resulting from materials and direct labour. Businesses often set prices close to marginal cost during periods of poor sales. If for example, an item has a marginal cost of N1.00 and a normal selling price is N2.00, the form selling the item might wish to lower the price to N1.10 if demand has waned. The business would choose this approach because the incremental profit of 10 kobo from the transaction is better than no sale at all.

3.2.18 Value-Based Pricing

Pricing a product based on the perceived value and not on any other factor. Pricing based on the demand for a specific product would have a likely change in the market place.

3.3.0 NINE LAWS OF PRICE SENSITIVITY AND CONSUMER PSYCHOLOGY

In their book, the strategy and tactics of pricing, Thomas Nagle and Reed Holden outline Nine (9) laws or factors that influence how a consumer perceives a given price and how price-sensitive he is likely to be with respect to different purchase decisions.

3.3.1 Reference Price Effect

Buyer's price sensitive for a given product increases the higher the product's price relative to perceived alternatives. Perceived alternatives vary by buyer segment, by occasion, and other factors.

3.3.2 Difficult Comparison Effect

Buyers are less sensitive to the price of a known/more reputable product when the have difficulty comparing it to potential alternatives.

3.3.3 Switching Costs Effect

The higher the product-specific investment a buyer must make to switch suppliers, the less price sensitive that buyer is when choosing between alternative.

3.3.4 Price-Quality Effect

Buyers are less sensitive to price, the more that higher prices signal higher quality. Products for which this effect is particularly relevant include: image products, exclusive products, and products with minimal cues for quality.

3.3.5 Expenditure Effect

Here, buyers are more price sensitive when the expense accounts for a large percentage of buyers available income or budget.

3.3.6 End Benefit Effect

The effect refers to the relationship a given purchase has to a larger overall benefit, and is divided into two parts: derived demand – the more sensitive buyers are to the price of the end the end benefit, the more sensitive will be to the prices of those products that contribute to that benefit.

Price proportion cost – the price proportion cost refers to the percentage of the total cost of the end benefit accounted for by a given component that helps to produce the end benefit (e.g. think CPU and PCS). The smaller the given components share of the total cost of the end benefit, the less sensitive buyers will be to the component's price.

3.3.7 **Shared-Cost Effect**

The smaller the portion of the purchase price, buyers must pay for themselves, the less price sensitive they will be.

3.3.8 Fairness Effect

Here, buyers are more sensitive to the price of a product when the price is outside the range they perceived as "fair" or "reasonable" given the next purchase context.

3.3.9 The Framing Effect

Buyers are more prices sensitive when they perceived the price as a loss rather than a forgone gain, and they have greater price sensitivity when the price is paid separately rather than as part of a bundle.

3.4 INITIATING PRICE CHANGES

In some cases, the company may find it desirable to initiate either a price cut or a price increase. In both cases, it must anticipate possible buyer and competitor reactions.

A. Initiating Price Cuts

- One of the circumstances through which a firm cuts the price of product is excess capacity. In this case, the firm needs more business and cannot get it through increase sales effort, product improvement, or other measures. It may drop its follow-the-leader pricing and aggressively cut price to boost sales.
- Another situation leading to price changes is falling market share in the face of strong price competition.
- A company also may cut prices in a drive to dominate the market through lower costs.

B. Initiating Price Increase

A successful price increase can greatly increase profits for example, if the company's profit margin is 3% of sales, a 1% price increase will increase will increase profits by 33 percent if sales volume is unaffected.

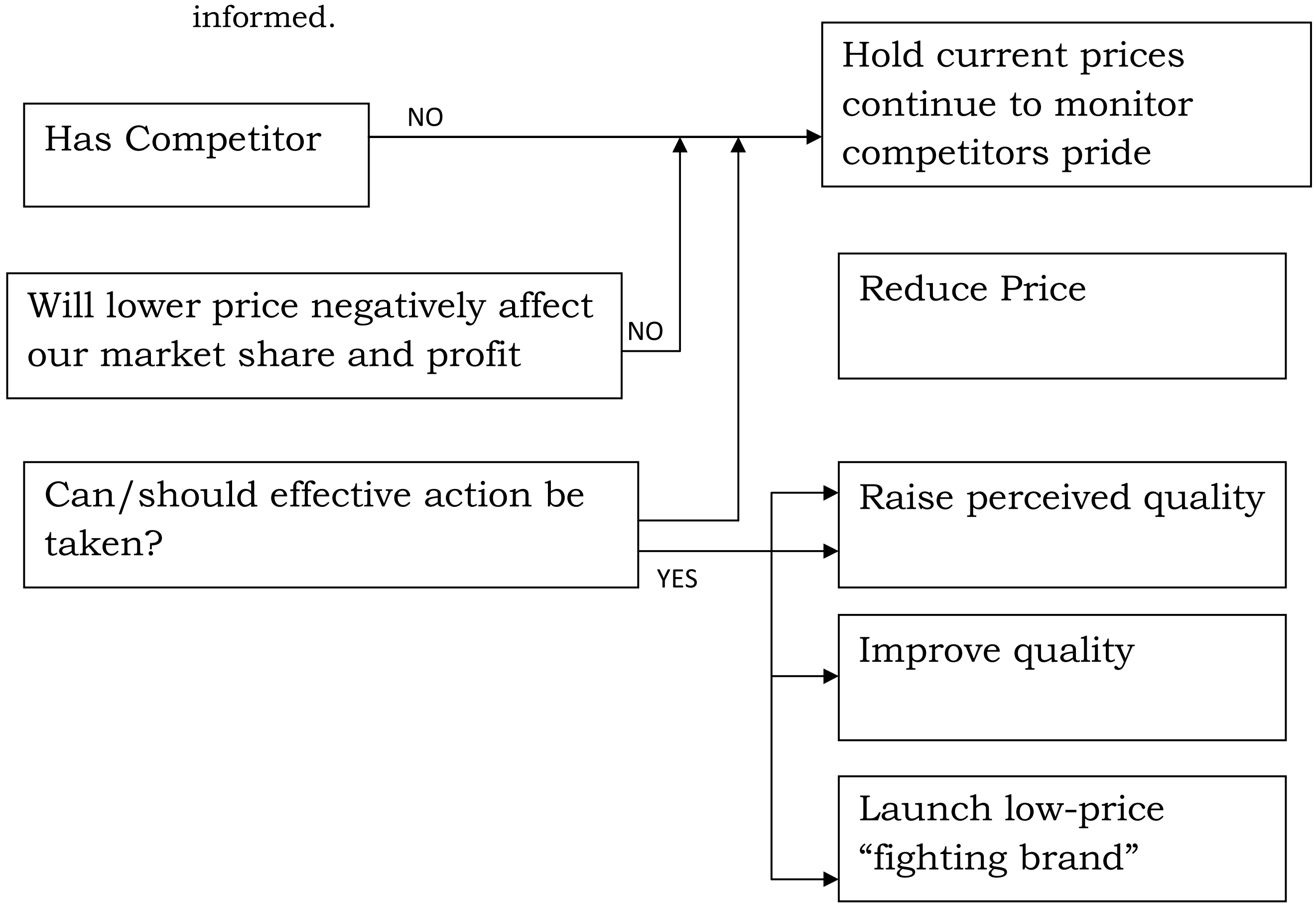
A major factor in price increases is cost inflation. Another factor is over demand.

Pricing can be raised almost invisibly by dropping discounts and adding higher-priced units to the line.

3.5 RESPONDING TO PRICE CHANGES

- Buyer Reactions to price changes:- whether the price is raised or lowered, the action will affect buyers, competitors, distributors and suppliers and may interest government as well. Consumers do not always interpret the prices in a straightforward way.

- Competitor Reactions to price changes: when there are several competitors, the company must guess each competitors likely reaction. If all competitors behave alike, this amounts to analyzing only a typical competitor. Competitors are most likely to react when the number of firms involved is small when the product is uniform, and when the buyers and well informed.



ASSESSING AND RESPONDING TO COMPETITORS PRICE CHANGES

SELF ASSESSMENT EXERCISE

- Itemise the various product pricing strategies you know

4.0 CONCLUSION

Setting the price based upon prices of the similar competitor products is a competition-based pricing. Competitive pricing is based on-product having distinctiveness from competitors product e.g. low price elasticity products having perishable distinctiveness from competitor's product, assuming the product features are medium distinctiveness and products having little distinctiveness from competitors product assuming the product has high elasticity or some cross elasticity.

This unit has introduced you to the other product pricing strategies.

5.0 SUMMARY

The pricing strategy portion of the marketing plans- determining how yu will price your product or service; the price you charge has to be competitive but still allow you to make a reasonable profit.

The key here is 'reasonable'.

The most common question small business people have about the pricing strategy section of the marketing plan is, "how do you know what price to charge", what makes me to increase the price of the new product-line.

And what will be the reaction of my customers and other competitors. The solution to all these questions have been provided in the main content of this unit.

6.0 TUTOR-MARKED ASSIGNMENT

Critically examine the nine laws of price sensitive and the consumer psychology.

ANSWER TO SELF ASSESSMENT EXERCISE

New product pricing strategies adopted include:

- Market skimming
- Market penetration
- Limit pricing
- Price discrimination
- Premium pricing
- Predatory pricing
- Dynamic pricing etc

7.0 REFERENCE /FURTHER READING

Nagle, Thomas and Holden (2002): The strategy and tactics of pricing prentice Hall, India. Pages 84-104

Philip Kotler and Gary Armstrong (2010): Principles of Marketing 13th Edition, 2010, Pears on. Prentice Hall. P. 293

Kent B. Monroe (2003): The pricing strategy audit. Cambridge Strategy Publication, P. 41

Yaram, J. (2002): Convergence Marketing: Strategies for reading the new Hybrid consumer. Upper Saddle Prentice Hall

UNIT TWO SALES BUDGETING

CONTETS

1.0 INTRODUCTION

A sales budget is the result of decisions to create the conditions that will generate a desired level of sales. For example, you may have forecast of sales at various levels of advertising.

The sales budget is the starting point in the development of the master budget. From it flow, the production budget and flexible expense budgets for all costs that vary with sales and production. Sales budgeting usually begins with forecasting of sales of individual products. These forecasts may be by region, by class of customer, or by some other breakdown that is important to the firm. Sales forecasts are based on many assumptions, some explicitly stated, some left implicit. Examples of such assumptions are the prices to be charged by the firm and by its competitors, economic activity in the geographical areas the firm serves, number of sales people in the field, and advertising and promotional expenditures.

Because different managers may use different assumptions about critical factors, there may be many different forecasts of sales for each product or product line. Also different forecasts may be developed through different forecasting techniques. As described below, managerial judgment, historical trend analysis, and statistical techniques may all be used in developing forecast. Therefore, a sales forecast is not a sales budget. The budget reflects sometimes implicitly, one particular set of assumptions about prices, competitor's actions and other critical factors.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to:

- Define sales budget
- Distinguish between a sales budget and sales forecast
- List some of the contents in a sales budget
- Discuss the role of accountant in sales budgeting and sales forecasting.
- Explain some of the usefulness of a sales budget.
- Examine the constraints to a sales budget.

3.0 MAIN CONTENT

3.1 MEANING OF SALES BUDGET

A sales budget is the result of decisions to create the conditions that will generate a desired level of sales. A sales budget depends entirely on sales forecasts. Although sales budget and sales forecast sound as if they might be the same thing, be aware that they are absolutely not. For many organizations the principal budget factor is sales volume so that the sales budget is the primary budget from which the majority of the other budgets are derived. Examples of those budgets which are functionally related to sales budget are selling and distribution cost budgets and, to some extent, the advertising and promotion budgets.

3.1.2 Influences of Sales Budget

The sales budget reflects forecasted sales volume and is influenced by:

- Previous sales pattern
- Current and expected economic conditions
- Activities of competitors

The sales budget is complemented by an analysis of the resulting expected cash collections. Sales often occur on account, so there can be a delay between the time of a sale and the actual conversion of the transaction to cash. For the budget to be useful, careful consideration must also be given to the timing and pattern of cash collections.

3.2 PREPARING A SALES BUDGET

Kodak Industries Ltd recently perfected a low-cost Vinyl product (a univalent unsaturated chemical group or radical that is formed when one hydrogen atom is removed from ethylene) that was very durable and could be used outdoors in conjunction with rear-screen projection equipment.

This product enables movie theatres to replace the usual lettered signs with actual videos to promote the "now showing" movies. Kodak industry is rapidly growing. The sales budget for 2009 follows.

Review the sales budget closely, noting the expected pattern of sales. The fall and winter seasons are typically the best for the release of new movies, and the anti capital pattern of screen sales aligns with this company-wide business cycle. The screens are sold through a network of dealers/installers at a very low price point of N175 per unit.

The lower portion of the sales budget converts the expected sales to expected collections. Dealers are normally given credit terms of 30 days, and the result is that roughly two thirds of sales that are collected in the same quarter as the sale itself. The other third is collected in the following quarters. Kodak started 2009 with $100,000 in receivables, and they are assumed to be collected in the first quarter of 2009. Kodak's dealer network has been carefully screened and the company has very few problems with unconnectible accounts.

Kodak ended the year with $140,000 in receivables, determined as one-third of the final quarter's expected sales ($420,000 x 1/3) = $ 140,000.

Kodak uses an electronic spreadsheet to compile the budget.

This tool is extremely useful in budgeting applications. If care is used in constructing the embedded formulas, it becomes very easy to amend the budget to examine the impact of different assumptions about sales, sales price, etc.

The sales budget is constructed by multiplying the budgeted dales in units by the selling price.

3.3 DISTINCTION BETWEEN A SALES BUDGET AND SALES FORECAST

A sales budget is a detailed schedule showing the expected sales for the budget period, typically, it is expressed in both naira and units of production. An accurate sales budget is the key to the entire budget budgeting in some way. If sales budget is sloppily done then the rest of the budgeting process is largely a waste of time. Sales forecast on the other hand is a prediction of sales under a given sets of condition sales forecasts are usually prepared under the direction of the top sales executive. Sales forecasting usually combines various techniques. In addition to the opinions of the salesforce, statistical analysis of correlations between sales and economic indicators (prepared by economists and members of the market research staff) provide valuable help. The distinction between sales forecasting and sales budgeting comes down between active and passive management.

3.4 MANAGER'S ROLE IN SALES BUDGET PREPARATION

Managers must take forecasting and make decisions about the critical factors under their control, such as prices, sales force, advertising, and territorial or geographical coverage

Upper-level managers may decide that one product or product line should be de-emphasized because of poor long-ranged potential. They may decide that serving a particular geographical market is unwise because of heavy transportation costs. A whole host of decisions must be made before sales forecasts become sales budgets. Managers who accept particular forecasts are acting passively. Those who attempt to influence the environment by altering policies and strategies are being active, in decision making and actions that they expect will improve the firm's sales position.

3.5 ROLE OF ACCOUNTANT IN SALES BUDGET PREPARATION

In the interplay of forecasting and budgeting the accountant plays an important role. Some sales managers are conscious of only a few factors, such as total volume and market share. They may not analyze the benefits and costs of changing strategies. The accountant may be involved in determine whether, for example , an increase in sales volume obtained by reducing prices and increasing advertising expenditures would be more profitable than the original strategy. The accountant may also be involved in the development of forecasts, because he or she is the principle provider of much of the information used in forecasting.

3.6 THE USEFULNESS OF SALES BUDGET

The sales budget will help determine how many units will have to be produced. Thus after the sales budget, the production budget is prepared. The production budget in turn is used to determine the budget in turn is used to determine the budgets for manufacturing costs including the direct materials budget, the direct labour budget, and the manufacturing overhead budget. These budgets are then combined with data from the sales budget and the selling and administrative expenses budget to determine the cash budget. In essence, the sales budget triggers a chain reaction that leads to the development of the other budgets.

The selling and administrative expenses budget is both dependent on and a determinant of the sales budget.

This will in part be determined by the funds committed for advertising and sales promotion.

The sales budget is the starting point in preparing the master budget. The sales budget is constructed by multiplying the budgeted sales in units by the selling price.

3.7 SALES BUDGET: A WORK EXAMPLE

The following is the sales budget of Eunice Abimbola Cosmetic Ventures for the year 2010.

EUNICE ABIMBOLA COSMETIC VENTURES LTD

SALES BUDGET FOR THE YEAR ENDED DECEMBER, 31ST 2010

QUARTER

1

2

3

YEAR BUDGET SALES IN CASES (N)

10,000

30,000

40,000

20,000

100,000

Selling price per case

N20.00

N20.00

N20.00

N20.00

N20.00

Total Sales **N**

200,000

600,000

800,000

400,000

2,000,000

Percentage of sales collected in the period of the sales (70%)

Percentage of sales collected in the period after sales (30%)

Schedule of expected cash collections.

Account receivable beginning balance

N90,000

N90,000 respectively

First quarter sales N Solution

140,000

60,000

N200,000

Second quarter sales N

420,000

180,000

N600,000

Third quarter sales N

560,000

240,000

N 800,000

Fourth quarter sales N

280,000

280,000

Total cash collections

Q1	Q2	Q3	Q4	Q5
N	N	N	N	N
230,000	480,000	740,000	520,000	1,970,000

Cash collections from last years fourth-quarter sales:

N200,000 x 0.7	;	N200,000 x 0.3
=N140,000 x 0.7	;	N60,000
N600,000 x 0.7	;	= N180,000
N800,000 x 0.7	:	N800,000 x 0.3

= N560,000 : N240,000

N400,000 x 0.7

N280,000

Note that he uncollected fourth quarter sales appear as accounts receivable on the company's end of year balance sheet.

B. EXPLANATION OF SALES BUDGET FOR EUNICE ABIMBOLA COSMETICS VENTURES LTD

This example contains the sales budget for Eunice Abimbola cosmetics ventures ltd for the year 2010, by quarters. Notice from the example that the company plans to sell 100,000 cases of cosmetics during the year, with sales peaking in the third quarter. After preparing sales budget, a schedule of expected cash collection is also prepared such as one that appear in our example cash collections consists of sales made to customers in prior periods plus collections on sales made in the current budget, period. In our example, 70% of sales are collected in the quarter in which the sales are made and the remaining 30% are collected in the following quarter. For example, 70% of the first quarter sales of N200,000 (or N140,000) is collected during the first quarter and 30% (N60,000) is collected during the second quarter.

SELF ASSESSMENT EXERCISE

- What is a sales budget?

List the major influences to a sales budget.

4.0 CONCLUSION

In the unit, you have learnt about the meaning of a sales budget, what makes it different from sales forecasting. You have also learn some of the major constraints to a sales budget preparation, the role of managers and accountant in the preparation of sales budget. A practical work example has also been given you to enrich your knowledge about sales budgeting which could be of use to you in your business life.

5.0 SUMMARY

A sales budget contains an itemization of a company's sales expectations for the budget period in both units and naira.

If a company has a large number of product, it usually aggregates its expected sales into a smaller number of product categories; other wise, the sales budget becomes too unwidely. The sales budget is usually presented in either a monthly or quarterly format.

The basic calculation in the sales budget is to itemize the number of unit sales expected in one row, and then list the average expected unit price in the next row, with the total revenues appearing in a third row. If any sales discount or returns are anticipated, these items are also listed in the sales budget.

6.0 TUTOR-MARKED ASSIGNMENT

- Examine the role of the manager in the preparation of a sales budget.

ANSWERS TO SELF ASSESMENT EXERCISE

- A sales budget is the result of decision to create the conditions that will generate a desired level of sales.

It contains an itemization of a company's sales expectations for the budget period in both in naira and in unit.

- The sales budget reflects forecasted sales volume and it influenced by: Previous sales pattern, activities of competitor and the current expected economic conditions.

7.0 REFERENCE/FURTHER READING

Charles T. Horngren (2005): Introduction to management Accounting, 14th Edition, Pearson Education Inc. Upper River New Jersey

Joseph Louderback G. and Maurice L. (1982): Cost Accounting, Accumulation and Use Kent publishing Boston.

T. Lucey (2003): Management Accounting Fifth Edition Printed and Bound by Biddles Ltd, Guilford, Great Britain.

UNIT THREE SALES FORECASTING AND PLANNING

CONTENTS

3.1.2 Distinction between sales forecast and Planning

3.2 The Important factors considered by sales forecasters

3.3 The four stage approaches to forecasting

3.4 Sales forecasting methods

3.5.0 Qualitative sales forecasting methods

3.5.1 Management Judgment

3.5.2 Sales force Survey

3.5.3 Panels of experts

3.5.4 Scenario techniques

3.6.0 Quantitative sales forecasting method

3.6.1 Time Series Analysis

3.6.2 Correlation Method

3.6.3 Leading Indictors

3.6.4 Market Tests

3.6.5 Primary Research

3.6.6. Secondary Data

3.7 A work examples

4.0 conclusions

5.0 Summary

6.0 Tutor-marked Assignment

7.0 Reference/Further Reading

1.0 INTRODUCTION

The process of developing the sales budget involves forecasting. Upper management set costs of business activities, then employee teams in each department provide ideas for improvements (cost reduction). Managers compare monthly departmental budgets based on the annual master budget.

As we stated earlier in the previous unit, the sales budget depends entirely on sales forecast.

Although sales budget and sales forecast sound as if they might be the same thing, be aware that a forecast and a budget are not necessarily identical. A sales forecast is a prediction of sales under s given conditions. For example you may have forecasts of sales at various levels you decide to implement becomes the budget.

Sales forecasts are usually prepared under the direction of the top sales executive.

2.0 OBJECTIVES OF THE UNIT

Having completed this unit, you are expected to do the following:

- Define sales forecast
- Distinguish between sales forecasting and planning
- Itemise and explain some of the factors taken into consideration by sales forecasters.
- Examine the four stage approaches to forecasting
- Identify the quantitative methods of sales forecasting.
- Solve some practical work examples on sales forecasting.

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF SALES FORECAST

Sales forecast may be defined as the expected level of sales based on chosen marketing plan, effort and environment. It is an estimated of a firm's share of market demand for the product. Sales forecast is the measure of customers demand used in marketing plan. Marketing often plays a central role in preparing and disseminating forecasts. This is perhaps one of the most important functions, as sales and market forecasts provide are the basis of all subsequent planning and decision-making within most areas of the organisation. Whether the organisation is a car manufacturer forecasting the demand for each model, a tour operator forecasting demand for specific destinations, or a university forecasting members of full-time, part-time and overseas students by programme area, the forecast is the starting point for all subsequent decisions. Get it wrong and the whole organisation can be caught out by major capacity or cash flow problems. In fashion markets, for example, it can be very difficult to forecast what styles are going to sell in quantities, hence the popularity of end of season sales as retailers try to sell off surplus stock. Tourists also find forecasting difficult.

3.1.1 DISTINCTION BETWEEN SALES FORECASTING AND PLANNING

Forecasting and planning are, however different functions sales forecasting attempts to indicate what will happen in a given organisation situation if a specific set of decisions and actions are implemented by the top sales executives with no subsequent changes.

Planning on the other hand assumes that the environmental or organisation situation, especially that relating to the competitive area, can be influenced, or at least better dealt with, by changing management decisions and actions. The focus of planning is, therefore an alternatives and outcomes. Of course, there needs to be interaction between planning and sales forecasting, so that sales forecast can be revised to take account of the new conditions likely to be created by the implementation of management proposed plans.

Sales forecasting should however share common characteristics as suggested by G.U. Onwuchuruba (2003). There should:

- Be based on historical sales information from which a projection can be made.
- Look forward over a specific, clearly, defined time sales period and
- Make clearly specified sales assumptions, since uncertainty characterizes the future.

3.2 THE IMPORTANT FACTORS THAT CONSIDERED BY SALES FORECASTERS.

Sales forecasts are usually prepared under the direction of the top sales executives. Important factors considered by sales forecasters include the following:

(a) Pattern of sales: Past experience combined with detailed past sales by product line, territorial region, and type of consumers can help predict future sales.

(b) Estimates made by the sales force: A company's sales force is often the best source of information about desired and plans of customers.

(c) General Economic Condition: the financial press regularly publish predictions for many economic indicators.

Such as Gross Domestic Product (GDP) and industrial production indices (local and foreign). Knowledge of how sales relate to these indicators can aid sales forecasting.

(d) Competitor's actions: sales depend on the strength and actions of competitors. To forecast sales, a company should consider the likely strategies and reactions of competitor, such as changes in their prices, product quality, or services.

(e) Changes in the firm's prices: Companies can usually increase sales by decreasing prices and vice versa. A company should consider the effects of price changes on customer demand as we discussed in unit one of module 3 of this course (MKT 730).

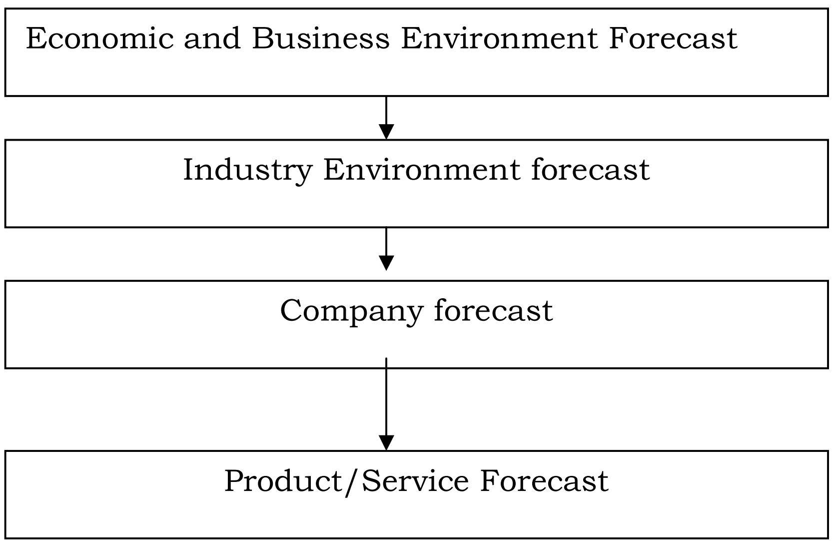
(f) Changes in product mix: Changing the product mix often can affect not only sales levels but also overall contribution margin. Identifying the most profitable products and advertising methods to increase their sales is a key part of successful management.

(g) Market Research Studies: Some companies hire market experts to gather information about market conditions and customer preferences. Such information is useful to managers making sales forecast and product mix decisions.

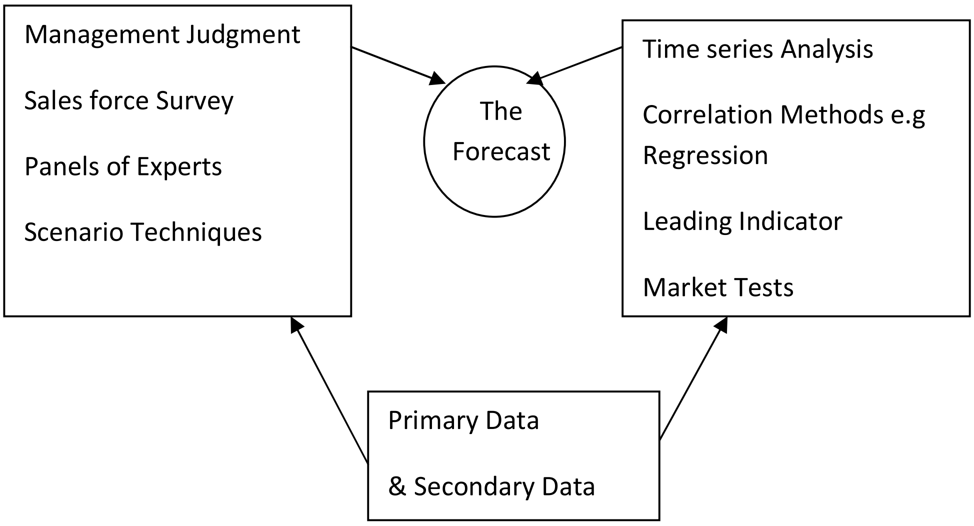
(h) Advertising and sales promotion plans: advertising and other promotional costs affect sales levels. A sales forecast should be based on anticipated effects of promotional activities.

3.3 THE FOUR-STAGE APPROACHES TO FORECASTING

FOUR-STAGE APPROACH TO FORECASTING



3.4 SALES FORECASTING METHODS



Sales forecasting methods fall into to main group qualitative techniques are often used in he earlier stages of forecasting to describe the likely changes and to help define more precisely the sales assumptions used. Quantitative techniques tend to be used in the later stages, when production schedules and financial planning require hard numbers on which to make plans. All these techniques are shown.

3.5 QUALITATIVE SALES FORECASTING METHODS

These methods do not rely on hard, statistical data, but centre on "soft" data based on expertise, knowledge and judgment. There are several methods of qualitative sales forecasting.

3.5.1 Management Judgment: This is the riskiest source of sales information, as it relies on the people at the top or on experts within the organisation to predict what will happen. While the people involved may have weath of experience, expertise and knowledge between them, there is a risk that they are too close to the organisation, its way of doing things and its markets and sales to be truly objective. Their sales assumptions and judgment and prejudices may lead to an incomplete or inaccurate picture (Bunn, and Taylor 2005). Despite the fact the management judgment does not lead to rigorous sales forecasts, it does at least encourage the systematic analysis and justification fo available data and top sales executives attitudes.

3.5.2 Sales force survey: Through this method each sales manager may be asked to provide estimate or sales for each products for target groups. This may help in providing for trend, strengths and weakness of the product offerings. When each sales manager provided forecast of his or her territory, the total of the figures become the basis for the firm's sales fore cast.

Advantages

- It is based on experience of sales managers on the field.
- It motivates sales managers to increase sales because they are involved in the forecast.

Disadvantages

- It is not scientific
- It can be influenced by recent or past performance.
- It can be distorted deliberately for personal interest.

3.5.3 Panels of Experts: This involved using the interpretation of outside well-informed people like sales consultants on economic and industry forecast.

This expert's opinion can be achieved through:

- Group Discussions – Here expert meets at a committee level and issue one group estimate.
- Pooled Individual- Individuals are requested to submit estimates to a project leader who would merge them into a single estimate.
- Delphi Method:- Individual estimates are reviewed by a project leader, revised for second and third rounds until their estimate converged.

Advantages

- It is not influenced by dominant person in the group.
- The discussion concentrated on the problem no on any individual or group interest.
- There is no group pressure to conform.
- It achieved consensus without the distortion caused by face-to-face communication.

3.5.4 Scenario Techniques

This techniques aim to provide a complete picture or trends and events of sales to create a more integrated and complete view of alternative situations. Although a panel of experts can be used for such a purpose, the main method used tends to be the Delphi technique which pools expert opinion on the assumption that group opinion is better than that of an individual. This method is especially useful for very long-ranged forecasting and technological forecasting. The experts used are not brought together and they do not know who else is involved. Each one is questioned on issues and trends of sales, then the collective responses are distributed to all members of the team with a further, more detailed questionnaire. This process is repeated until a rounded profile is obtained, the median of the group response. The main problem is potential bias, as members are influenced by feedback from the collective responses. For short-term, organisation sales forecasts, the same approach can be used involving the sales team and managers.

3.6.0 QUANTITATIVE SALES FORECASTING METHODS

The quantitative methods we have are within the time series analysis. The majority of quantitative forecasting techniques are concerned with the analysis of historical data to establish trends and make projections for the future based on a time series. More sophisticated models have also been developed, however that aim to reflect the complex interactions between variables that help explain cause and effect, thus enabling the organisation to be better prepared for an uncertain future.

3.6.1 Time Series Analysis: This is a means of using historical sales data to predict the future. Analysis of historical sales data can reveal patterns in the organisation's sales figures. These pattern includes the following:

(a) Trend:- extrapolation, of data on a straight or curved line basis can give a broad view of the general direction in which sales are moving.

(b) Cycles: Reflect the period changes in patterns of sales over a period of time.

(c) Seasonality: This covers shorter term fluctuations around an overall trend, and may even be observed on a daily or weekly basis.

(d) Random Factors: These are very difficult to predict. Nevertheless any forecast is going to have to make allowances for the effect of strikes riots, civil commotion and act of God as the insurance company would put it.

3.6.2 Correlation method: If the time series analysis is felt to be inappropriate, the forecaster might prefer to use a correlation method (statistical analysis of demand). Techniques such as multiple regressions are like time series analysis based on historical data but instead of assuming that sales are simply a function of time, they try to identify other factors that influence sales. Forecaster often use the formula.

$Y = a + bx$ to determine the sales and the expenditure of the business.

Where:

Y = cost (sales)

a = variable (1)

b = variable (2)

x = expenditure pattern

Through this model, the seceding and subsequent months forecast for sales can be made.

3.6.3 Leading Indicators: Are useful for shorter-term forecasting. These indicators give advance warning of trends and changes in the marketing environment so that the organisation can adjust or plan accordingly. The definition of the key indicators vary from industry to industry.

3.6.4 Market Tests: This gives an insight into real behaviour rather than focusing on intentions. The are very useful as a part of new product development and launch programmes and can help to forecast likely future performance.

3.6.5 Primary Research: This is also known as customer survey. Marketers can anticipate what buyers are likely to do under a set of conditions. Company can obtain buyers intentions and attitudes towards a product using market survey research programmes. It is advantageous because it is used for durable goods such as cars, houses etc.

Disadvantages

- Customers may no confide true intentions.
- Forecast errors can be recorded due to time lag.

3.6.6. Secondary Data: the data generated by the forecasting techniques is only as good as the manager interpreting it and weighing up the likelihood of different assumptions turning into reality. For instance an important output from decision support systems is the range of sales and market forecasts modeled under different assumptions. Business intelligence software is playing an increasing role in helping managers with strategic planning and forecasting.

3.7 A WOR EXAMPLE

Here we will consider simple moving averages: The number of observations to be included in the average is specified and remains constant and there must be many observations before the first forecast can be made. Forecasts are made only one period in time and in advance. Moving averages are suitable for quick short-term forecasts especially when forecast must be made for a large number of products.

- Illustration: Below is an example of a 4-quarter moving average sales forecasting (sales in million naira)

	2002	2003		2004	
	Actual	forecast	Actual	forecast	Actual
Quarter one	3.2	3.45	3.4	3.675	3.9
Quarter Two	3.6	3.5	3.7		
Quarter Three	3.3	3.525	3.6		

Quarter four 3.7 3.6 4.0

Suppose we were at the end of 2003 and sales figures of some products are available for all four quarters of the year as stated in the first column of the above table.

A 4-quarter moving average forecast of sales for the first quarter of 2003 will need data back to the first quarter of 2003 and is given by

$$2003_{IF} = \frac{(2002_1 + 2002_2 + 2002_3 + 2002_4)}{4}$$

$$= \frac{3.2 + 3.6 + 3.3 + 3.7}{4} = \text{N}3.45 \text{ million}$$

Suppose actual sales of first quarter 2003 are N3.4 (in million), then to forecast sales for the second quarter 2003 we include this figure and exclude the first quarter actual sales of 2002 thus:

$$2003_{2F} = \frac{(2002_2 + 2002_3 + 2002_4 + 2003_1)}{4}$$

$$= \frac{3.6 + 3.3 + 3.7 + 3.4}{4} = \text{N}3.5 \text{ million}$$

We proceed in the above fashion to fill the table up to the first quarter of 2004.

The name moving average is derived from the fact that as new observation becomes available, a new average is calculated and used as a forecast.

If a 6-quarter moving average is desired. We would have started by forecasting sales for the third quarter of 2003 i.e. 2003_3 by using actual sales data from second quarter of 2003 back to the first quarter of 20032 thus:

$$2003_{3F} = \frac{(2002_1 + 2002_2 + 2002_3 + 2002_4 + 2004_1 + 2004_2)}{6}$$

$$= \frac{3.2 + 3.6 + 3.3 + 3.7 + 3.675 + 3.9}{6} = \text{N}5.225 \text{ million}$$

SELF ASSESSMENT EXERCISE

- Explain sales force survey forecasting method and state the advantages

4.0 CONCLUSION

In this unit you have learnt about the definition and meaning of a sales forecast. You have also learnt about the distinction between sales forecast and planning, the various sales forecasting methods and a work example.

5.0 SUMMARY

Sales forecast is a prediction of sales under a given set of conditions.

Sales forecasting usually combines various techniques. In addition to the opinions of sales staff, statistical analysis of correlations between sales and economic indicators (prepared by economists and members of the market research staff) provide valuable help.

The opinions of line management also heavily influence the final sales forecasts. Ultimately, no matter how many technical experts a company uses in forecasting, the sales budget is the responsibility of the line management.

Sales forecasting is still somewhat mystical, but companies are increasingly using more formalized procedures and reviewing their process more seriously because of the intensity of Global competitive pressure.

6.0 TUTOR-MARKED ASSIGNMENT

- Examine critically the qualitative sales forecasting methods you know.

ANSWERS TO SELF ASSESSMENT EXERCISE

- Sales force Survey: This is of the qualitative methods of forecasting sales. Through this method each sales manager may be asked to provide estimate or sales for each products for target groups. This may help in providing for trend, strengths and weaknesses of the product offerings. When each sales manager provided fore cast of his or her territory, the total of the figures becomes the basis for the firm's sales forecast.
- It is based on experience of sales managers on the field and
- It motivates sales managers to increase sales because they are involved in the forecast.

7.0 REFERENCE/FURTHER READING

Charles T. Horngren (2005): Introduction to Management Accounting fourteenth Edition Pearson Education Inc. Prentice Hall. New Jersey

Frances Brassington & Petitt (2006): Principles of Marketing Fourth Edition, Pearson Education Ltd Edinburg Gate, England.

G. U. Onwuchuruba (2003): Marketing Management (strategic Planning Approach) Serve Marketing & Management Services, Ikeja, Lagos.

Shokan O. Ol (1998): product Development and Marketing Management. Ojota, Lagos. Shona Investment C. Ltd.

UNIT FOUR SALES QUOTA AND ANALYSIS

CONTENTS

1.0 INTRODUCTION

A sales quota is the minimum sales volume goal established by the seller. A sales quota may be expressed in terms of naira or unit sold. Quotas may also be set for sales activity (number of calls per day), sales costs and profitability in addition to sales volume. A sales quota may be required of a salaried or commissioned sales person or may be a goal set for a brand, a product line, or a company division. Sales quotas are used to endure that company sales goals are met even though they may exceed an individual sales person's personal goals or abilities. Sales quotas also ensure that the volume sold will cover the fixed costs of producing the product or service. Sales quotas should be high enough to encourage excellence but not so high as to be unachievable, thereby discouraging the salesforce. Failure to meet sales quotas is an immediate call for action on the part of the seller. If a salesperson fails to meet quota, the salesperson may be given a smaller or less desirable prospect territory or may be terminated. A salesperson may receive a bonus for exceeding the sales quota.

2.0 OBJECTIVES OF THE UNIT

Upon successful completion of this unit, you should be able to:

- Define sales quota
- Discuss the purpose of a good sales quota plan
- Explain the concept of Activity Base Quotas (ABQ).
- Identify some of the methods of establishing sales quotas
- Explain the characteristics of a good quota plan
- Examine some of the major reasons why some organisations do not use sales quotas
- Discuss the linkage between compensation plan and sales quotas
- Itemise the importance of sales quotas
- Highlight the major types of sales quotas
- Discuss the methods of setting sales quotas
- Explain major limitations of sales quotas
- Analyse the commonly used methods of sales control.

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF SALES QUOTA

A sales quota can be defined as a standard that states the amount a sales person should sell and how sales should be divided among the company's products.

Many companies motivate their sales people by setting sales quotas. Sales quotas are away of life for the salesforce. All activities of the sales force revalue around the fulfillment of sales quotas. Sales quotas are targets assigned to sales personnel. They signify the performance expected from them by the organisation. Sales quotas help in directing, evaluating and controlling the sales force. They form an indispensable tool for sales managers to carry out sales management activities. Sales quotas are prepared on the basis of sales forecast and sales budgets.

3.2 THE PURPOSE OF A GOOD SALES QUOTA PLAN IN ORGANISATION

Sales quotas serve various purposes in organisations. They are:

(a) The only aim of the firm in establishing budget quotas is to make the salesmen cost conscious and this will act as one of the yardstick to measure the performance of salesmen.

(b) Gross profit or Net profit quotas: this has the same impact as the budget quotas.

(c) The aim of the firm in setting these quota is to create cost consciousness among the salesmen.

(d) By having these quotas the possibility of the sales men to over emphasize the sales volume quota is minimized.

(e) Net profit quotas are established to increase the profitability and this depends on increasing the sales volume and minimizing the sales expenses. So the salesmen try to restrict their expenditure while achieving the sales volume.

(f) Sales quota is used when the firm has both high and low profit margin items in the product line.

(g) Salesmen usually sell low profit margin items because they are easy to sell in the market

(h) So by fixing Net profit quotas they are compelled to sell high profit margin items also because it will be impossible for salesmen to achieve their target if they are not sold.

(i) But fixing of Gross profit quotas is difficult because the sales men do not fix the prices and they have no control on manufacturing costs.

(j) Fixing and administering of Net profit quotas are also difficult because the salesmen have no power to control the expenses incurred at the branch office.

3.3 ACTIVITY BASE QUOTAS (ABQ)

To set these quotas the management should first have knowledge about what are the main activities to be performed by the sales and how much time do they need to spend on each of these activities. Some of the activities for which quotas are set are:

- Total calls made

- Calls on each class of customers
- Call on prospects
- New accounts tapped
- Collection of bills.

Various quotas mentioned above are combined together and points are allocated for each activity to evaluate the performance of the salesmen.

3.4 METHOD OF ESTABLISHING SALES QUOTAS

a. Sales may be established from territorial sales potential by pooling estimates form various territories.

b. they may be established from total sales estimates by adopting the breakdown procedure form the census data available.

c. Quotas set on past sales experience base on average for years.

d. Sales personnel setting their own quotas.

3.5 CHARACTERISTICS OF A GOOD QUOTA PLAN

- **Simplicity**: the method used to arrive at the quota should be simple and easy to administer.
- **Accuracy:** Guesswork should be eliminated while arriving at quotas.

- **Definite Task:** the sales men should definitely know what the quota to be achieved is and what are the other duties the firm wants him to perform.
- **Incentives:** The quota should provide some incentives to the salesmen.
- **Fairness:** Every salesman should be treated fairly without any bias.
- **Flexibility:** the quota should be flexible so that when basic business conditions change, a chance should also be brought about in the quota.
- **Coordination:** Quota should be planned so that it will facilitate coordination between various activities of the firm, like production, marketing, finance, promotion etc.

3.6 REASONS FOR NOT USING SALES QUOTAS

(i) If it is difficult to obtain accurate sales forecast and it quotas are to be based on guess work, executives prefer not to have quotas.

(ii) If the determination of quotas required using statistical techniques, executives prefer to avoid them because sales men might view them with suspicion.

(iii) Due to over emphasis on sales activity, they provide targets for sales personnel to achieve which act as standards to measure salesforce performance and help motivate the sales force, management might jettison sales quota.

3.7 THE LEXUS BETWEEN COMPENSATION PLAN AND SALES QUOTAS

Compensation plans are invariably linked to quotas. The commission and bonus given to sales persons are based on their meeting quotas set for them. The four categories of sales quotas widely used are:

Sales volume quotas, Expense quotas, Activity quotas and profit quotas.

A sales quota should be fair, challenging, yet attainable rewarding, easy to understand , flexible and must satisfy management objectives. It must also help in the coordination of sales force activities. Setting motivating and easy to understand quotas is essential to obtain the cooperation of the saleaforce. Various methods are used to set sales quotas, among which, quotas based on sales forecasts and market potentials are the most common skillful administration by sales managers required for effective implementation of quotas.

Convincing salespeople about the fairness and accuracy of quotas helps the sales managers to successfully implement quotas.

3.8 THE IMPORTANCE OF SALES QUOTAS

A good sales quota plan,

- Provides performance targets
- Provides standard
- Provide control
- Provides change of direction
- Is a tool for motivating sales people.

3.9 TYPES OF SALES QUOTAS

These are:

- Sales volume quotas
- Profit quotas
- Expense quotas
- Activity quotas

3.10 METHOD OF SETTING SALS QUOTAS

- Quotas setting process
- Quotas based on sales forecast and market potential
- Quotas base on sales forecasts alone
- Quotas based on past experience
- Quotas based on executive judgment
- Quotas based on salesforce compensation
- Quotas based by sales people themselves

3.11 CONTRAINTS OF SALES QUOTAS

Sales quotas have certain limitations such as

a. Being time consuming
b. Difficult in comprehending if complicated statistical calculations have been used and focusing on attaining sales volumes at the cost of ignoring important non-selling activities. Quotas may reduce risk taking among

sales personnel and may influence them to adopt unethical selling practices. With changes in the competitive environment and variation in customer expectations. Many companies have started developing compensation plans that are increasingly base on non traditional aspect, thereby reducing dependency on quotas.

3.12 COMMONLY USED METHODS OF SALES CONTROL

The questions as to how sales analysis be done for multi product company selling consumer durables through nationwide retail network has created a lot of concern to the sales management.

Sales performance review means previewing the performance of sales with respect to all factors associated with the sales.

1. Total Actual Vs Budget (target) i.e. what is your sales performance by month?

Months	Actual sales	Budgeted sales	Variances

2. Sales by product i.e. what is your sales performance by product group?

Product	Actual sales	Budgeted sales	Variances

3. Sales by Territory i.e. what is your sales performance by individual territory

Territory	Actual sales	Budgeted sales	Variances

4. Sales by customers i.e. what is your sales performance by individual customers?

Customers	Actual sales	Budgeted sales	Variances

5. Sales by Region.

   What is your sales performance by region?

Region	Actual sales	Budgeted sales	Variances

6. Market size by months

   What is the market size by month?

Months	Estimate	Market size

7. Market share by months

What is the market share by month?

Month	Estimate Market size	Actual sales	Variances

Based on the outcome of the above analysis set performance standards, and review the monthly performance.

The performance standard could consist of both quantitative as well as qualitative

QUANTITATIVE COULD INCLUDE:

- Sales quota for the individual
- Sales quota for the team
- Actual sales this year against this year's budget
- Actual sales this year against last year's actual sales.
- Sales expenses against target
- Market share target for the territory
- Gross margin against the sales (this year)
- Gross margin against the sales (last year)
- Call per day
- Call frequency ration
- Order call ratio

- Average sales per call
- Average expenses per call
- Average order size
- Sales coverage index

Qualitative standard could include:

- Product knowledge index
- Customer knowledge index
- Level of customer satisfaction index
- Monthly report index

General Manager's performance standard s should be objective, measureable, realistic and stated clearly in writing.

SELF ASSESSMENT EXERCISE

- What is sales quota?
- What are the characteristics of a good sales quota?

4.0 CONCLUSION

This unit has comprehensively introduced you to sales quotas definition, the usefulness of sales quota, the major features of a good sales quota plan. You have also learnt about the various types of sales quotas and the constraints of sales quotas. This unit has also exposed you to the dichotomy between sales force compensation plan and sales quotas.

5.0 SUMMARY

Many companies motivate their salespeople by setting sales quotas – standards stating the amount they should sell and how sales should be divided among the company's products. Compensation is often related to how well salespeople meet their quotas. Companies also use positive incentives to increase salesforce efforts. Sales meetings provide social occasions, breaks from routine chances to meet and talk with "company brass" and opportunities to air feelings and identify with a large group. Companies also sponsor sales contests to spur the sales force to make a selling effort above what would normally be expected.

6.0 TUTOR MARKED ASSIGNMENT

- Discuss extensively the common methods that are used for sales control.

SELF ASSESSMENT EXERCISE

A sales quota is defined as the standard stating the amount the salesforce should sell and how sales should be divided among the companies product. A good salesforce is characterized by: Simplicity, Accuracy, Fairness, Flexibility, timeliness, Definite task, incentive prone etc.

7.0 REFERENCE/FURTHER READING

Spiro, Rosann L. & Rich Gregory (2008): Management of a salesforce. 12th edition, NY, McGraw-Hill.

A. Rich & William J. Stanton (2008): Management of a sales force 13th Edition, Boston, PP. 134-137

Timothy Abu (2005): Sales Management Made Easy. Gabson Publishers Benue State.

UNIT FIVE SALE RECORDS

CONTENTS

1.0 INTRODUCTION

Just about any type of sales work required the keeping of records and the filing of reports. Certain records must be kept and passed on to your company so that they can use this information to the betterment of all connected with the company. Almost every salesperson I know would rather be in front of a customer as opposed to doing paperwork. Nonetheless, paper work is necessary and it must be done to the best of a salesperson's ability and most importantly handed in on time so that it is relevant.

Selling required the keeping of records and also the requirement of filing day and weekly reports required by the home office. Some sales people are not all at detail minded. Most seek any excuse at all so they do not have to hand in reports. Others make the mistake of spending valuable hours not in the field, but at home or in the office because they are behind in their paperwork. Paper work should not be done during business hours which is prime selling time.

Keeping your records current helps avoid having to do it during selling time.

Recording or paper work done during business hours robs you off selling time that should be spent in the field.

You should make a determination as to when and where your sales record should be prepared since it is essential in sales management. Keeping up to date sales record is a necessary part of your obligation as a salesperson. It must be done as thoroughly as possible and in a timely fashion. So that sales information is current and made available for management decision. As this will reveal which product or service command sales and patronage, and possibly either to make or buy such product line.

Sales records such as ledger, journal, financial statement, balance score card, Balance sheet, provides the management with information they need to make a successful decision.

2.0 OBJECTIVES OF THE UNIT

Having completed this unit, you are expected to do the following:

- Define sales records
- Discuss the importance of keeping sales records.
- Identify the different types of sales records
- Explain some of the problems of keeping sales records
- State how sales records are prepared
- Discuss the characteristics of a good sales record.

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF SALES RECORD

The information you have on your customers, including but not limited to their contact information, how often they purchase from you, what they purchase and how they pay their bills is known as a sales record.

You company's sales records are quietly likely to prove the most valuable marketing information source. Files of customer purchases with address amounts, dates products, payment methods, returns and other information constitutes a rich trove of marketing data. These information can be analyzed to find out who the salesforce best customers are, what they like the most, and what kinds of marketing approaches appeal to them most powerfully.

One of the best things about doing market research with your own records is that it's all proprietary. No one else has the same data you do, and theirs is no information anywhere that is more appropriate to you business. Add in the fact that market research using the sales records is economical, and it's powerful combination. Do everything you can to capture and analyse information from you own sales.

From the sales record, you can update sales status, shipping costs (Delivery costs) and buyer information.

3.2 THE IMPORTANCE OF SALES RECORD

Good sales records are a fundamental task for the effective organisation of any business enterprise for intelligent business and sales decision making. However most business owners do not see the need for updated record keeping in their business. They argue that they do not see the need for record keeping since it does not directly contribute to the success of their business. What an error. Those who have such argument always make reference to some successful business they know that does not keep up to date sales record but yet they are successful because they have a good product and an aggressive marketing team to convert every prospective customer into a buying and paying loyal customer.

If you are there is one thing I want you to know. The fact that those businesses are making good sales does not mean they are doing everything right. It does not also mean that their lack of sales records will not plaque in the future. A time will come when they will need information to evaluate their business and make intelligent management decision.

Good sales record keeping enable you to:

- Able to know if you are making or losing money in general and on specific jobs or product sales.
- Able to price your product accurately. It will prevent you from selling your product cheap.
- Supply information for preparing sales budget
- Know your cash flow both short term and long term
- Evaluate sales people base on their sales ability and reward those that deserve it.
- Be able to work effectively and efficiently with bankers.
- Make the tax agencies know how you are doing in business.

3.3 TYPES OF SALES RECORDS

A. Income: - An income record appears on the profit and loss report in the turnover section. On the cash flow report, the receipt is combined with those from other income records on the invoice sales line. Trade debtors records are combined with those of other income records and appear as trade debtors on the balance sheet.

Actual receipt is also a sales record (invoice). Direct costs records and overhead records.

B. Wages record is used for payroll costs

- Loan record
- Creditors record

Note that this unit does not consider other forms of records of both private or public.

3.4 PROBLEMS OF KEEPING GOOD SALES RECORD

The major problems associated with sales record keeping depends on the sales people organisation, sole proprietorship, partnership, consortium and limited liability and of course public companies whose record keeping systems vary. Sales and purchase are not always for cash. Some times the payment/receipt is delayed to a future date.

- Problems associated with keeping on increasing with the size or volume of business.
- Order processing related problems
- Problems as a result of inadequate or non reliable sales data presentation

- Lack of standard slows the adoption of electronic sales records.

3.5 CHARACTERISTICS OF SALES RECORDS

A good sales record forms the bases through which every other records and budgets are prepared.

A good sales record must be

- Clear
- Flexible
- Easy to understand
- Time
- Concise (brief)
- Convey customers call number and time
- Show the customer product preference
- Show the price of product or service sold

SELF ASSESSMENT EXERCISE

- What is sales records?

4.0 CONCLUSION

You have learnt about the meaning of sales record in this unit, the different types of sales record and the need to keep sales record. You have also learnt the possible information that are contained in the sales records.

5.0 SUMMARY

A sales record must contain information about special price to be maintained for a particular product to a particular customer with conditions such as volume off take, payment mode. Sales records provides pricing data for decision making. A good sales record supply information for sales forecast, sales budget and other subsequent budgets to be prepared. Each sales transaction has a specific scenario that involves different conditions, different products at different prices.

6.0 TUTOR-MARKED ASSESSMENT

Examine the importance of sales record, the information obtained on customers, including but not limited to their contact information, how often they purchase from you, what they purchase and how they pay heir bills are referred to in sales record.

7.0 REFERENCE/FURTHER READING

Ray Port J. and Sviokla (1994): Managing in market place. Harvard Business Review.

Swaddling, D. C. (2001): Customer Power Willington press, 2001.

Smith N. (1990): Morality and the Market place Rontledge, 1990.

COURSE MATERIAL DEVELOPMENT

MKT 730

SALESMANSHIP

COURSE GUIDE

Course Developer/Course Writer: **ADEGBOLA, EUNICE ABIMBOLA**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Editor **PROFESSOR K. OSHOTIMEHIN**

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE

Programme Leader: **PROFESSOR IYABO OLOJEDE**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Coordinator: GANA, M.A.

NATIONAL OPEN UNIVERSITY OF NIGERIA

MODULE TWO CONCEPTS AND PRINCIPLES OF SALESMANSHIP

UNIT ONE: EVALUATING SALESPEOPLE (PERFORMANCE APPRAISAL)

UNIT TWO: PRINCIPLES OF SALESMANSHIP

UNIT THREE: PRODUCTS DESIGN ANS DECISION

UNIT FOUR: PRODUCTS BRANDING

UNIT FIVE: PRODUCT PACKAGING

UNIT SIX: PRICING DECISION

UNIT ONE: EVUALUATION SALES PEOPLE

1.0 Introduction

2.0 Objective

3.0 Main Content

3.1 Meaning of performance Appraisal

3.2 Sources of information about sales people

3.3 Objectives of Performance appraisal

3.4 Responsibility for evaluation salespeople

3.5 Evaluating or analyzing sales force component of performance sales-force component of performance (competence plus motivation plus opportunity)

3.5.1 Evaluating sales force Competence

3.5.2 Evaluating salesforce

3.5.3 Background knowledge

3.5.4 Evaluating sales skills

3.6 Performance Assessment Tools

3.6.1 level 1 (Novice)

1.0 INTRODUCTION

Company the sales result of salespeople is relatively easy. For example, the latest report might tell you that Rich's sales are 10% higher than Wisdom's sales. These results don't always mean that Rich is performing at a higher level than Wisdom. However, or that Rich has better sales skills. May be Rich has a more open territory with less competition. Evaluating sales team performance by sales result alone is neither fair nor constructive.

Sales are the result of competence, motivation and opportunity. Same one who has subject matter experts, sales skills, strong motivation, and great opportunities will have knockout Sales statistics. But when someone's sales results don't meet expectations, it's important to analyze the components of performance to see what needs to be improved only that you can create a strategy to help each salesperson reach his or her potential.

2.0 OBJECTIVES OF THE UNIT

At the end of this unit, you should be able to

- Define performance appraisal
- Trace the sources of information about sales people
- Identify the objectives of evaluating sales people
- State some of the responsibilities for evaluating sales people.
- Discuss salesforce performance components.
- Explain salesforce competence evaluation.
- Itemise and explain salesforce performance assessment tools.
- Examine critically the steps or process of evaluation sales people.
- Highlight the problems in evaluating salespeople.

3.0 MEANING OF PERFORMANCE APPRAISAL

To appraise means to evaluate. Performance appraisal is a periodic review or evaluation of an employee's (sales persons) paste, present and future performance.

Abaraonye (1991) defined performance appraisal as " the process of reviewing an individual's performance and progress on a job with a view to identifying his strength and weaknesses. Performance appraisal is performed in order to achieve two major objectives. The first objective is to evaluate the sales force performance for the purpose of elevation, salary and commission increase, demotion, dismissal, retirement, retrenchment or transfer. The second objective is to reveal the weakness of the salesperson with a view to determining his training needs for his development and organizational growth.

The following factors or attributes about the sales person are to be appraised:

- Sales skill
- Power
- Knowledge
- Resourcefulness
- Leadership qualities
- Loyalty
- Public and human relations.
- Performance appraisal

Appraisal can be carried out by the immediate boss, colleagues, subordinates, self and customers. Forms are always designed for completion in order to carryout appraisal of salesforce performance. Specific period of the year is always given for the appraisal in organization.

3.2 SOURCES OF INFORMAITON ABOUT SALES PEOPLE

We have thus far described how management communicate what salespeople should be doing and how it motivates them to do it. This process requires good feedback. And good feedback means getting regular information about salespeople to elevate their performance.

Management gets information about its salespeople in several ways. The most important source is sales reports, including weekly or monthly work plans and long term territory marketing plans. Sales people also write up their completed activities on call reports and turn in expense reports for which they are partly or wholly repaid. Additional information comes from personal observation, customer surveys, and talks with other salespeople. Using various salesforce reports and other information, sales management evaluates members of the salesforce. It evaluates salespeople on their ability the "plan their work and work their plan". Formal evaluation forces management to develop and communicate clear standards for judging performance. It also provides salespeople with constructive feedback and motivates them to perform well.

3.3 OBJECTIVES OF PERFORMANCE APPRAISAL

a. It is useful in human resources planning ie. Assessing a basic internal supply of human resources, data must be available that describes the proficiency and potential.

b. Performance feedback i.e. most sales people are very interested in how well they are doing at present, as well as how they can do better in future.

c. Recruitment and selection ie. Performance evaluation ratings may be helpful in predicting the future performance of job applicant. E.g it may be found that a significant number of successful managers received their training from certain schools or major particular fields.

d. Training and development; i.e. Help to point out salesperson(s) specific need for training and development which can lead to improved performance. Deficiencies in performance may be attributable to adequate knowledge or skills.

e. Career planning and development

f. Compensation: ie it helps in giving adequate remuneration (pay).

g. Internal salesforce relation: Information obtained from performance appraisal could be used for promotion, demotion, termination, transfer, conflict resolutions etc.

3.4 RESPONSIBILITY FOR EVALUATING SALESPEOPLE

Several possibilities exist as to who will actually rate the salesperson:

a. Immediate supervisor (boss): this is because the supervisor is in an excellent position to observe the sales person sales behaviour. The supervisor is responsible for a unit. An appraisal by person other than the head of unit could undermine the supervisor authority.
b. Subordinate: subordinate evaluation of managers are feasible. They are in good position to view their supervisor to be conscious of the salesforce needs and manage them better.
c. Peers/colleagues: This may be reliable if the work group is stable over a reasonable long period of times they perform tasks (sales) that require interaction.
d. Self Appraisal: If the salesperson understand the objectives he is expected to achieve and the standards. They are in the best position to appraise their own performance.
e. Group Appraisal: Involves the use of two or more managers who are familiar with the salespeople performance and as a team they appraises the salespeople.
f. Combination of the above

3.5 EVALUATING OR ANALYSING SALESFORCE PERFORMANCE COMPONENTS

Before you can evaluate the performance of sales team, you must first analyse its components. Here is a simple formula you can use to analyze the performance of your team as a whole or of individual sales representative.

Performance = competence + motivation + opportunity

The components are independent of each other. In other word, a sales representative can be highly motivated but incompetent, poorly motivated but highly competent, poorly motivated and incompetent or highly motivated and highly competent. Regardless of your sales teams level of motivation and competence, if the opportunity component is weak, sales performance suffers.

3.5.1 Evaluate Competence

Competence includes knowledge of your products, your sales processes and policies, your company, and your industry. It also extends to knowledge of your customers, their problems and opportunities, and their industry. Additional, it includes understanding how business operates.

3.5.2 Evaluate Background Knowledge

Depending on your industry, sales representatives might need to have a certain amount of knowledge in technology, finance, engineering, manufacturing, or human resources. They should be able to ask informed questions of their customers and to perceive gaps in their own knowledge so perceive gaps in their own knowledge so that they call in a technical expert at the appropriate time.

3.5.3 Evaluate Sales Skills

The second element of performance component is the salesforce sales skills. These skills include:

- Knowing how to prospect for business
- Knowing how to prepare for a sales call
- Knowing how to build rapport and trust with customers
- Knowing how to qualify prospects and assess their needs
- Knowing how to write a proposal and deliver a sales presentation
- Knowing how to overcome objections and close the sale.

When you evaluate representatives who manage key accounts, look at their skills in building relationships at multiple levels of the customer organization, managing change communicating back into your company, influencing, negotiating and thinking strategically.

3.6 SALES FORCE PERFORMANCE ASSESSMENT TOOLS

There are several tools to assist you in this evaluation. There are sales competency assessment that you can perform on your representatives. The best assessment, list generic sales skills and knowledge and also behaviour Anchored Rating s Scales (BAR). BAR helps your rate objectively, fairly, consistently and precisely.

Some companies create competencies from benchmarking studies, focus groups, and customer surveys. However, you may find that you can customize off-the –self assessment to meet your particular situation. Here is a sample of an assessment of product knowledge used of an assessment of product knowledge used by electronic publisher of political economic reports:

3.6.1 level 1 (NOVICE): Knows the names of all products and can not review features with customers from the products catalog or sales collateral.

3.6.2 Level 2 (Competent): Knows the name of all the product and can review features with customers from the product catalog or sales collateral. He can list current world economic and political events. Can demonstrate online products at a customer's desk. Answers customers general questions about products.

3.6.3 level 3 (Proficient) knows the names of all the products and can review features with customers without the assistance of the product satalog or sales collateral, it necessary. He is aware of current world economic and political event and can link them to a customers business. He can demonstrate on line products at a customer's desktop. He answers customers' general and specific questions about the products.

3.6.4 Level 4 (Expert): Knows the names of all the products and can review features with customers without the assistance of the product catalog or sales collateral, if necessary. He is aware of current world economic and political events and can discuss them in-depth on a collegial level with customers. The expert can demonstrate online products at a customers' desktop. Answers customers' general and specific questions about the products.

3.7 METHODS/MEASURES EMPLOYED IN ASSESSING SALESPEOPLE PERFORMANCE

3.7.1 Skills Tests

This is an important measure employed in measuring the salesforce performance.

There is also online selling-skills tests that measure various sales traits or aptitude. Many tests claim to measure competencies, and they might even produce a report that reads like a competency assessment. But, in fact, they measure only aptitude. This measure is useful for the selection sales representatives, but less useful for evaluating performance.

3.7.2 Observation in the Field

The most effective method of evaluating your sales teams competencies is to accompany them into the field and observe them in action. Use a competency assessment as a guide, and record what you see your representatives will appreciate the time you spend with them, and they will be much more likely to accept your assessment.

3.7.3 Evaluate Sales Activities

At this point, you have evaluated the competencies of the salespeople. You have also considered the role that opportunity might have played in your representative performance. Now is the time to look at the most important measures of sales force performance i.e. sales result.

3.7.4 Evaluating Performance against Sales Goals

The fairest method or way to evaluate sales results is to measure them against goals. Keep tract of whether your representatives achieve or exceed the goals that your set for them. Be sure to set goals that support your sales strategy. If your growth strategy is to get more revenue from existing customers, it's a good idea that your sales representatives, individual goals state the source of the revenue.

Your evaluation measures might include a percentage of total revenues from existing customers, and an increase in revenues from existing customers compared with last year. You would not give much weight to any decline in the total number of accounts.

3.7.5 Evaluating Teamwork in Complex Sales

High-value, complex sales with length sales cycles present a different challenge. Consider measuring the financial value of opportunities uncovered during the needs assessment, the cost or proposal solutions, the amount of profit protected during price negotiations and the value of additional business created during follow-up after the sales.

Remember that complex sales require team effort. Consider and measure the contribution each team member makes to these sales. A writer revises a proposal. A sales assistant sells, schedules, and coordinates sales meetings with key people inside the customer organization.

3.7.6. Measure Sales Results Rather Than Sales Activities

Be careful of the activity measures trap. If you measures sales activities (for example, number of calls or number of proposals), you get activity from your representatives, but it might be at the expense of results. Instead, measure results such as revenue, profit margins, number of new accounts opened and increases over last year.

3.7.7 Evaluate Motivation and Opportunity

Motivation is the desire to succeed. It can come from within or from incentives. Assessing your salespeople motivation is much more subjective than assessing their competencies. Observe the in the field and around the office, and note the following:

a. Are they giving 100% efforts?
b. Do they have a positive attitude
c. Do they enjoy seeing their customers?
d. Do they celebrate their sales success?
e. Do they closely track their sales results and commissions earned?

Look at past performance. A decline in performance might indicate a motivation issue rather than a competency issue.

B. Evaluate Opportunity

Opportunity is the availability of goals, territory, tools, products and support,

Performance evaluation starts with you. To evaluate the opportunity component of performance, ask your self the following questions:

- Have you set the right sales strategy and goals?
- Does your team understand and accept the goals?
- Are territories clearly defined?
- Do you have the right sales people in the right territory?
- Does your team understand and accept the territory assignments?
- Does your sales team have sales collateral product samples, portable computers and electronic communication devices?
- Does your sales team have marketable products?
- Is adequate product training available?
- Do you support your representatives in the field.
- Do you coach your representatives, team up with them on joint calls, empower them, and provide a winning sales culture for them?

- Do you create effective sales incentive program partner with marketing to generate, leads and partner with production to coordinate delivery?

A negative response to any one of these questions might affect the performance of your sales team.

3.7.8 Take Action and Corrective Measures

After you complete you evaluation, use the following four categories to decide which action to take with each f your salespeople.

CATEGORY PEFORMANCE ANALYSIS ACTION

A.

Top performers

Competent and motivated

Keep and delegate (Action)

B.

High potentials

Incompetent but motivated

Keep, coach and train (Action)

C.

Underachievers

Competent but unmotivated

Keep and counsel, or redeploy (Action)

D.

Unacceptable performers

Incompetent and unmotivated

Consider redeployment or termination (Action)

3.9 PROBLEMS IN EVALUATING SALESPEOPLE

- Objectivity: for example, rating scales attitude, loyalty, personality are difficult to measures accurately. This may even have little to do with the sales person's performance.
- Hallo effect: when the evaluator perceived one factor as being a paramount importance and gives a good overall rating to the salesperson who rates high in this factor. It has to do with using characteristics of individual to judge him/her.
- Leniency- They giving of underserved high.

- Central tendency: a common error occurring when the sales person(s') is/are incorrectly rated near to the average or middle of the scale. In some rating scales, the rate may be required to justify extremely high or extremely low ratings. In this instance, the latter may avoid possible controversy or criticise by giving only average ratings.
- Recent behaviour bias: I.e. using what someone has just done recently to judge his whole behaviour.
- Personal Bias: The rater may have bias related to the salespeople. Characteristics such as race, religion, gender (sex), or age group fit in here.

SELF ASSESSMENT EXERCISE

- Itemise the common problems that render sales force performance evaluation in effective.

4.0 CONCLUSION

This unit has introduced you to the meaning and various measures adopted in evaluating salespeople. You have also learnt about the performance evaluation tools- Novice, competent, expert etc. The unit also teaches you the prevailing problems which make salesforce evaluation less interesting.

5.0 SUMMARY

A fair and accurate evaluation of the sales people's performance helps you get the best from your sales team. By evaluating performance against goals, measuring results rather activity, and choosing the optimal development strategy for each sales representative, you can ensure that your team is always ready to deliver maximum performance and results.

6.0 TUTOR-MARKED ASSIGNMENT

- Discuss those strategic questions to be asked when evaluating the salesforce performance in terms of motivation and opportunity.

ANSWER TO SELF ASSESSMENT EXERCISE

The following reasons are adduced to ineffectiveness in sales representatives Performance Evaluation.

- Objectivity
- Hallo effect
- Leniency
- Central tendency
- Recent Behaviour bias, and
- Personal bias

7.0 REFERENCE/FURTHER READING

Adewale Onifade (2001): Management: office, business Education Published by KAPPCO Nigeria Limited Abeokuta

Akosile, O. K. and Co. (2001): Human Resource Management and Business . Ade-Ola Printing press Ltd Mafoluku, Oshodi, Lagos.

Prof Uli Chukwunonye (2008): Motivating Salesforce and management:

Enugu State Business School. Enugu.

UNIT TWO: PRINCIPLES OF SALESMANSHIP

CONTENT

1.0 INTRODUCTION

Under out present-day system of business organisation, the interdependence of business activities is so apparent that it is a most impossible to assign to any one activity of a business a place of major importance. The enormous increase in the world's manufacturing capacity and growth in the variety of new products and services offered to the consuming public, make mass production possible and profitable. Ales volume is necessary to earn returns on large fixed investments. With competition for the consumer dollar increasing, it is safe to state that distribution is today an outstanding factor in most business enterprises. From the very necessity of the case, all business must focus its activities upon finding a market for its product. Here is the source of its income. Toward it every effort must be turned if the business is to earn a profit and keep going.

2.0 OBJECTIVES OF THE UNIT

On the successful completion of this unit, you should be able to:

- Define personal selling
- Identify the merit and demerit of personal selling
- Discuss the features of personal selling
- Define a sale

- Say whether salesmanship is a science or
- Say whether salesmanship is an art.
- Explain the principles of salesmanship
- List and explain the various methods of selling.
- Discuss salesmanship as an academic field of study.
- Enumerate the divisions of selling.
- Explain the concept of demand of salesmanship.
- Highlight the scope of salesman's activities.
- Discuss salesmanship as a study of universal business interest.

3.0 MAIN CONTENT

3.1.0 THE MEANING OF PERSONAL SELLING

It has been said that nothing happens until the cash register rings. With all the advertising and other forms of promotion, nothing really will come to the coffers of the firm until the sales people are able to somehow get customers to take the purchase decision.

Personal selling ensures that customers are taken through the selling process until they buy. It presents a flexible form of dialogue between buyer and seller.

PERSONAL SELLINGS: Is a face-to-face attempt by the sponsor to inform, persuade and remind customers or prospects to take a particular action regarding a product or service.

3.1.1 Merit and Demerit of Personal Selling

A. Merit

- Salespeople can respond immediately to question.
- They can identify customer's need more accurately.
- They can select appropriate benefit to push.
- They can deal with objections on the spot.
- They can ask for the order immediately.

B. Demerit

- Cost of salesperson's salary and support services
- Cost of commission payment
- Cost of travelling
- Cost of meals, hotel accommodation etc.
- Customer's contact time is small compared with the time for travelling, waiting about, and recording result.

3.1.2 Characteristics or Features of Personal Selling

- It takes in a face-to-face setting which gives the opportunity for instant interaction between seller and buyer.
- There is little control as message can be adjusted by the sales person depending on factors surrounding the information.
- Like advertising and sales promotion, it has low creditability because it is believed that it is the position of the seller and hence to be suspected.

- Combined with telemarketing, sales leads and orders can be discussed on phone without the sales person making personal appearance all the time

3.2 PLACE OF PERSONAL SALESMANSHIP IN THE FIELD OF MARKETING

In the distribution of any product or service there are two coordinate and contemporary sets of considerations: those of advertising which aims to influence sales in the mass; and those of personal salesmanship which seeks to influence the individual. Back of these, is another more fundamental than either, having to do with marketing, a term denoting the whole plan of distribution and inclusive of every phase of it.

It includes:

- The selection of marketing channels,
- Trade marketing,
- Packaging,
- Pricing,
- Discoursing,
- Credits and many other considerations which must be gone into and decided upon before the first salesman can be employed or the first piece of advertising copy written.

Personal salesmanship takes its place and has its setting in this broader field of marketing. It carries the message of the product and the marketing campaign to the middlemen along the channel of distribution, or to the find consumer, or both. Ordinarily it is the activity which brings in the cash and makes finally effective the aims and objects of the marketing campaign as a whole.

While at one time very must of an individualist, and selling in his own way and on his own plan, the salesman today finds himself becoming more and more an integral part of a broad marketing plan that involves the necessity of handling and understanding advertising, discounts, credit policies, dealer helps and the numerous other marketing considerations which now play a large part in making the product itself attractive to the customer.

It is with a statement of the principles and practices of personal salesmanship – with ways and means of developing and increasing personal selling ability that this text is concerned.

3.3 DEFINITION OF A SALE

What is a Sale?

Legally, a sale is a transaction in which one person persuades another to purchase something at an agreed price. From a business point of view, the sale should result in a profit to the seller. As a legitimate phase of commerce, it should convey an advantage or a profit to the buyer.

In practical matter, the salesman should keep the last two parts of this definition constantly in mind.

He will want to gauge the effectiveness of his selling in terms of profit to his house. An recognition benefit to the buyer kept constantly before he will prevent an apologetic attitude, not uncommon to salesmen, which if allowed to develop, tends to lower sales morale.

As a practical matter also, it must be recognized that this mutual advantage may not always materialize. The price of sugar may go up or down and result in a loss either to the buyer or the seller. The price of a security, sincerely recommended may go off, either temporarily or permanently. Sometimes from causes quite aside from its intrinsic value.

Trends in a neighbourhood changes in the plans of municipality or some existing condition unknown to buyer or seller at the time of dale, may cause real estate to deteriorate the value.

But these are ordinary risks to which all business is subject. The salesman who has acted in good faith is not called upon to assume a personal responsibility for these occasional happenings.

3.4 THE SCIENCE OF SALESMANSHIP

A science may be defined as organized knowledge, a body of facts or truths gleaned from a study of experience, systematically arranged, stating and showing the operation of general laws.

Sciences or at least our ability to state the definite laws underlying and governing given subject –vary in degree of exactness. Mathematics is a truly exact science.

The science of medicine, despite the marvelous advance which have been made in it and the enormous existing body of knowledge pertaining to it, is a considerable degree exact.

It is possible to make a study of the sales process and the experience and methods of successful salesmen. So far as we are able to determine the underlying successful methods there is a science of salesmanship. Because of the many immeasurable human elements involved, it will always remain, to some degree, an in exact science.

3.5 THE ART OF SALESMANSHIP

Art is a science applied. It involves actual doing. It is the practical application of knowledge or natural ability. One might have a broad knowledge of the science of medicine and possess, or develop, but in different ability in applying it.

It may be said, speaking generally, that knowledge of a science is gained by study; proficiency in an art by practice.

Here is the real truth behind the often made statement: “Experience is the best teacher”. To a large extent, that is so, But to the thinking man the advantage of knowledge gleaned from the experience of others, in making his personal experiences mean more to him than they other wise could, will be apparent.

The recently graduated medical student definitely needs his hospital experience to make him a real physician. Without his particular knowledge as a background, however, his hospital training could mean little or nothing to him. The trained engineer fresh from his technical school is probably not so good a builder of bridges as is the foreman who has worked at bridge building since boyhood. Give the engineer trained in engineering principles a few years of practical experience. However, he will be by far the better bridge builder because he has at his disposal not only his own experience but that of the entire engineering profession reduced to definite laws in like manner, a knowledge of selling principles along is not sufficient. Actual practice in their application is necessary. but a knowledge of principles will enable one to get his selling ability into action more quickly and make of him a better salesman than he otherwise could hope to be the art of salesmanship may be defined as the ability to apply fundamental selling principles to the circumstances of the individual selling situation.

The term salesmanship as used in this text includes both knowledge of fundamental selling principles and the ability to apply them in the actual making of sales. It comprehends both the science and the art.

3.6 PRINCIPLES OF SALESMANSHIP

Principles are the fundamentals laws or truths underlying a given science. They remain more or less fixed or immutable though the methods used in applying them will vary with each individual case.

Centrifugal force is a fundamental principle of physics operating alike in a cream separator, a laundry drying machine, or in the act of swinging about one's head, without spilling, a pail containing water. It will be observed, however that the method by which the principle is applied is different in each case.

The term sales principle as used in this text denoted the underlying reason for any mode of action which enables the salesman successfully to bring about any development in a sale. It assumes that there is a fundamental controlling law for bringing about, it other conditions be favourable, each important development in the sales process; and that such laws can be more or less definitely ascertained.

The distinction between a sales principle and the method used in its application in given circumstances is one that the salesman should have clearly in mind.

3.7 SALES METHODS

A method is a way of doing something-specifically, in selling, those things which a salesperson does or says to apply a principle of salesmanship – to bring about certain reactions on the part of the prospective buyer. Principles , as has been indicated, are fixed. Methods will vary with each individual sale and with each individual salesman.

The skillful salesman will often have many different methods, varying with the situations in which he finds himself, for applying a given sales principle. Positive suggestion is a fundamental principle of salesmanship as well as of psychology – or rather it would be better to state that it is a principle of salesmanship because it is a principle of psychology. The methods through which this single principle can be applied are legion.

While it is not possible to enumerate all possible methods in the same sense that it is possible to state definitely all known principles, it is possible to give the salesman many sales methods which are usually effective and the inspire him to devise many more which will be particularly effective for him.

3.8 SELLING ABILITY IS NOT INHERENT

A businessman had been arguing that “salesmanship cannot be taught.” It must be born in a man”.

As he talked, he had been watching one of his men in the front part of his store demonstrate a mechanical device. When the customer had gone, he stepped quickly forward, “Bill” said he, “I noticed that you did all the demonstrating and all the talking.

Why didn't you let your prospect handle the machine – operate it? By doing that, you would have held his interest and created in him a desire to won the machine. Instead of that, he walked out on you". He had laid down a definite principle of salesmanship. He had endeavour to do that which he had just finished stating could not be done- teach salesmanship. This illustrates how little thought a man is giving to the subject when he says that sales are born and not made.

It is undoubtedly true that some men are "born" salesmen in the sense that they have selling instinct more highly developed that most men. Whereas there are others who need sound training and instruction to bring it out. There are also "born" musicians and 'born' artist but they have to undergo formal training to develop and shape their raw talents.

3.8.1 Salesmanship as Academic Fields of Study

Can salesmanship be taught?

Not so long ago, it was not all unusual for a executive t decry the necessity for any extended formal training for recruits to the selling organisation.

A man of more or less apparent selling ability was hired, given a day or so around the plant or office, handed a sample case and stared for his territory with a few parting instruction to sink swim.

Only one out of tem breasted the tide. This method has long been recognized as in efficient. Salesmanship has become a discipline of its own in the tertiary institutions curriculum cared out of marketing.

Young graduates of this discipline become great and successful marketers and salespeople.

A great salesperson (school leaver) must have business instruction and business training in order to match and overcome if not totally subdued the prevailing competition.

Graduates of sales management hold certificates OND, HND, B.Sc even a masters degree and doctorate degree of the discipline. They are the most successful sales people in the market than the so called "born" or "made" salesfore.

3.8.2 DEMAND FOR SALESMEN

As a matter of fact, it must be apparent that the vast machinery of distribution as it has developed in the past decade or two could not possibly have depended upon or waited for men of such undoubted and outstanding selling ability that they would inevitably have succeeded without instruction and because of their natural ability alone.

There are just not enough to go around. The introduction of the automobile, within the lifetime of many of us, has required a vast (huge) and ever increasing army of salesmen.

The following necessitate increasing demand for salesmen

- Market expansion
- Introduction of new and technical products which need technical salesmen e.g. electronics, gas, refrigerator sets, computers, textiles etc.
- Changing phase of technology e.g LG electronics, Kia motors which provides after sales services.

3.8.2 Divisions of Selling

Selling activities may be classified from several activities may be classified from several different viewpoints, all definitely important. One broad division may be made on the basis of the nature of the offering, into general staple lines and specialties. In the former, the salesman is offering a related line of products which are considered necessities according to the prevailing standard of living.

Wholesale groceries, hardware and drugs come under this head.

In specialities, the offering usually consists of a single product or service which the prospect is more nearly in a position to take or leave alone as he sees it. Example life insurance, securities, electrical refrigeration educational courses, oil heating plants and a large number of other specialities products or services.

3.8.4 Scope of Salesman's Activities

The scope of the salesman's activities will, of course, depend on a considerable extent upon the line he is selling and the channels of distribution used.

First and foremost, his main activity is to sell an adequate volume at satisfactory profit.

The salesman must have a wide range of knowledge about his company and the products, his departments, his territory etc.

He must cooperate with the credit manager through his intimidated knowledge of local conditions and detailed knowledge of the individual customer. Many times of course, he must lend personal assistance in the collection of accounts. He will cooperate with the production end of the business by reporting the reaction upon the trade and upon the consuming public of the company product and the production policy.

He will cooperate with the advertising manager by coordinating his activities with the general marketing and advertising policies to the customer.

He must assist his customer by constructive suggestion and assistance in stock display, improve merchandising methods, advertising and window trim. In addition, the salesmen must present a detailed report of his daily activities and any changes in trade conditions and should take a personal pride in submitting any personal sales methods which have been effective with him and which he believes will be helpful to other men in the sales organization.

3.8.5 Sales Preparation

The scope of the salesman's activities suggest in outline the necessary preparation. It roughly divides itself into three phases:

- Gaining a knowledge of the business e.g. sales policies
- Acquiring knowledge of sales process e.g overcoming sales resistance and closing sales etc.
- Gaining knowledge of the other phases of selling creation of goodwill and the art of making personal contact.

SELF ASSESSMENT EXERCISE

- Distinguish between a sale and personal selling

4.0 CONCLUSION

The principles and methods of personal salesmanship are inherent in his work. The financial executive, production manager, advertising manager, all must sell their plans to the general manager, president or board of directors. Hence, the unit has introduced you to personal selling, its features, merits and demerits. You have also learnt about the science and art nature of salesmanship.

5.0 SUMMARY

Personal selling is a face-to-face attempt by the sponsor to inform, persuade and remind customers or prospects to take a particular action regarding a product or service.

The prevailing laws, principles and process of selling culminate into sets of controversy as to whether salesmanship is a science or an art.

6.0 TUTOR-MARKED ASSIGNMENT

Explain in detail the art nature of salesmanship.

ANSWER TO SELF ASSESSMENT EXERCISE

Personal selling is a face-to-face attempt by the sponsor to inform, persuade and remind customers or prospects to take a particular action regarding a product or service. While a sale, legally is a transaction in which one person persuades another to purchase something at an agreed price.

7.0 REFERNCE/FURTHER READING

Sam T. Johnson (1993) : Sales management principles. University of Texas U.S.A

American Management Association (1998) Journal on principles of Salesforce Management.

G.U. Onwuchuruba (2003): Marketing Management (strategic planning approach. Servo marketing and Management services Ikeja, Lagos.

Kotler P. (2003): Marketing Management 11th Edition (Upper Saddle, New Jersey: Prentice Hall)

UNIT THREE: PRODUCT DESIGN/DECISIONS

CONTENT

3.7.1.2 Shopping products

3.7.1.3 Specialty products

3.7.1.4 Unsought products

3.7.2 Industrial Products

3.8 Product life cycle

3.8.1 Product Development

3.8.2 Introduction

3.8.3 Growth

3.8.4 Maturity

3.8.5 Decline

4.0 Conclusion

5.0 Summary

6.0 Tutor marked Assignment

7.0 Reference/Further Reading

1.0 INTRODUCTION

Product design is concerned with the efficient and effective generation and development of ideas through a process that leads to new products. Product designers conceptualize and evaluate ideas, making them tangible through products in a more systematic approach. Their role is to combine art, science and technology to create tangible three-dimensional goods. This evolving role has been facilitated by digital tools that allow designers to communicate, visualize and analyze ideas in a way that would have taken greater manpower in the past.

Product design is sometimes confused with industrial design. Industrial design is concerned with the aspect of that process that brings that sort of artistic form and usability usually associated with craft design to that of mass produced goods.

Product designers follow various process (methodology that requires a specific skill set (usually in engineering) to complete.

- Initial state, idea generation, need based generation.
- Mid state: design solution and productions.

- Final state: marketing.

For new products design is of six important steps: customer needs identification, conceptualization, system level design, detailed design, testing and refinement and production ramp up.

2.0 OBJECTIVES OF THE UNIT

Upon successful completion of this unit, you should be able to:

- Define a product and product decision and design.
- Itemize and explain the three levels of products.
- Examine the product decision plan chart.
- Explain the new products development process.
- Explain the causes of new products failure.
- Discuss the importance of new product development.
- Convincingly classify products according to its attribute, need and usage.
- Critically examine the product life cycle and
- Managing the product mix.

3.0 MAIN CONTENT

3.1 THE CONCEPT OF PRODUCT /PRODUCT DESIGNAND PRODUCT DECISION.

Kotler (1998) defines a product as anything that can be offered to a market for attention, acquisition, use or consumption, that might satisfy a want or need.

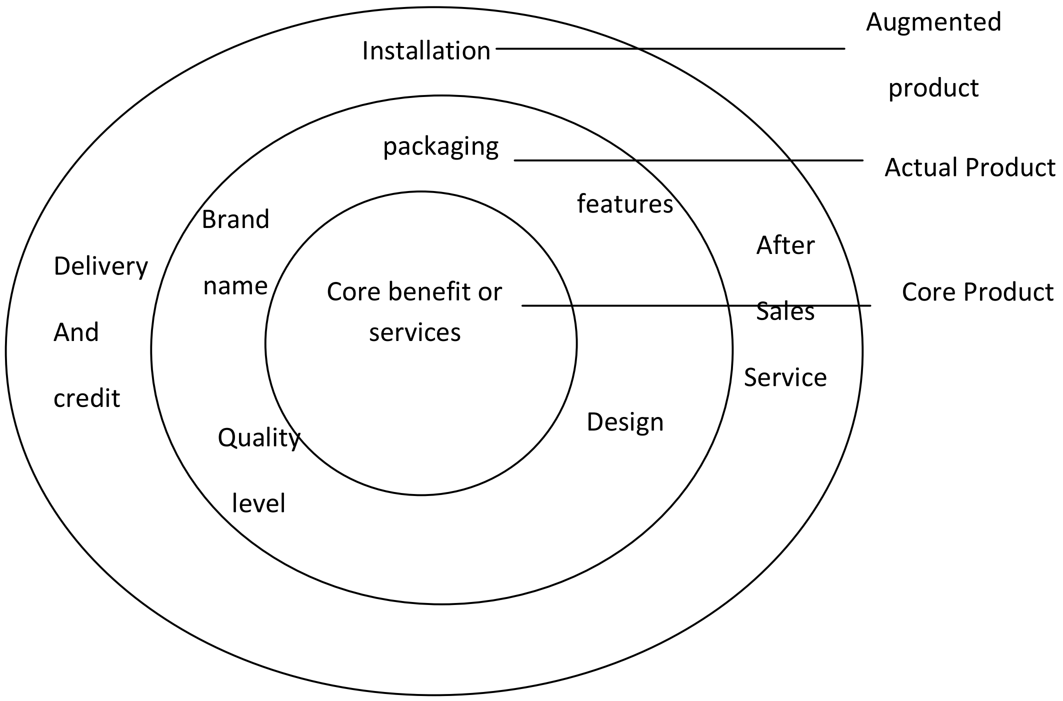
The term ‘product’ covers physical products like bread, eggs, shoes, cars, boots, etc and intangible services like bank services, haircuts, lectures, insurance services, medical services etc.

A product is a combination of physical and psychological attributes which constitute a bundle of satisfaction to the customer or user. A product ideas can be developed from the scratch. Product design is concerned with the efficient and effective generation and development of ideas through a process that leads to new products. Product designers conceptualize and evaluate ideas, making them tangible through products in a more systematic approach.

Decisions regarding the product, price, promotion and distribution channels are decisions on the elements of the “marketing mix”. It ca be argued that product decisions are probably the most crucial the product is the very epitome of marketing planning.

Errors in Product decisions are legion. These can include the imposition of a global standardized product where it is in a applicable, for example large horsepower tractor may be totally unsuitable for areas where small scale farming exists and where incomes are low. The decision whether to sell globally standardized or adopted products is too simplistic for today’s market place.

3.2 THE THREE LEVELS OF PRODUCT



3.2.1 Augmented Product

This is the additional consumer services and benefits built around the core and actual products e.g Delivery of purchase goods, warranty, a pen in the pack of toothpaste.

A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Service can't be kept or held, rather it is experienced, used or consumed. It ca be direct or indirect. In a direct service, payment is effected instantaneous while in the case of indirect service, the service is rendered and the payment is effected on a later date examples

Direct Service	**Indirect Service**
Transportation	Lecturing
Barber (Haircut)	Medical Service
Legal Service etc.	office jobs etc.

3.2.2 Actual Product

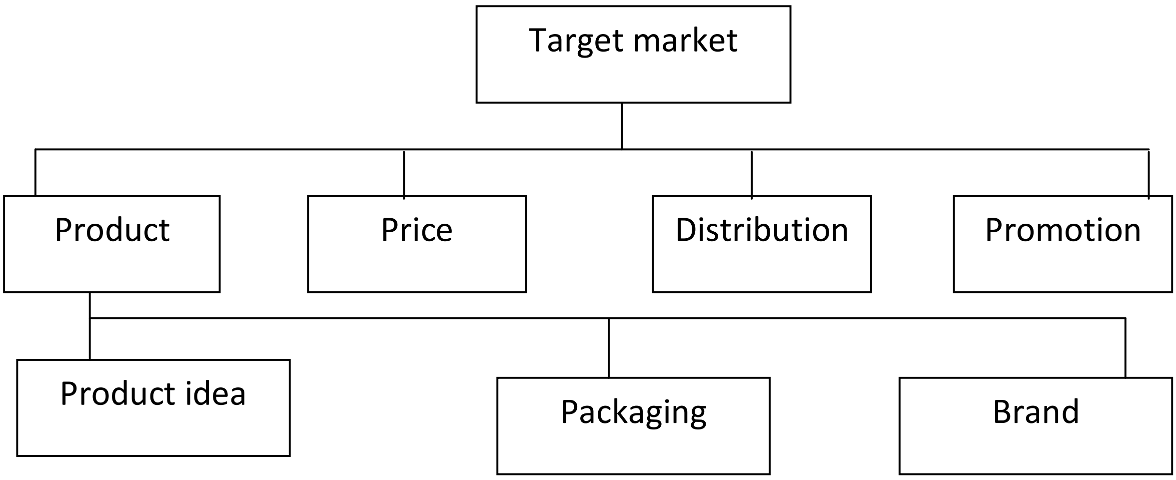
This is otherwise known as a formal product. This is the physical parts of a product that can be touched or felt. For example the wrapper and soap itself. Actual products may have as many as five characteristics:

- A quality level
- Features
- Design
- A brand name, and
- Packaging

3.2.3 Core Products

Implies the problem-solving services or functionality or core benefits that consumers are really buying when they obtain a product. It is the benefit(s) derived from using a product. For instance using soap, either for bathing or washing is a clear example of core product. Also mobile phone for answering calls and making calls, sending short message service (SMS) and even playing music and browsing with it.

3.3 A PRODUCT DECISION PLAN ORGANISATION



Feature	protection	Name (natural,
Product line	Promotion	middlemen
Manufacturers in structure		Private
Service		
Characteristics		

Developing and consistently offering the right and desirable product is not an easy task entrepreneurs. This is so because customer's needs and wants keep changing: Customers want combination of goods and services in their product package; and products, marketing and competition change overtime. An entrepreneurs product decisions plan can be summarized as reflected on the product aspects of 4Ps of marketing mixed variables in the diagram above.

3.4 NEW PRODUCT DEVELOPMENT PROCESS

An existing business can develop new product ideas on continuing basis using the following product development process.

A IDEA GENERATION: this relates to the collection of new ideas from various sources like:

(i) Customer:- old and potential customers can provide information on needs, new needs including unmet needs.

(ii) Channel members:- provide ideas on their operating needs, customer needs, problems and help in problem analysis.

(iii) Scientists and research and development: Provide information on techniques through experiments, tests and results.

(iv) Employees – including sales force who provide ideas, through their association, customer or dealer contacts, brain storming sessions and feedback.

(v) Suppliers: Input or material suppliers can provide information on effective material usage, alternative uses and limitations.

B. IDEA SCREENING: The gathered ideas are considered, evaluated and selection made of the most attractive ones. Selection criteria include those tat are consistent with the business philosophy and company image, profit expectations and services capability of the company.

C. CONCEPT TESTING: the selected ideas are described in specific terms; pictures of the ideas are created including models and features. Opinions of relevant individuals like middlemen, potential customers are sought as well as their buying intentions.

D. BUSINESS ANALYSIS: Here, an evaluation is made of the idea. The size of target market is determined, product demand is estimated, sales and repeat sales are evaluated,a nd costs of operations are estimated. Including cost of sales and profit projections.

E. PRODUCT DEVELOPMENT: The product concept is converted into physical product. A package design is constructed including branding decisions, as well as registration arrangements.

F. TEST MARKETING: Entrepreneur may introduce the product in selected cities and markets for some period and monitor product acceptance. Decision on marketing mix is made, customer complaints and reactions are noted including product performance.

G. COMMERCIALIZATION: Entrepreneur at this state produces and introduces the product to the markets with appropriate marketing effort. The product now starts its life cycle beginning with the introduction state.

3.5 CAUSES OF NEW PRODUCT FAILURE

1. Inadequate market analysis:

- Wrong estimates for market forecast and size of the market for product etc.
- Unexpected reactions from competitors either to match product offering or improve on product offering.

2. PRODUCT DEFICIENCIES

- This is due to inadequate product quality control defects, operational breakdown, non-performance or poor quality and
- Wrong estimates in production cost. Actual costs may exceed estimates, making it difficult to price competitively and or to recover costs.

3. INADEQUATE MARKETING EFFORT: this owes to

- Inadequate expenditures on initial promotion
- Faulty market testing
- Improper channel of distribution

3.6 THE IMPORTANCE OF NEW PRODUCT DEVELOPMENT

Te essence of organizations or companies developing new products are as a result of

- Providing for survival edge and overall competitive position for the product and the organisation as well as to replace obsolete products through technological advances.

- Diversifying their product offerings and to service a wider range of markets.
- Increasing sales and stabilize future sales and profits.

3.8 PRODUCT CLASSIFICAITON

Products can basically be classified into two that is, consumer and industrial goods. The difference is the destination. Consumer goods are for final consumption. While industrial goods are used to produce consumer goods.

3.7.1 Consumer Goods: These are those products that are bought by final consumers for personal consumption. Marketers usually classify these goods further based on how consumers go about buying them. Consumer products include convenience products, shopping products, specialty products, and unsought products. These products differ in the ways consumers buy them, therefore they differ in how they are marketed.

A consumer durable products: Are goods that normally survive many uses and the rate of consumption is very low. e.g clothing, refrigerators, TV sets etc.

Consumer Non-Durable Goods: These are goods consumed in one or few uses and the rate of consumption of which is very high and which are purchased often. E.g. Beer, soap, salt etc.

3.7.1.2 Convenience Products: These are products a customer need but not willing to spend much time or effort shopping for. It can be seen in three (3) ways:

- Staples- products that are purchased by customers, oftenly routinely, without much thought e.g. food stuffs.
- Impulse products- products that customers purchase unplanned as a result of strong felt of it need, or bought on sight e,g ice cream at beach, yoghurt in traffic etc
- Emergency products- products that consumers purchase only when it need is great e.g medicines.

3.7.1.3 Shopping Products: Are products that customers feel are worth the time and efforts to complete with competing products. There are two types of shopping products.

- Homogenous Products: Products that customers see as basically the same and wants at the lowest price. E.g. Television set, sound system of different markers.
- Heterogeneous Products: products that customers see as different and wants to inspect for quality and suitability e.g. clothing, cars furniture etc.

3.7.1.4 Specialty Products: These are products that customers really wants and make a special effort to find. Customer does not compare these products but wants it and willfully makes a search for it. It may not be expensive, also not bought frequently. Any branded product that customer insists on, by name is specialty product.

3.7.1.5 Unsought Products: Are products that customers don't want yet or know they can buy. Infact, customers wouldn't buy this product unless promotion shows its value. There are two types of unsought goods:

- New unsought: Are products that offer new ideas or value that consumers know not about. Informative promotion aid to convince customers to accept or seek out the products.
- Regular unsought: Products that stay unsought forever e.g. life insurance, encyclopedias, coffin, surgery, wheel chair etc.

3.7.2 Industrial Products

These are those purchased for further processing or for use in conducting a business. Thus, the distinction between a consumer product and an industrial product is based on the purpose for which the product is bought. If a consumer buys a lawn mower for use around home, the lawn mower is a consumer product. If the same consumer buys the same lawn mower for use in land scaping business, the lawn mower is an industrial product.

There are three groups of industrial products: materials and Parts, capital items and supplies and services.

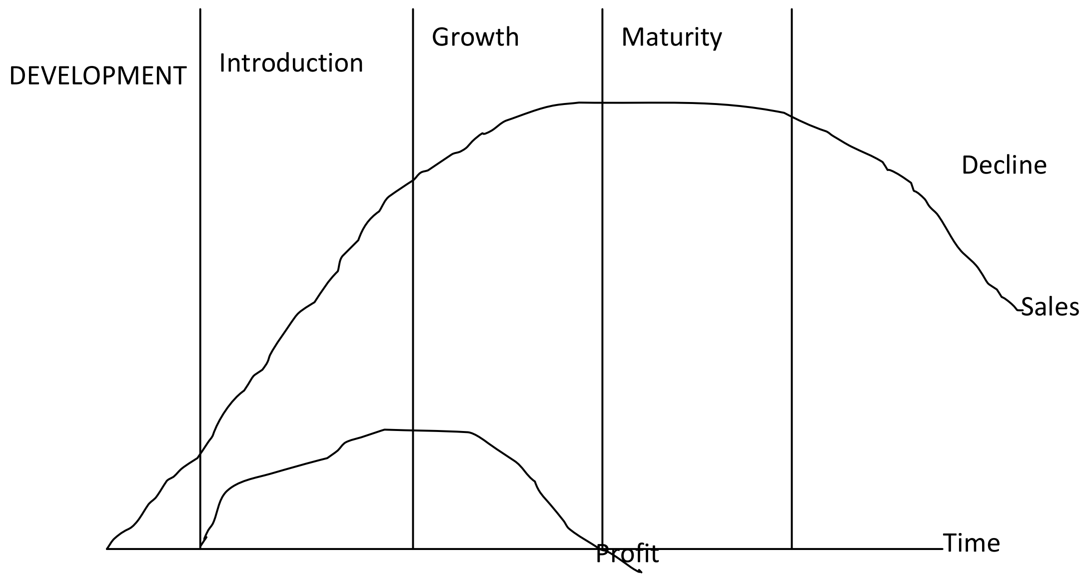
- Materials and parts – Industrial products that entry the manufacturer's product completely, including raw materials and manufactured materials and parts. Raw materials include farm products (wheat, cotton, livestock, fruits, vegetables) and natural products (fish, lumber, crude petroleum ore).

- Capital items: Industrial products that partly the finished product, including installations, and accessory equipment.
- Supplies and services – Industrial products that do not enter the finished product at all.

3.8 PRODUCT LIFE CYCLE

The introduction of a new product is marked by its birth into the market place where it starts its normal life cycle.

Product sales and profit over its lifetime. It involves five distinct stages. Product development, introduction, growth, maturity and decline.



Set below are the features of marketing management objectives, sales, profits, customers, competition, cashflow, cost, product mix, distribution, price, promotion, marketing research reflecting the various stages in a products life cycle.

3.8.1 Product Development State: This is the stage when the company finds and develops a new product idea. During this state, sales are zero and the company's investment cost mounts.

3.8.2 Market Introduction: At this stage, product is being introduced to the market for the first time. The sales are low and profits are non existence in this stage because of heavy expenses of product introduction.

3.8.3 Market Growth: At this stage the industry or firm sales growth rapidly. The profit rises and then starts falling. Profits are being made at first when more and more customers buy the products. However competitors see the opportunity and enter the market which at times affects the profit i.e. falling of sales.

3.8.4 Market Maturity: this stage occurs when industries or firms sales level fall off and competition gets tougher. Firms profit goes down through out this stage because promotion cost rises and some competitors cut pieces to attract business. Persuasive promotion becomes more important.

3.8.5 Decline: At this stage, product dies, sales fall off and profit drops. New products replace the old.

Note: Not all product follow this product life cycle. Some products are introduced and die quickly. Others stay in the maturity stage for a long time. Some enter the decline stage and then cycle back into the growth stage through strong promotion or repositioning.

3.9 PRODUCTION ABSORPTION OR ADOPTION PROCES

This is a mental process through which an individual passes from learning about an innovation to final adoption.

a. Innovators- Are young, well educated people who are eager to be the first to use the product and willing to take the risk.
b. Early Adopters: Are an opinion leasers in their communities who tends to adopt new ideas early, but carefully.
c. Early Majority: Are rarely leaders, they adopt new ideas before the average person. They deliberately avoid risk and wait to consider a new idea after many early adopters have tried it.
d. Late Majority: Adopts an innovation only after a majority of people have tried it.
e. Laggards: lowest in social status, tradition oriented, low income relatives. They are suspicious of changes and adopts the innovation only when it has become something of a tradition itself.

SELF ASSESSMENT EXERCISE

- Itemize the various stages in a product life cycle.
- What is a product?

4.0 CONCLUSION

You have learnt about the meaning of a product, product design, product levels and the product development process. This unit has also lets you know the product decision plan chart and the product mix as a marketing management function.

5.0 SUMMARY

Anything that can be offered to a market for attention, acquisition, use or consumption that is capable of satisfying a want or need is a product.

Formal or actual products, core products, augmented product concepts or levels of product.

A product idea can be developed from the scratch.

6.0 TUTOR MARKED ASSIGNMENT

- Why do organisations embark on new products innovations despite the slump in the economy?

ANSWERS TO SELF ASSESSMENT EXERCISE

Stages in product life cycle

- Development of product
- Introduction
- Growth
- Maturity and
- Decline

B. A product is anything that can be offered to a market for attentions, acquisitions, use, or consumption that might satisfy a want or need is a product. It includes physical objects services, persons, places, organisations and ideas.

7.0 REFERENCE/FURTHER READING

G.U. Onwuchuruba (2003): Marketing Management (strategic planning approach. Servo marketing and Management services Ikeja, Lagos.

Kotler and Armstrong (2007): Principles of Marketing Seventh Edition

Brassington, F. and Petit S. (2006): Principles of Marketing 4th Edition Pearson Education ltd. Essex, Eryland.

UNIT FOUR PRODUCTION BRANDING

CONTENTS

1.0 INTRODUCTION

Branding is an important product decision. A brand is a product, service or concept that is publicly distinguished from other products services, or concepts so that it can be easily communicated and usually marketed. A brand name is the name of the distinctive product, service, or concept. Branding is the process of creating and disseminating the brand name.

Branding can be applied to the entire corporate identity as well as to individual product and service names.

Brands are usually protected from use by others by securing a trademark or service mark from an authorized agency, usually a government agency before applying for a trademark or service mark, you need to establish that someone else hasn't already obtained one for your name.

Although you can do the searching yourself, it is common to hire a law firm that specializes in doing trademark searches and managing the application process, which, in Nigeria takes about a year or two. Once you have learned that no one else is using it, you can begin to use your brand name as a trademark simply by stating it is a trademark (using the "TM" where the first appear in a publication or website). After you receive the trade mark, you can use the registered (?) symbol after your trademark. Brand name is a word, letter or group of words, which can be vocalized to identify a product e.g. Coke, Star etc. Brand mark on the other hand is the design, colour, symbol, which cannot be vocalized is also used to identify a product.

2.0 OBJECTIVES OF THE UNIT

After studying this unit, you should be able to do the following

- Define a brand
- Discuss the major branding decision in product design and development.
- Examine the advantages of branding products.
- Identify the conditions favourable for successful branding.
- Explain what is meant by product development
- Give an expository approach to product positioning.

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF BRANDING

The most distinctive skill of professional marketers is their ability to create, maintain, protect, and enhance brands.

A brand is a name, term, sign, symbol, or design or a combination of these intended to indentify the products or services of one seller or group of sellers and to differentiate them from those of competitors. Thus a brand identifies the maker or seller of a product.

A scholar once posits that a brand can deliver up to four levels of meaning or connotations.

- A brand in terms of attributes: a brand first brings to mind certain product attributes for example, Toyota Porado suggests such attributes as " well engineered" well built" durable," high prestige," "fast", "expensive; and "high resale value.
- The company may use one or more of these attributes in its advertising for the car. This provided a positioning platform for other attributes of the car.
- Brand in terms of benefits:- Customers do not buy attributes, they buy benefits. Therefore attributes must be translated into functional and emotional benefits. For example, the attribute "durable" could translate into the functional benefit, "I won't have to buy a new car every few years". The attribute expensive might translate into emotional benefit." The attribute "well built" might translate into the important and admired.

- Brand in terms of product values: Toyota Parado buyers value high performance, safety, and prestige. A brand marketer must identify the specific groups of car buyers whose values coincide with the delivered benefit package.
- Brand in terms of personality: A brand also projects a personality. Motivation researchers some times ask, "if this brand were a person, what kind of person would it be?" Consumers might visualize a Toyota automobile as being a wealthy, middle-aged business executive.

  A powerful brand has brand equity. Brand equity is the value of a brand, based on the extent to which it has high brand loyalty, name awareness, perceived quality, strong brand associations, and other assets such as patents, trademarks, and channel relationships.

3.2 BRAND IDENTITY

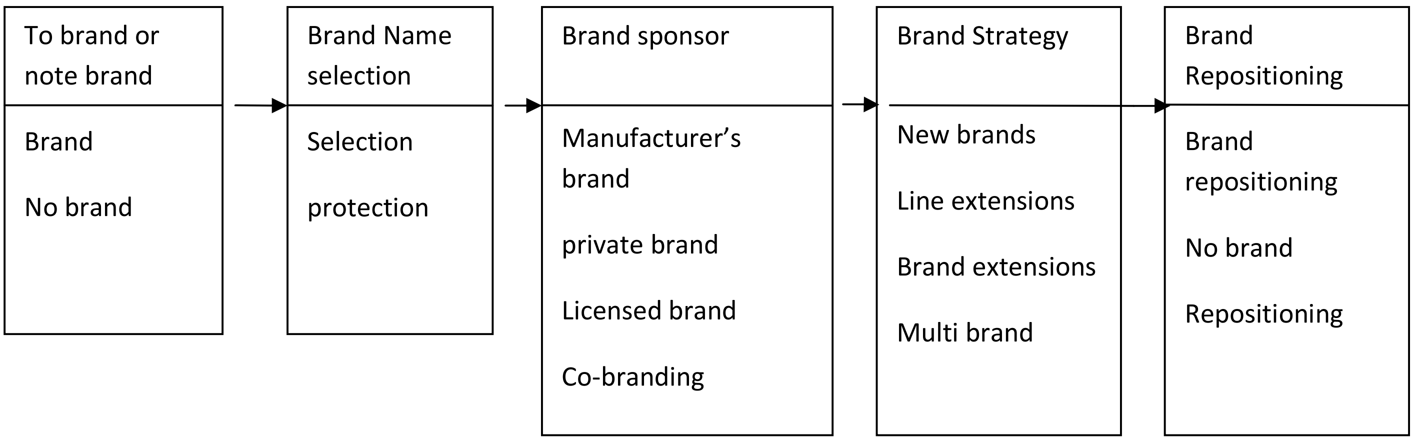
Brands are often expressed in the form of logos, graphic representations of the brand. In computers, a recent example of widespread brad application was the "Intel inside" label provided to manufacturers that use Intel's microchips.

A company's brands and the public's awareness of them is often used as a factor in evaluating a company. Corporations sometimes hire market research firms to study public recognition of brand names as well as attitudes toward the brands.

Here is the famous advertising copywriter and ad agency founder David Ogilvy's definition of a brand:

- The intangible sum of a product's attributes; its name, packaging, and price, its history, its reputation, and the way it's advertised

3.3 MAJOR BRANDING DECISIONS



3.3.1 TO BRAND OR NOT TO BRAND: This company must decide at first whether it should put a brand name or its products. Branding has become so strong that today hardly anything goes unbranded.

Salt is packaged in branded containers, common nuts and bolts are packaged with a distributor's label, and automobile parks – sparks plugs, tires, filters - bear brand names that differ from those the auto makers. Even fruits and vegetables are branded – Sunkist oranges, Dole pineapples and Chiquita bananas.

Some products however carry no brands. "Generic" products are unbranded, plainly packaged, less expensive versions of common products such as spaghetti, paper towels, and canned peaches. They only bear black stenciled labels – Towels, sugars, cat food – and offer prices as much as 40 percent lower than those of national brands.

3.3.2 BRAND NAME SELECTION

The brand name should be carefully chosen. A good name can add greatly to a products success. Brand name is a word, name, symbols etc especially one legally registered as a trade mark, used by a manufacturer or merchant to identify its products distinctively from others of the same type and usually prominently displayed on its goods, in advertising etc. Brand name is also product line or service bearing a widely known brand name. it is also a person who is notable of famous, especially in a particular field. Brand names come in many styles. They are:

- A cronym e.g IBM, CRM or UPS etc.
- Descriptive names that describe a product benefit or function like Afro bread, value bread etc.
- Alliteration and rhyme: names that are fun to say and stick in te mind like Reese's pieces or Dunkin Donuts.
- Evocative: Names that evoke a relevant vivid image like Amazon or crest.
- Neologisms: Completely made-up words like Wii or Kodak
- Foreign word: Adoption of a word from another language like Volvo or Samsung.
- Founders Name: Using the names of real people and founder's name like Hewlett Packard or Disney.

- Geography: many brands are name for regions and landmarks like Cisco and Fuji film.
- Personification: Many brands take their names from myth line Nike or Ethihad etc.

3.3.3 BRAND SPONSOR

A manufacturer has four sponsorship options. The product may be launched as a manufacturer's brand (or national brand), as when Xenor computers sell their output under their own manufacturer's brand names. Or the manufacturer may sell to resellers who give it a private brand (also called store brand or distributor brand).

- Manufacturer's brand (national brand): is a brand created and owned by the producer of a product or service.
- Private Brand or Middleman, distributor, or store brand): A brand created and owned by a reseller of a product or service.

  The competition between manufacturer's and private brands is called the battle of the brands. The advantage is that, the middlemen control what products they stock, where they go on the shelf, and which ones they will feature in local circulars. They charge manufacturers slotting fees payments demanded by retailers from producers before they will accept new products and find "slots" for them on the shelves. CO-BRANDING is the practice of using the established brand names of two different companies on the same product.

3.3.4 BRAND STRATEGIES

Existing Brand Name		
	Line Extension	Brand Extension
	Multi Brands	New Brands

A company has four choices when it comes to brand strategy. It can introduce line extensions, brand extensions, multi brands and new brands.

- Line extensions: Occur when a company introduces additional items in a given product category under the same brand name, such as new flavours, forms, colours, ingredients, or package sizes.
- Brand Extension: A brand extension involves the use of a successful brand name to launch new or modified products in a new category. The advantage of a brand extension is that, it captures greater market share and realises greater advertising efficiency then individual brands. Example Sony puts its name on most of its new electronic products, creating an instant perception of high quality for each new product.
- Multi brands:- Companies often introduce additional brands in the same category. Multi branding is a strategy under which a seller develops two or more brands in the same product category.
- New Brands:- a company may create a new brand name when it enters a new product category for which none of the company's current brand

names are appropriate. Companies may obtain new brands in new categories through acquisitions.

3.3 ADVANTAGES OF PRODUCT BRANDING

- Branding makes shopping more efficient for consumers, they can identify and make product choices easily.
- It assures of regular product quality that is dependable in each unit. Brands can be recognized as symbol of value, status symbol etc.
- The seller uses branding to develop customers for product, create room for repeat purchases which increases sales while reducing selling effort as well as increasing profit projections.
- It helps to develop loyal customers against competition. Good products improve company image and encourages speedy acceptance of other products made by company.

3.5 CONDITIONS FAVOURABLE FOR SUCCESSFUL BRANDING

Most organizations and marketing managers ensure that their brands succeed. The following conditions are favourable for successful branding of products.

a. The demand for the general product class should be large and strong enough to sustain and justify the marketing effort.
b. The product quality should be the best for the product class and for the price/value for the price. The quality should also be maintained.
c. The product should be easy to identify by brand and trademark.

d. There should be economies of scale such that there should be dependable and wide spread availability of product.

Features of a brand name

- The brand name should be short and simple
- It should be easy to sell and read
- It should be easy to recognize and remember
- It should be easy and pleasant to pronounce.
- It should be used on package as well as labeling needs.
- It should suggests product benefits etc.

3.6 PRODUCT DIFFERENTIATION

Product differentiation is a product strategy by which one company attempts to distinguishing its product is creates the impression that its product is better than competitor's brand. It is a non-price competitive strategy.

Product differentiation can be effected by bringing differences in certain product features as in the following:

- Design
- Brand, brand-name, brand-mark, trademark
- Packaging

- Style
- Quality
- Colour
- Image
- Flavour and
- Other essential features

Product differentiation may also result from products of various sizes, options and models. It enables customer to prefer one variety of products instead of another.

3.7 BRAND POSITIONING

This refers to the decisions and activities intended to create and maintain an organization's product concept in the minds of customers. It is an arrangement for an organization's product to occupy a clear, distinctive and desired place, relative to competing product in the minds of target customers.

Product – positioning is not a one-time event, it is dynamic and requires positions to adjust from time to time or what is called repositioning. Product repositioning is necessary under the following circumstances:

- Where a competitor is new or improved product has been positioned closer to the company's brand in such ways that it is having an adverse effect on the company's brand share of the market.
- Where consumer's preferences with regard to the product have significantly changed over time.
- Where new customer preference clusters have been identified and suggest promising market opportunities.
- Where original position was found incorrect. Product repositioning can be carried out in the following ways:
- Through promotion of more varied uses among the current users of the brand/product.
- Through presenting the product with different images to new user and to people who had earlier condemned it.

3.8 GLOBAL AND LOCAL BRANDING

Global brand is one which is perceived to reflect the same set of values around the world. Global brands transcend their origins and create song enduring relationships with customers across countries and cultures. They are brands sold in international markets. Examples of global brands include Heinekin beer, face book, Apple, Coca-cola, Mastercard, gap, Sony and Nike etc

These brands are used to sell the same products across multiple markets and could be considered successful to the extent that the associated products are easily recognizable by the diverse set of consumers.

A. Benefits of Global branding

In addition to taking advantage of the outstanding growth opportunities, the following drives the increasing interest in taking brands global:

- Economies of scale (production and distribution)
- Lower marketing costs
- Laying the groundwork for future extension worldwide
- Maintaining consistent brand imagery
- Quicker identification and integration of innovations.
- Pre-empting international competitors from entering domestic markets.
- Increasing international media reach (especially with the explosion of the internet) is an enabler.

B. GLOBAL BRAND VARIABLES

Then following elements may differ from country the country.

- Corporate slogan
- Products and services
- Products and services
- Product names
- Product names
- Product features
- Positioning
- Marketing mixes pricing, promotion, distribution etc.

These differences will depend upon:

- Language differences
- Different styles of communication
- Other cultural differences
- Differences in category and brand development
- Different consumption patterns.
- Different competitive sets and marketable conditions.
- Different legal and regulatory environments.
- Different national approaches to marketing (media, pricing, distribution) etc.

3.9 LOCAL BRAND

A brand that is sold and marketed (distributed and promoted) in a relatively small and restricted geographical area. A local brand is a brand that can be found in only one country or region. It may be called a regional brand if the area encompasses more than one metropolitan market. It may also be a brand that is developed for a specific national market, however an interesting thing about local brand is that the local branding is more often done by consumers than by the producers. Examples of local brands in Nigeria are our locally produce or home made products.

- Ambient brand: Is a movement where the brand is organized around values and social needs instead of promoting a specific product. It is a virtual space, defined by values and occupied by a community of like minded people. Whereas a traditional brand is entirely dependent on products and their parent corporations, an ambient brand is an independent social movement that companies can participate in.

SELF ASSESSMENT EXECISE

- What is brand positioning
- Itemise the limitations of Global brand.

4.0 CONCLUSION

This unit has successfully fulfilled all that are contained in the unit contents. You have learnt about the definition and meaning of product branding, the brand identity and major brand decisions. The unit has also introduced you to the four branding strategy, brand positioning and repositioning, the rationale for product branding. You have also learnt about product differentiation, global brand and limitations, and local brand.

5.0 SUMMARY

A brand is a name, term, design, symbol, or any other feature that identifies one sellers good or services as distinct from those of other sellers.

Trademark- The legal term fro a brand.

A concept brand is a brand that is associated with an abstract concept, like breast cancer, awareness or environmentalism rather than a specific product, service, or business.

6.0 TUTOR-MARKED ASSIGNMENT

(a) What is product differentiation?

(b) How can a marketing manager of fast consumer moving goods (FMCG) company differentiates its products?

ANSWERS TO SELF ASSESSMENT EXERCISE

Brand positioning is an arrangement for an organization's product to occupy a clear, distinctive and desired place, relative to competing product in the minds of target customers.

Global Brands Restricted by

- Different styles of communication
- Differences in category and brand development
- Different consumption patterns
- Different competitive sets and marketable conditions
- Different legal and regulatory environment
- Different national approaches to marketing

7.0 REFERENCE/FURTHER READING

Duru A. I (2005): Principles of Marketing for Colleges of Education, Universities and professional students unique educational publish, Akoka, Yaba.

Kotler and Armstrong (2006): principles of marketing 7th Edition Prentice Hall of India

UNIT FIVE: PRODUCT PRACKAGING AS A PROMOTING MIX

CONTENTS

1.0 INTRODUCTION

You will like consumers to notice your product when they are passing by. You would like consumers to take your product seriously. If your put a package that looks unofficial or cheap or dull, do you really think the consumers will pick up yours? And even if they decide to buy your product, its package will sit in the consumer's home, where it will continue to create a permanent impression for your product.

However, packaging is not a common promotion mix element but we have decided to ad it in this course (MKT 730) because modern marketing authors recognize the importance of packaging in modern fast moving consumer goods and as such include it as one of the elements of the promotional mix.

Majaro (1982) has indentified three factors which can be used to test whether any marketing activity can be treated as a separate element in an organisation's marketing mix or not. These factors are:

- The level of expenditure given to the element by the management of the organisation.

- The perceived level of elasticity in customer's responsiveness, that is, if a change of expenditure on the element either up or down can effect the achievement of the marketing objectives of the organisation.
- The degree of marketing responsibility assigned to the element.

2.6 OBJECTIVES OF THE UNIT

Upon successful completion of this unit, you be able to:

- Define packaging
- Explain packaging concepts
- Discuss the levels of product of packaging
- Highlight the characteristics of successful packaging
- Examine the design of product packaging to satisfy the claimed features.
- Explain labeling and product support services.
- Itemise and discuss product line decisions
- State the packaging decision and public policy.

3.0 MAIN CONTENT

3.1 MEANING OF PACKAGING

Many products offered to the market have to be packaged. Some marketers have called packaging a fifth P, along with price, products, place, and promotion. Most sales people, however, treat packaging as an element of product strategy.

Packaging includes the activities of designing and producing the container or wrapper for product. It is also defined as the general group of activities in product planning that involves designing and producing the container or wrapper for a product.

The package may include the product's primary container (the bottle holding old spice After-Shave Lotion); a secondary package that is thrown away when the product is about to be used (the cardboard box containing the bottle of old spice); and the shipping package necessary to store, identify, and ship the product (a corrugated box carrying six dozen bottles of old spice).

Labeling is also part of packaging and consists of printed information appearing on or with the packaging decisions were based primarily on cost and production factors; the primary function of the package was to contain and protect the product. In recent times, however, numerous factors have made packaging an important marketing tool. An increased in self service means that packaging now must perform many sales tasks-from attracting attention, to describing the product, to making the sale.

3.2 PACKAGING CONCEPT

Innovative packaging can give a company an advantage over competitors.

In recent years, product safety has also become a major packaging concern. Developing a good package for a new product requires making many decisions. The first task is to establish the packaging concept.

The packaging concept states what the package should be or do for the products. Should the main functions of the package be to offer product protection, introduce a new dispensing method, suggest certain qualities about the product or the company, or something else. Decisions then must be made on specific elements of the package, such as size, shape, materials, colour, text, and brand mark. These various elements must work together to support the product's position and marketing strategy. The package must be consistent with the product advertising, pricing and distribution.

3.2.1 STAGES OR LEVELS OF PACKAGING

They are:

- Primary stage: This is the packaging that is closed to the product. Keeping a package up to date usually requires only minor but regular changes- changes so subtle that they may go unnoticed by most consumers.
- Secondary Stage: this implies the carton in which the primary packaging is enclosed.
- Tertiary stage: These are pallets or crates in which secondary packaging is enclosed.

3.3.0 SUCCESSFUL PRODUCT PACKAGING

Typical consumer behaviour in the retail store consists of scanning for products. Consumers often come to a store with a few items in mind, but are usually not clear about their other needs. Thus, as they rush through the aisles, they scan shelves to see if there is anything else they should be buying. Given this scanning behaviour, successful product packaging must demonstrate some stunning features to draw attention from customers.

3.3.1 CHARACTERISTICS OF SUCCESSFUL PRODUCT PACKAGING

Successful product packaging should possess the following characteristics:

- Have visuals that attract attention
- Create a clear focal point for consumers to know immediately what the product is.
- Be differentiated from competitors
- Support brand positioning that is appropriate to the product,
- Work consistency with all your other branding activities.

3.3.2 DESIGNING PRODUCT PACKAGE TO SATISFY CLAIM CHARACTERISTICS

The first thing you need to think about is your brand colour. You will want to create your signature colour so that it can appeal to consumers passing by. To select your colours, here are things to think about:

- What colour stands for the benefit you are trying to deliver to your customers.
- Can you coordinate different colours to make the package easy to understand, which highlighting your main brand colour.

The nest to thing about is the layout of your product package. This consumer's eyes should naturally travel along the communication of your package.

You may want to test your package communication with your friends to see what layout is easier for them to read through. Let them scan the product for 15 seconds, just as a customer might do. If your friends cannot explain what the product is about what the benefit is, and why they should buy it, you've got serious work to do.

Finally, you should confirm the packaging requirements of the mass retailer where you are going to launch products. They may want specific sizing or specific colour schemes. Sometimes, they may suggest your to use certain material e.g. transparent material for consumers to see what is inside. Your product packaging strategy has to work within the requirement of the wholesalers and retailers. Most specifically the retailers.

3.4 LABELLING

Labels may range from simple tags attached to products to complex graphics that are part of the package. They perform several functions, and the seller has to decide which ones to use. At the very least, the label identifies the product or brand, such as the name Sukist stamped on oranges. The label also grade the product- canned peaches are grade labeled A, B and C. The label might describe several things about the product who made it, where it was made, when it was made, its contents, how it is to be used, and how to use it safety. Finally the label might promote the product through attractive graphics.

Labels of well-known brands may seem old-fashion after a while and may need refreshing up. For example label on orange crush soft drink was changed substantially when its competitors label began to picture fresh fruits and pull in more sales.

There has been a long history of legal concerns about labels. Labels can mislead customers, fail to describe important ingredients, or fail to include needs safety warnings. As a result, several federal and state laws regulate labeling, the most prominent being the fair packaging and labeling Act of 1978 in Nigeria. Labeling has been affected in recent times by unit.

- Unit pricing stating price per unit of standard measure).
- Open dating (stating the expected shelf life of the product) and
- Nutritional labeling (stating the nutritional values in the product).

3.5 PRODUCT SUPPORT SERVICES

Customer services is another element of product strategy. A company's offer to the marketing place usually includes some services, which can be a minor or a major part of the total offer product support services discussed as those services that augment actual products. More, and more companies are using product.

Support services as a major tool in gaining competitive strategy.

Good customer service is good for business. It costs less to keep the goodwill of existing customers. Firms that provide high-quality service usually outperform their less service oriented competitors. A study comparing the performance of businesses that had high and low customer ratings of service quality found that the high service business managed to change more, grow faster, and make more profit. Clearly, marketers need to think carefully about their service strategies.

A company should design its product and support services to meet the needs of target customers. Customers vary in the value they assign to different services.

Thus, the first step in deciding which product support services to offer is to determine both the services valued by target consumers and the relevant important of these services. Given the importance of customer service as a marketing tool, many companies have set up strong customer service operations to handle complaints and adjustments, credit service, maintenance service, technical service and consumer information.

3.6 PRODUCT LINE DICISIONS PRODUCT LINE LENGTHS

We have looked at product strategy decisions such as branding, packaging, labeling and service for individual products. But product strategy also calls for building a product line.

A product line is a group of products that are closely related because they perform the same function and are sold to similar customer groups, are marketed through the same types of outlets or fall within given price ranges. For example general motors produces several lines of cars, Nike produces several lines of athlete shoes and Motorola produces several lines of telecommunication products.

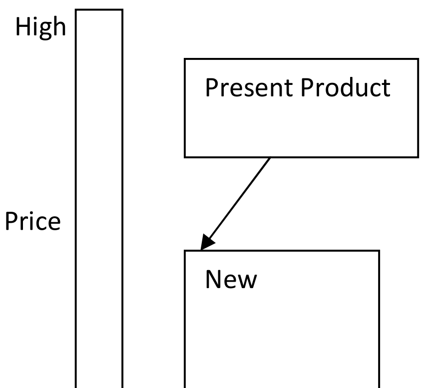
In developing product line strategies marketers face a number of tough decisions.

- Product line length

  Product line managers have to decide on product line length. The line is too short if the manager can increase profits by adding items; the line is two long if the manager can increase profits by dropping items product line length is defined as the number of different product line found within a firm e.g sharp TV, Sharp CD players, sharp camp code, Decoder etc.

Product line stretching occurs when a company lengthens its products line beyond its current range. They can take the form.

3.6.1 STRETCHING DOWNWARD

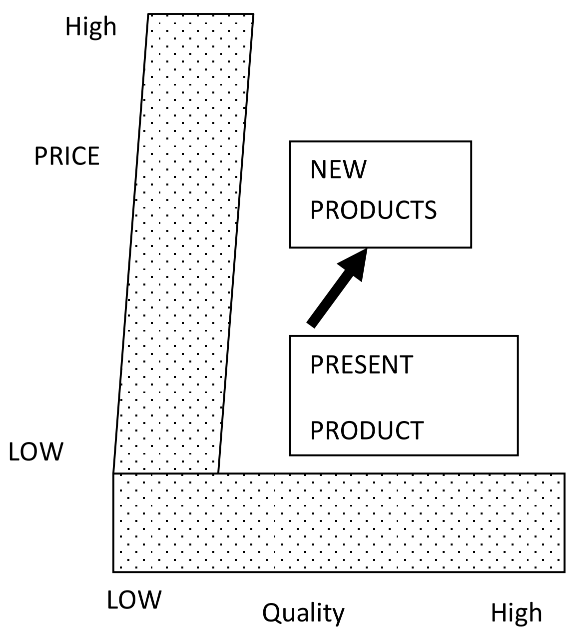


Low High

Many companies initially locate at the upper end of the market and later stretch their lines downward. A company may stretch downward for any number of reasons. It may have first entered the upper end to establish a quality image and intended to roll downward later. It may respond to a competitors attack on the upper end by invading the low end. For example making products into medium size, small and of course a large size.

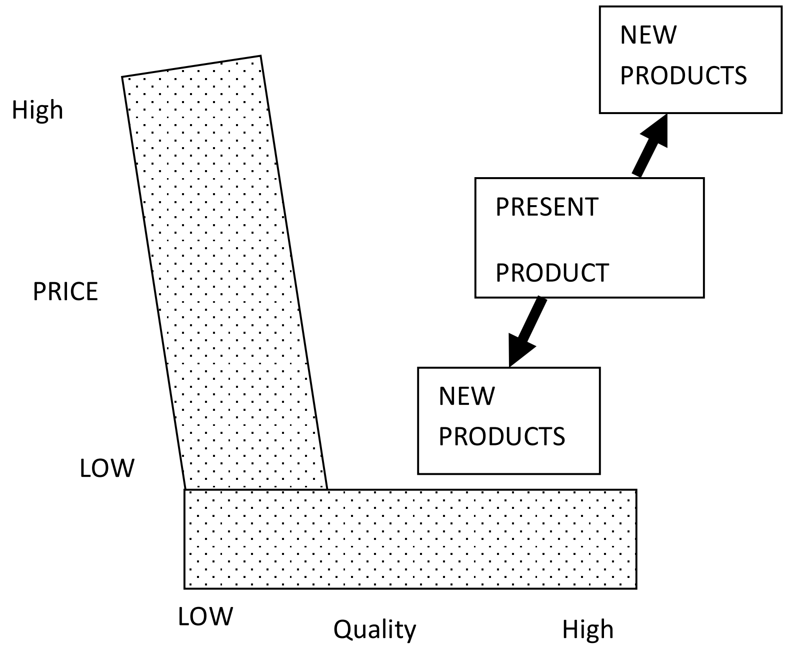
In making a downward stretch, the company faces some risks. The low end items might provoke competitors to counteract by moving into the higher end.

3.6.2 STRETCHING UPWARD



Companies at the lower end of the market may want to enter the higher end. They may be attracted by a faster growth rate or higher margins at the higher end, or they may simply want to position themselves as full line manufacturers. Sometimes, companies stretch decision can be risky. The higher end competitors not only are well entrenched, but also they may strike back by entering the lower end of the market.

3.6.3 STRETCHING BOTH WAYS



Companies in the middle range of the markets may decide to stretch their lines in both directions. This is very common in Nigerian business environment. Consumers prefer to go for products or services which give them a most needy benefit but at a low price than that of high class and high price.

3.7 TERMINOLOGY

The following are the related terms in product strategy.

- Product mix or product assortment: the set of all product lines and items that a particular seller offers for sale to buyers.
- Product items: these are particular version or brand of products that have separate designation in the sellers list and it usually meant for specific use. Example omo, elephant, Klin, Peugeot, Bora etc.
- Product line: a group of product that are closely related, either that they satisfy a class need, used together, sold to the same group of customers or marketed through the same marketing outlet e.g Bournvita and Millo, brush and toothpaste, lux and omo.
- Product width:- The number of different product lines found within a firm, e.g sharp TV, sharp CD player, sharp video etc.
- Product Department:- an arranged number of items offered by a firm or seller within each product line e.g. close up toothpaste in large, medium and small size offered by a seller.

- Product Group: an entire products offered for sale by a seller e.g. sweet varieties, bournvita, pronto, poundo yam, tomapep tec are products of Cadbury Nig plc.
- Product line modernization piecemeal approach. This is an approach which allows the company to see how customers and dealers like the new product styles before changing the whole line.

3.8 INTERNATIONAL PRODUCT DECISIONS

International salesforce face special product and packaging challenges. First they must figure out what products to introduce and in which countries. Then they must decide how much to standardize or adapt their products for world markets.

On the other hand, companies would like to standardize their offerings standardization helps a company to develop a consistent worldwide image. It also results in lower manufacturing costs and eliminates duplication of research and development, advertising, and product design efforts. On the other hand, consumers around the world, differ in their cultures, attitudes, and buying behaviours. And markets vary in their economic conditions, competition, legal requirements, and physical environments.

Packaging also presents new challenges for international markets. Packaging issues can be subtle. For example, names, labels and colours may not translate easily from one country to another. A firm using yellow flowers in its logo might fare well in the United states, but meet with disaster in Mexico, where a yellow flower symbolizes death or disrespect.

Companies may have to adapt their packaging to meet specific regulations regarding package design or label contents. For instance, some countries ban the use of any foreign language on labels; other countries require that labels be printed in two or more languages.

3.9 PACKAGING DECISION AND PUBLIC POLICY

The public is concerned about false and potentially misleading packaging and labeling. The Federal Trade Commission Act of 1993 held that false, misleading, or deceptive labels or packages constitute unfair competition consumers are also concerned about confusing package sizes and shapes that make price comparisons difficult. The fair packaging and labeling Act, passed by the Federal Government of Nigeria through standard organisation of Nigeria (SON) sets mandatory labeling requirements, encouraged voluntary industry packaging standards, and allowed federal agencies to set packaging regulations in specific industries. The National Agency for Food, Drug Administration and Control (NAFDAC) has required processed food producers to include nutritional labeling that clearly states the amount of protein, fat, carbohydrates and calories contained in products as well as their vitamin and mineral contents.

SELF ASSESSMENT EXERCISE

- Define product packaging and list the common characteristics of successful product packaging.

4.0 CONCLUSION

Some of the concepts that this unit discusses include:

- National language support
- Dynamic naming/levels of packaging
- Characteristics of successful packaging
- Labeling
- Product support services
- Product line decision and product line length and
- International product decision etc.

5.0 SUMMARY

A product is an application program that has been packaged using the system manager licensed program.

Packaging is the science, art and technology of enclosing or protecting products for distribution, storage, sale and use. Packaging also refers to the process of design, evaluation, and production of packages.

Packaging and package labeling have several objectives- physical protection, Barrier protection, containment or agglomeration (a case where small objects are typically grouped together in one package for reasons of efficiency), information transmission objective, marketing objective, security objective, convenience, portion control.

Types of packaging- transport package, distribution package, consumer package.

Packaging may be described in relation to the type of product being packaged.

It is sometimes convenient to categories packages by layer or function: “primary, secondary and tertiary.

Many types of symbols for package labeling are nationally and internationally standardized. For consumer packaging, symbols exist for product certifications, bar codes, trademark, proof of purchase green dot, universal codes, recycling symbol are some of them.

6.0 TUTOR-MARKED ASSIGNMENT

- With good examples each, write short notes on the following:
    a. Product mix (b) product item (c) product line (d) product width (e) product department (f) product group (g) piecemeal approach for product line modernization.

7.0 REFERENCE/FURTHER READING

Nwokoye, N. G. (1981): Modern Marketing for Nigeria London, Macmillam publishers.

Okeafor, U. (1992): Principles of Marketing for Africa Uniport press

Scheme C. (1997): Marketing principles and Strategies new York?; Macmillan Publishing Inc. 1997.

Swaddling D. C (2001): Customer Power Dublin O. J: The Wellington Press.

Shokan, O. O. (1998): Introduction to Business Lagos: Shona Investment Co. Ltd.

UNIT SIX: PRINCING DECISIONS 1

CONTENTS

1.0 INTRODUCTION

Pricing is one of the most difficult decisions faced by organisations. As well as a detailed knowledge of the costs involved in producing a product or delivering a service, the decision maker must also factor in the organization's strategic objectives and a range of environmental factors such as market demand, the expected life cycle and competitors actions. Although the quality of any decision will improve with the experience of the decision maker, a combination of reliable information and a structured approach to the problem can be of considerable assistance.

It is a fundamental rule of business that selling price must be greater than cost. Although this is a fundamental rule, it is not a rule which is simple to apply in practice. The most basic point about pricing is that in the long run, the revenue earned from selling a product or service must exceed the costs incurred. There, a consideration of costs will invariably be included in the process. In theory, the most straight forward approach is to calculate cost and add on profit margin. Using this approach, "cost" is calculated on the basis of either marginal (this may also be termed variable) cost of total cost.

However, it is important to remember that in many instances, the price will be dictated by the market. If the product or service is provided by a number of competitors, and it is not possible to differentiate between different providers, organisations will have little influence or prices.

2.0 OBJECTIVES OF THE UNIT

After you have completed this unit, you are expected to do the following:

- Define a price
- Itemise and explain the objectives good pricing decisions by organisations.
- Highlight the basic factors influencing pricing
- Examine in detail pricing in different types of markets
- Analyse the price and demand relationship
- Discuss the major pricing methods or the general approaches to pricing.

3.0 MAIN CONTENT

In a narrow sense, price is the amount of money charged for product or service. More broadly, price is the sum of all the values that consumers exchange for the benefits of having or using the product or services.

Price can be defined also as the value of a product known in quantitative or monetary terms, the value of a product in exchange; a surrogate of value or the total bundle of distilities (toil and trouble) experienced in acquiring a product.

Therefore, pricing decisions involved the strategy of determining price range and price movements for a product through time to support the sales and profit objectives in a target market.

How are prices set? Historically, prices were set by buyers and sellers bargaining with each other. Sellers would ask for a higher price than they expected to get, and buyers would offer less than they expected to pay. Through bargaining they would arrive at an acceptable price. Individual buyers paid different prices for the same products, depending on their needs and bargaining skills.

Price is all around man and can go by many names like fares for transportation, fees for professional, lawyers or doctor or accountant services, tutor for education, rent for use of houses; salary as price for executive workers, rate and interest charged from banks, told as passage price, dues as association price, premium as insurance price, honorarium as price for guest speaker etc.

3.1.1 PRICING OBJECTIVES

Pricing objectives can be to:

- Survive competition: A firm can have problems of over-capacity, intense competitor and chancing consumer tastes and wants. Such a firm must set low prices to attract price sensitive customers and take less profit to survive in the industry.

- Achieve target return on net sales or investment. A desired level of profit can be set as a percentage of sales or of capital investment.
- Stabilize Prices: A demand fluctuates in industries, the industry leader can set for satisfactory returns and to have some form of relationship with followers. This helps to stabilize prices and avoid price wars.
- Maintain or increase market share; to keep customers satisfied as well as to maintain current market share for product, producer must set prices competitively.
- Prevent competition: The company engages in research and development exercises maintains quality of products and prices products according to competitive price ranges.
- Maximize profits: Organisations want to make as much profit as possible with adequate capital and efficient production process, earn a rapid return on investment or charge what the traffic can bear or charging high prices. This happens when demand can warrant high price or in inelastic demand conditions.

3.2 BASIC FACTORS INFLUENCING PRICING DECISIONS

The factors include the following:

a. Cost of operation: operating costs determine the floor of price for product fixed and variable costs components are incurred while demand sets the ceiling of price for product.

b. Customers' Demand: The nature of demand for the product, whether it is elastic or inelastic and how sensitive are customers to price changes.
c. Competitors: The reactions of competitors to product price changes can lead to price wars. High profits can attract more producers to enter the market and dilute markets for the product.
d. Government: There can be government laws and regulations affecting prices of products laws against price discrimination, discounts tariff rates changes on imported goods and the minimum wages laws on costs and pricing levels.
e. Middlemen: Distributors often determine the final price of product. What margins middlemen are allowed by various producers can affect final prices charged for the product.
f. Others: suppliers of products, or funds may increase their prices and the increases in prices may lead to higher level of profits. Unions and labour may expect higher wages due to higher prices and so costs increase as well.

3.3. PRICES IN DIFFERENT TYPES OF MARKET

External factors that affect pricing decisions as discussed in content 3.2 above include the nature of the market and demand, competition, and other environmental elements.

THE MARKET AND DEMAND

Whereas costs set the lower limit of price, the market and demand set the upper limit. Both consumer and industrial buyers balance the price of a product or service against the benefits of owning it. Thus, before setting prices, the marketer must understand the relationship between price and demand for its product.

3.3.1 PURE COMPETITION

The market consists of many buyers and sellers trading in a uniform commodity such as wheat, copper, or financial securities. No single buyer or seller has much effect on the going market price. A seller cannot charge more than the going price because buyers can obtain as much as they need at the going price. If price and profit rise, new sellers can easily enter the market. In a purely competitive market, marketing research, product development, pricing, advertising, and sales promotion play little or no role.

3.3.2 MONOPOLISTIC COMPETITION

Here, the market consists of many buyers and sellers who trade over a range of prices rather than a single market price. A range of prices occurs because sellers can differentiate their offers to buyers. Either the physical product can be varied in quality, features, or style, or the accompanying services can be varied. Buyers see differences in sellers, products and will pay different prices on them. Sellers try to develop differentiated offers to buyers. Either the physical product can be varied in quality, features, or style, or the accompanying services can be varied. Buyers see differences in sellers, products and will pay different prices on them. Sellers try to develop differentiated offers for different customer segments and, in addition to price, freely use branding, advertising, and personal selling to set their offers apart. For example H. J. Heinx, Vlastic, and several other National brands of pickles compete with dozens of regional and local brands, all differentiated by price and non price factors.

3.3.3 OLIGOPOLISTIC COMPETITION

Under oligopolistic competition, the market consists of a few sellers who are highly sensitive to each other's pricing and marketing strategies. The product can be uniform (coke, malt) or non uniform (car, wristwatches). There are few sellers because it is difficult for new sellers to enter the market. Each seller is alert to competitors strategies and moves. If coca-cola company slashes its price by 12 percent, buyers will quickly switch to this supplier. The other soft drink makers must respond by lowering their prices or increasing their services. In contrast, if an oligopolistic raises its price, its competitors might follow this lead. The oligopolistic then would have to retract its price increase or risk losing customers to competitors.

3.3.4 PURE MONOPOLY

This is a market in which there is a single seller- it may be a government monopoly, a private regulated monopoly, or a private non regulated monopoly.

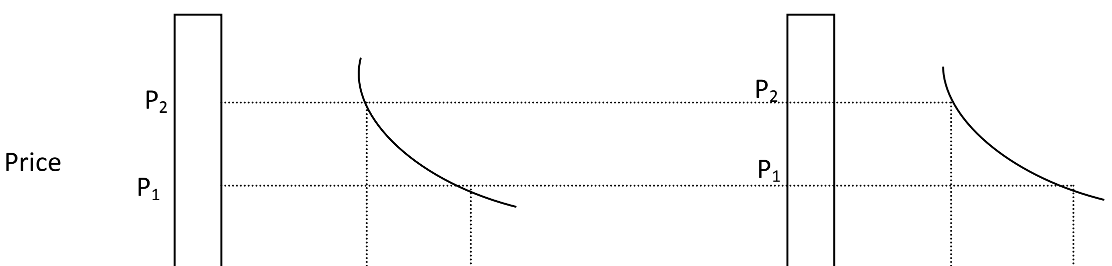
A government monopoly can pursue a variety of pricing objectives. In a regulated monopoly, the government permits the company to set rates that will yield a "fair return", one that will let the company maintain and expand its operations as needed. How ever, they do not always charge the full price for a number of reasons, a desire not to tract competition a desire to penetrate the market faster with a low price, or a fear of government regulation. These are the qualities of non regulated monopolies.

3.4 PRICING POLICIES (ANALYSING THE PRICING DEMAND RELATIONSHIP)

A further aspect of pricing decisions is the relationship between expected sales volume and development costs. Each price the company might charge will lead to a different level of demand. The relation between he price charged and the resulting demand level is shown in the demand curve.

3.4.1 Demand Curve: It is curve that shows the number of units the market will buy in a given time period, at different prices that might be charged. In a normal case, demand and prices are inversely related; that is, the higher the price, the lower the demand. In the case of prestige goods, the demand curve sometimes slopes upwards. For example, one cosmetics company found that by raising its price, it sold more cosmetics rather than less. Consumers thought the higher price meant a better or desirable cosmetics. However, if the company charges too high a price the level of demand will be lower.

3.4.2 Price Elasticity of Demand



Quantity Demand Quantity demanded

Per period.

A. Inelastic Demand B. Elastic Demand

Source: Kotler (2006): Principles of marketing.

Demand is elastic if it is affected by the selling price. This will be the case for many products and services – particularly those which may be provided by a number of competitors. In order to discourage the entry of competitors, and organisation may choose a low initial price level (the low profit per unit will discourage the initial entry of competitors). This will allow a large market share to be built up, which in turn will further discourage potential competitors from entering the market.

3.4.3 Inelastic Demand: Demand is inelastic if it is likely to be relatively unaffected by the selling price. This means that if the initial selling price of the product or service is set at “high level, there will be little impact on sales volumes.

The elasticity of demand will be one of the influences on the selection of a pricing strategy. These are going to be discussed in the unit one of module three in this course. They are market skimming and market penetration (pricing strategies).

$$\text{Price Elasticity of Demand} = \frac{\text{\% change in quality Demanded}}{\text{\% change in price}}$$

Under price elasticity decision, the pricing strategy will be influenced by the product life cycle and the organizations strategic objectives, particularly with regard to profitability and return on investment.

3.5 GENERAL PRICING APPROACHES/PRICING METHOS

The price the company charges will be somewhere between one that is too low to produce a profit and one that is too high to produce any demand.

Product costs set a floor to the price, consumer perceptions of the product’s value set the ceiling. The company must consider competitor’s prices and other external and internal factors to find the best price between these two extremes.

Companies set prices by selecting a general pricing approach that includes one or more of these three sets of factors. We will examine the following approaches: The cost-based approaches, (cost plus pricing, breakeven analysis, and target profit pricing); the buyer-based approach (perceived –value pricing); and the competition based approach (going –rate and sealed bid pricing).

3.5.1 Cost-Base Pricing

Cost –Plus Pricing

The company adds some pre-determined level of profit to costs to arrive at a reasonable profit. The reasonable price is determined by driving the total fixed cost, total variable cost plus profit into the units product

Product → Costs → Price → Value → Customers

$$\text{Price} = \frac{\text{Total Fixed Cost + Total Variable Cost + Profit}}{\text{Units Produced}}$$

E.g if total fixed cost N5,000.00

Total variable cost N5,000.00

And desired profit N1,000.00 for 10,000 units of Yam, price can be set using the above formula,

Thus

$$\frac{5,000 + 5,000 + 1000}{10,000} = \frac{11,000}{10,000} \text{ N1.10}$$

Mark up Pricing: Here a specific sum or mark-up is added to the cost of the product to determine the price. For example, producer cost per unit of N16.00 and he sells it to retailer at N20.00. mark-up on cost = 4/16 = 25 percent. If a retailer sells product at N330.00, his gross margin is N10.00. Mark up on retailer cost = 10/20 = 50 percent.

Mark-up on retail price can also be computed and in this case using mark-up on retail price is 10/30 = 33½ percent, where N10.00 is gross margin and N30.00 retail price.

- Break –Even Analysis:

This is also known as target profit pricing. It implies setting price to break even on the costs of making and marketing a product: or setting price to make a target profit.

Breakeven determines volume in units or naira at which TC (fixed + variable) equal total revenue (P x unit sold); all costs are covered. There is a different breakeven for each different price chosen for a product.

i) $$\text{B/E (units)} = \frac{\text{Total FC}}{\text{S. price} - \text{Per unit Variable cost}}$$

ii) $$\text{B/E (naira /sales)} = \frac{\text{Total FC}}{\text{S. price} - \text{Per unit Variable cost}} \times \frac{\text{Sp}}{1}$$

iii) Target Return (B/E) = $\dfrac{\text{Total FC + Desired profit}}{\text{S. price – Per unit Variable cost}}$

Illustration: If a company sells product at N1.20 per unit and its per unit variable cost is 80 kobo. The break-even in units with a N30,000 fixed cost will be

$$B/E \text{ (units)} = \frac{30{,}000}{1.20 - .80} \quad x \quad \frac{30{,}000}{1} = 75{,}000 \text{ UNITS}$$

3.5.2 Value -Based Pricing

An increasing number of companies are basing their prices on the products perceived value. Value-based pricing uses buyers' perceptions of value, not the seller's cost, as the key to pricing. Value-based pricing means that the marketer cannot design a product and marketing program and then set the price. Price is considered along with the other marketing-mix variables before the marketing program is set.

3.5.3 COMPETITION –BASED PRICING

Consumers will base their judgments of a product's value on the prices that competitors charge for similar products. Here, we discuss two forms:

A. Going –Rate –Basing: implies setting price based largely on following competitors' prices rather than on company costs or demand.

B. Sealed –Bid Pricing: Setting price based on how the firm thinks competitors will price rather than on its own costs or demand-used when a company bids for jobs.

SELF ASSESSMENT EXERCISE

- Discuss cost plus pricing method and state its disadvantage.

4.0 CONCLUSION

The final price for a product may be influenced by many factors which are grouped into two main groups:

- Internal factors: when setting prices marketers must take into consideration several factors which are the result of company decisions and actions. To a large extent these factors are controllable by the company and, it necessary, can be altered. Product pricing may depend heavily on the productivity of a manufacturing facility.
- External factors: There are a number of influencing factors which are not controllable by the company but will impact pricing decisions. This unit has taken you round from the definition of a price, pricing decision objectives etc to the various pricing methods.

5.0 SUMMARY

One of the four major elements of the marketing mix is price. Pricing is an important strategic issue because it is related to product positioning. Pricing affects other marketing mix elements product features, channel decisions, and promotion.

While there are no single recipe to determine pricing, the following is a general sequence of steps that might be followed for developing the pricing of a new product –developing.

Marketing strategy, make marketing mix decisions, estimate the demand curve, calculate cost, understand environmental factors, set pricing objectives, determine pricing.

6.0 TUTOR-MARKED ASSIGNMENT

A. Discuss the pricing objectives you know.

ANSWERS TO SELF ASSESSMENT EXERCISE

Under cost plus pricing, the company adds some pre-determine level of profit to costs to arrive at a reasonable profit. The reasonable price is determined by dividing the total fixed cost, total variable cost plus profit into the units produced.

$$\text{The formula} = \frac{\text{Total Fixed cost + total variable cost + profit}}{\text{Units produced}}$$

The disadvantages are that:

- Cost plus ignores current demand condition competition and so may not lead to optimal price for product.
- It is fair too simple and easy to apply and understand.
- Price competition may be minimized since price and cost structures will be similar.

7.0 REFERENCE/FURTHER READING

Olusanya G. U. (1988): "Global village market", Nigerian Institute of management Journal April, 1988

Roger, L. W (1979): Marketing in a Competitive Economy London Associate Businesses Library.

Shokan O. O. (1998): Product Development and Management Ojota, Shona Investment Co. Ltd.

Yoram, J (2002): Convergence Marketing: Strategies for Reading the New Hybrid Consumer Upper Saddle River. N. J. Prentice –Hall.

COURSE MATERIAL DEVELOPMENT

MKT 730

SALESMANSHIP

COURSE GUIDE

Course Developer/Course Writer: **ADEGBOLA, EUNICE ABIMBOLA**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Editor **PROFESSOR K. OSHOTIMEHIN**

OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE

Programme Leader: **PROFESSOR IYABO OLOJEDE**

NATIONAL OPEN UNIVERSITY OF NIGERIA

Course Coordinator: GANA, M.A.

NATIONAL OPEN UNIVERSITY OF NIGERIA

MODULE 1: OVERVIEW AND FUNDAMENTALS OF SALESMANSHIP

UNIT ONE:	INTRODUCTION TO SALEMANSHIP
UNIT TWO:	FUNDAMENTALS OF SALEMANSHIP
UNIT THREE:	SALESFORCE MANAGEMENT
UNIT FOUR:	SALES FORCE MANAGEMENT SYSTEM
UNIT FIVE:	RECRUITMENT AND SELECTION OF SALESMEN
UNIT SIX:	SALESMEN TRAINING AND MOTIVATION

UNIT ONE: INTRODUCTION TO SALESMANSHIP

CONTENTS

3.7.2 Van sales people

3.7.3 Manufacturers sales people calling on retail trade

3.7.4 Good will builder (missionary salespeople")

3.7.5 Technical sales people

3.7.6 Creative specialty sales people of tangibles

3.7.7 Creative specialty sales people of intangible

3.7.8 Political or indirect sales people

3.7.9 Multiple sales people

3.8 Salesmen decision making units and the people.

4.0 Conclusion

5.0 Summary

6.0 Tutor-Marked Assignment

7.0 Reference/Further Reading

1.0 INTRODUCTION

Salesmanship is a personal action or effort on the part of an individual which is intended to bring about the sales of the goods for sale. More broadly speaking, salesmanship is the art of selling something to somebody, and everything which contributes to the consummation of this exchange is necessarily a part of salesmanship.

Salesmanship differs from demonstration in that the later may not include the former, and it is like demonstration because good salesmanship usually includes some forms of demonstration.

Salesmanship is not unlike the plea of the lawyer before the court or the jury. Both contain arguments; and , in both cases, the presenter, at her of arguments or of goods or of both, is attempting to make the party addressed do what he asks him to do.

On the one hand there is something for sale whether it be a life insurance policy, an automobile, a suit of clothes, or a barrel of potatoes.

2.0 OBJECTIVES OF THE UNIT

After studying this unit, you should be able to

- Explain what salesmanship is.
- Highlight reasons for the existence of the salesman.
- Discuss the nature of personal selling
- Define a salesperson or sales force
- State the roles/jobs of the sales force

- Enumerate the common features of personal selling
- Identify the various categories of sales positions.
- Examine the classes people through which the salesman can identify the right decision making units.

3.0 MAIN CONTENT

3.1 THE MEANING OF SALESMANSHIP

Webster's New Encyclopedic Dictionary defines a saleman as "one who is employed to sell merchandise either in a territory or in a store (salesmanship). Sales people are people who are employed to sell goods or services. A salesperson is also employed to sell goods or services. Students should not be confused wit the three names. The mean the same thing. They can also be called sales force. Thus salesmanship is seller initiated effort that provides prospective buyers with information and other benefits, motivating or persuading them to decide in favour of the seller's product or service.

Robert Louis Stevenson once noted that "everyone lives by selling something". We are familiar with the sales forces used by organizations to sell products and services to customers around the world. But sales forces are also found in many other kinds of organizations. For example, colleges use recruitrs to attract new students, and churches use membership committees to attract new members. Museums and fine artsorganisations use fun raisers to contact donors and raise money. Even governments use sales forces. The Nigeria

Public service for instance, uses a sales force to sell express mail and other services to corporate customers.

3.2 THE REASONS FOR THE EXISTENCE OF THE SALES MAN

The sales force or salesman employs every method which will in any way influence the buyer, including printed matter, e-mail, websites, pay-per-click advertising, television commercials, radio ads, handsome office fittings, and, most important of all, a proper presentation of the thing for sale adding personality and voice to the selling argument.

The salesman exists for two reasons: First,

- Custom; secondly,
- Because it is obvious that even the best informed buyer cannot know everything, and the well-posted salesman is in a position to give him information about the article for sale.

There is opportunity for a discussion person-to-person, and for the presentation of arguments, and this information and these arguments cannot be given with any degree of fullness by the printed page or advertisement. Or, if they could be, they would not even then take the place of personal information-giving and custom-made argument.

Salesmanship cannot be analyzed with chemical or other exactness.

To defined it, to separate it into its component parts, would be as difficult as it would be to analyze ability and to tell what it consists of. Yet we all know what salesmanship is, and we are able to measure the results of its qualities and quantities.

3.3 THE NATURE OF PERSONAL SELLING

Selling is one of the oldest professions in the world. The people who do the selling get many names: salespeople, sales representatives, account executives, sales consultants, sales engineers, agents district managers, and account development representative to name just a few. People hold many stereotypes of salespeople- including some unfovourable opinions “salesman” may bring to mind the image of Arthur Miller’s Pitiable Willy Loman in dealing with a salesman or Meredith Willson’s cigar-smoking, backslapping, joke-telling of Harold Hill. The music man or you might think of Jim Carrey’s portrayed of the pushy, psychological unbalanced cable Guy. These examples depict salespeople as loners, travelling their territories, trying to foist their waves on unsuspecting or unwilling buyers.

However, modern salespeople are a far cry from these unfortunate stereotypes. Today, most salespeople are well-educated, well-trained professionals who work to build and maintain long-term customers, asses customer needs and organize the company’s effort to solve customer problems. Consider Boeing the aerospace giant competing in the rough-and-tumble worldwide commercial aircraft market, takes more than fast talk and a warm smile to sell expensive airplanes.

Selling high-tech aircraft at $100 million or more copy is complex and challenging. A single big sale can easily run into billions of dollars. Boeing sale people head up an extensive team of company specialists – sales and service technicians, financial analysts, planners, engineers – all dedicated to finding ways to satisfy airline customer needs. The selling process is nerve-racking slow-it can take 2 or 3 years from the first sales presentation to the day the sales is announced. After getting the order, sales people then must stay in almost constant touch to keep tract of the accounts equipment needs and to make certain that the customer stays satisfied. Success depends on building solid, long-term relationships with customers, based on performance and trust. "When you buy an airplane, it is like getting married." Says the head of Boeing's commercial airplane division. " it is a long-term relationship".

3.4 THE SALESPERSON/SALESFORCE

The salesperson or salesforce is an individual acting for a company by performing one or more of the following activities; prospecting, communicating, servicing and information gathering. The term salesperson or salesman covers a wide range of positions. At one extreme, a sales person might be largely an order taker, such as the department store salesperson standing behind the counter. At the other extreme are order getters, whose positions demand creative selling and relationship building for products and services ranging from appliances, industrial equipment and airplanes to insurance and information technology services. Here, we focus on the more creative types of selling and on the process of building and maintaining an effective sales force.

3.5 THE ROLES/JOBS OF THE SALES FORCE

Personal selling is the interpersonal arm of the promotion mix. Advertising consists of one way, non-personal communication with target, consumer groups. In contrast, personal selling involves two way, personal communication between salespeople and individual customers, whether face-to-face, by telephone, through video or web conferences, or by other means.

Personal selling can be more effective than advertising in more complex selling situations. Sales people can probe customers to learn more about their problems, then adjust the marketing offer and presentation to fit the special needs of each customer.

The role of personal selling or salesforce varies from company to company. Some firms have no sales-people at all for example, companies that sell only online or through catalogs, or companies that sell through manufacturer's representatives, sales agents, or brokers. In most firms, however the salesforce plays a major role. In companies that sell business products and services, such as IBM (International Business Machine), Samsung etc, the Company's sales people work directly with customers. In consumer product companies such as textiles, Procter and Gamble and Nike, the sales force plays an important behind-the-scenes role.

The salesforce or salesman or salesperson performs the following roles:

a. He serves as a critical link between a company and its customers. In most cases, sales people serve both masters-the seller and the buyer.
b. The sales person establishes communication with the customer and all relevant publics.
c. He or she is to create goodwill in order to secure current and future businesses.
d. An important job is to identify the needs of the consumer.
e. He should be able to negotiate profitable order for his organization.
f. He should be able to organize credit and apply the necessary subtle pressure to close the deal.
g. Salespersons ensures customer satisfaction by making sure that the right product is delivered on time, installed and performs to the expectation of the customer.
h. He must create the necessary contacts needed to sell the product e.g contact with decision-making units in the case of industrial selling and the selling household durables.

3.6 FEATURES OF PEROSNAL SELLING

Personal selling is a face-to-face attempt by the sponsor to inform, persuade and remind customers or prospects to take a particular action regarding a product or service. It is characterized by:

- A face-to-face setting which provides the opportunities for instant interaction between seller and buyer.
- A little control as messages can be adjusted by the sales person depending on factors surrounding the information.
- Advertising and sales promotion, it has low credibility because it is believed that it is the position of the seller and hence to be suspected.
- Telemarketing marketing, sales leads and orders can be discussed on phone without the sales person making personal appearance all the time.

3.8 CATEGORIES OR TYPES OF SALESPEOPLE

S/N	Type of Position	Sells	Job Characteristics
3.7.1	Inside order takers	Usually serve behind a shop counter. Customers have made up their mind to buy. E.g groceries, hardware	Little opportunity for creative selling but trade-up choice, main job requirements are to be reliable of good appearance and courteous.

		etc. They serve them and may suggest alternatives.	
3.7.2	Van salespeople	Mainly deliver food and non-food product e.g fuel-oil, coal, laundry, soft drinks, milk, bread	Reliability. A pleasant manner and good service are more important than aggressive selling. Few do any creative selling.
3.7.3	Manufacturers salespeople calling on retail-trade	Sell food and non food products to shops, super markets, cash and carry, e.g detergents, hardware, food, books etc	Most repeat selling, a pleasant manner, good services and reliable to follow up a regular journey cycle, little scope for creative selling.
3.7.4	Goodwill builder “missionary sales people	Educate potential users of the product or users to widen or increase their use of it, e.g.	Usually cannot take orders but build a climate of awareness in which the benefits of a specific product or service will be favourably

		pharmaceutical product to doctors etc.	considered when he need arises.

3.7.5 Technical Sales people: Sell electronic equipment industrial products or highly engineered components parts to original equipment manufacturers.

Major emphasis is their technical know-how . Often that their jobs is to sell. For better to employ someone who can sell than an engineer who might or might not.

3.7.6 Creative Specialty Salespeople of Tangible: They sell consumer durables that are often desirable but not essential, e.g washing machines, cars and educational books. Their job characteristic is that they have to make the prospective customer dissatisfied with existing product or situation before they can begin to sell their product. This requires a highly structured selling presentation and they are salespeople who face many refusals; a sales job often truly described as "hard" selling.

3.7.7 Creative Specialty Salesforce of Intangible: Sells intangibles which are often desirable but not essential to life, e.g. advertising space, life assurance, stocks and shares incentives schemes and banking securities. He is usually more difficult than the previous category because the product is less readily dramatized. Its benefits come later or are difficult to comprehend. A very hard selling job requiring persistence and a highly structured approach.

3.7.8 Political or Indirect Sales People

They sell-products or services to large users, fuel-oil contracts, flour to bakeries, cement to local authorities, chemical aggregate such as sand, gravel etc. Sales people only have themselves to be better at looking after the needs of the buyers; he is a wheeler-dealer, sometimes a skilled negotiator, and sometimes a politician.

3.7.9 Multiple Sales people

Sell-products or services to groups of people such as committees, boards of directors, project teams of engineers e.g computers, technological products for defence equipment, research or consulting services, pension schemes and merchant Banking. They are the most difficult and skilled selling job. The sales people usually make presentations to several people with different, rather than similar needs. Usually more people say “no” to their propositions, than say ‘yes’. They must have presence, charm and a highly-developed empathy.

Source” Wilmshurst, John: The Fundamentals and Practice of Marketing, Third Edition (Butterworth) Heinemann, 1995).

3.8 SALESFORCE DECISION MAKING UNIT THROUGH THE PEOPLE

In the selling process, the salesman must be aware of the decision-making units of different organizations so that he will know exactly who to deal with. He may look at the following categories of persons to identify the right decision making units:

- Users of the product may be consulted before purchase is authorized as they will determine post-purchase satisfaction and future sales.
- The professional buyers in the organizations are also important. The purchasing department has strong influence over routine purchase but other people will have to be involved if the product is highly technical.
- Influences are also critical. They may not be involved in the buying process but their influence is very important. Wives and children may influence the type and brand of car bought by the husband. Lecturers may influence the type of textbooks bought by students. Salesperson should identify the influencers and work on them.
- Deciders: Deciders are those who take the final decision on a purchase. When they give the nods, money is released. When the product is low-cost, medium to low level people decide, but when it is a high ticket products, top management decides.
- Gatekeepers are those who mount barricade between the sales person and key persons in the organization e.g. secretaries, clerks and so on.

Companies can use advertising, e-mail, text message, phone calls and exhibition to bypass them.

- Specifiers: These are people who specify certain products to be parts of the components of another product. For instance, engineers specify the components for a product and when they are so specified, it is difficult to alter the specification. A company finding itself in such a situation would ensure that its product is specified as part of the components. A tyre manufacturer such as Dunlop would want an auto maker to specify its tyres just as Intel would like computer engineers to specify Intel processors in their computers.

SELF ASSESSMENT EXERCISE

- Itemise the major roles of the salesforce and why do you think salesman should exist?

4.0 CONCLUSION

This unit has explains to your understanding what salesmanship is all about. You have also learnt about the common features of a salesperson, the roles and classification. This unit being exciting as it is has also introduced you to the categories of persons (consumers) through whom the salesman can identify decision making units.

5.0 SUMMARY

Salesmanship refers to the job skills, work habits, and ethics of a business sales representatives. Sales representatives with strong salesmanship qualities are able to reliably attain their sales objectives and maintain good relationships with their clients.

Salesmanship is basically the ability skill or a technique of selling. Personal selling puts the consumer face-to-face with the seller under different selling situations sales people can be classified in terms of major jobs involved in selling as; Deliverer, order-takers, missionary, sales engineer or technician, demand creator.

6.0 TUTOR-MARKED ASSIGNMENT

- Salespeople should worry about sales and the company should worry about profit. Discuss. Or sales people should be more than just producing sales. Discuss.

ANSWER TO SELF ASSESSMENT EXERCISE

- A salesman is to establish communication with the consumer and all relevant publics.
- He is to create goodwill in order to secure current and future businesses.
- He should be able to negotiate profitable order for his organization.
- An important job is to identify the needs of the consumer.
- He should be able to organize credit and apply the necessary subtle pressure to close the deal.

- Sales persons ensure customer satisfaction by making sure that the right product is delivered on time, installed and performs to expectation of the customer.
- The salesforce exist for two reasons: first custom, second because it is obvious that even the best informed buyer cannot know everything, and the well-posted, salesman is in a position to give him information about the article for sale.

7.0 REFERENCE/FURTHER READING

Francis Brassington and Stephen Petitt (2006): Principles of Marketing, fourth editions, FT prentice Hall, Financial Times.

G. U. Onwuchuruba (2003): Marketing management; strategic planning approach. Servo marketing and management services Ikeja, Lagos.

John Wilmshurst (1995): The fundamentals and Practice of Marketing, Third Edition, Butterworth Heinemann.

S. A. Aminu/ K. A Olayinka (2007): Marketing Operations a guide to marketing practice. Olasventures, Akoka, Lagos.

Tom Cannon (1997): Basic marketing principles and practice. Fourth edition Cassell Publishers Ltd Wellington House, London.

UNIT TWO : FUNDAMENTALS OF SALESMANSHIP

CONTENTS

1.0 INTRODUCTION

Every business in the world has some certain unique features, which has to be learnt and practiced a lot in order to be successful in an enterprise. For example, a swimmer has to do practice regularly for hours in order to keep them fit for competitions. Even though the swimmer has succeeded in number of competition he has to work out regularly, everyday in order to defend his position at the highest level. During his training he should focus on the mistakes he had made in the past competitions, he should train and prepare himself in such a way that he shouldn't repeat the same mistake in future.

2,0 OBJECTIVE OF THE UNIT

After studying this unit, you should be able to do the following:

- Explaining the professional qualities of a good successful sales man.
- Identifying the important aspects to be developed by the salesperson to achieve success.
- Sketching a chain to show the steps involve in personal selling process.
- Discussing each of the steps adopted in the selling process.

3.0 MAIN CONTENT

3.1 FUNDAMENTALS OF SALESMANSHIP

A salesperson or salesman is an individual acting for a company by performing one or more of the following activities; prospecting, communicating, serving and information gathering. There is an analogy between say the competitive sports and salesmanship. As like in sports, salesperson has to master the art of selling the products of the enterprise to the customers. The sales person himself should learn the fundamentals of selling and master them in order to get the best results. The nature of sales personality depends on certain extent on heredity and environment. An intelligent salesman would combine the study and actual practice of the fundamentals by analysis.

3.2 THE ESSENTIAL QUALITIES OF A GOOD SUCCESSFUL SALESMAN

A good successful salesman should posses some certain qualities in order to achieve success.

These qualities are:

3.2.1 SALES PERSONALITY: Sales personality is all about the sales man himself. Personality can be produced and improved by developing the qualities in the positive traits. A person may not have all essential qualities to strive in order to compensate the lacking.

The positive qualities to be developed, in order to increase and improve the salesman's personality encompasses:

- Kindness
- Courage
- Confidence
- Honesty
- Loyalty
- Good health, and cheerfulness.

All the sales persons would not have all the positive qualities, they might have some negative qualities such as:

- Fear
- Gloominess
- Cowardice
- Saucy etc

These qualities should be neglected from the salesperson. Habits once forms are always work without any difficulties. So it is necessary for the salesperson to develop the positive traits which may be difficult at the beginning and thereby building positive personality.

3.2.2 KNOWLEDGE OF GOODS

The salesperson should have the knowledge about the products he is selling. Salesperson without technical knowledge about the product would be a danger to his customers. Nationally, he cannot explain something prospective to the customers, which he himself doesn't understand. If the salesman has the knowledge about the product he would be able to answer all the queries raised by the customers. Even if a single answer was not given clearly, the customer would doubt about the quality of the product. Besides, by having the knowledge it will become easier to make the customer understand about the product.

The extent of the knowledge required of a salesman depends on whether he is in selling high cost products or low priced products. The salesperson should acquire information as the policies behind the products as these are reflected in the products.

The extent of the knowledge required of a salesman depends on whether he is in selling high cost products or low priced products. The salesperson should acquire information as the policies behind the products as these are reflect in the products.

Knowledge of the production methods can be used by the salesman to justify the cost of the product, he should also know about the law affecting the sales and selling, knowledge about the firm, knowledge about tariffs delivery conditions also. These are different methods to acquire knowledge about the products. They are:

a. Personal experience
b. Leading books, trade journals
c. Consulting with the seniors
d. Studying advertisement
e. Reading sales manual
f. Meetings and conferences

3.2.3 IMPORTANCE BUYING METHODS

There are a number of motives. The commonest motives are:

- Fear
- Profit
- Pride
- Comfort
- Fashion
- Health and
- habit

A salesman selling life insurance may utilize the motive of love for the family, loyalty, therefore he should find out the fears involved in it. It may be death, fear of loss etc. Profit in this regard is that the salesman should make the two point clear to make money, save money. He should motivate the customers to buy the products he sell about the positive aspects and negative aspects which would provide a clear picture to the customer, whether this product would suit them or not. And by giving suggestions and ideas to the customer.

3.3 THE IMPORTANT ASPECTS TO BE DEVELOPED BY THE SALESMAN TO ACHIEVE SUCCESS

3.3.1. PHYSICAL TRAITS

In includes health, breath, posture, speech, and appearance. Without good health the sales person would not have the endurance to sell the product or achieve his targets. He may also be required to move about different places, which would be difficult for him. And as well as stand during the greater part of the day. Offensive breadth must be avoided because it may repel the customers. It can be easily detected and controlled by the salesperson himself. It may be caused to defective teeth or physical disordered or from stomach. Good posture considered enhances the appearance and personality of the salesperson. Good posture doesn't mean a straight and rigid posture. It means, that unnecessary tension of muscles should be avoided. Voice should be very expressive, pleasant and it should attract the customers a lot. The voice should not be high pitched, hoarse or monotonous. Neat and pleasing appearance is essential for a salesperson in any walk of life. A good appearance of a salesman will give him confidence in presenting his arguments in a convincing manner without being distracted by fear of his own appearance. Appropriate way of dressing also plays a key role in appearance, it should be clean and fit will. The salesperson should know how to smite, a good natural smile would enhance his appearance.

3.3.2 MENTAL TRAITS

Mental traits include:

- accuracy
- Alertness'
- Imagination
- Initiative
- Observation, and
- Self-confidence etc

The salesman should be alert, ready to find out ways and means of serving the customers. Alertness is a part in which the salesperson should inspire confidence of the customers. Customers normally would not like hurried salesman as well as slow ones.

It is one of the most important mental attributes, which should be developed by the salesperson if a salesman with imagination will have the capability to visualize the articles required by the customer, such a customer would be relieved and so grateful for suggestions and ideas given by the salesperson. The salesperson should be able to think and decide for himself instead of having to be told everything, he should be self –reliant. The important quality in a good sales person is the ego drive which makes him want to make the sale. He must remain enthusiastic of the job. The salesperson should have the capability to take decisions for himself and assist the wavering customers into making his decisions by gentle means of questioning and suggestions.

3.3.3 SOCIAL TRAITS

The ability to make friends and to get along with the people is one of the most valuable assets. Social traits includes, ability to meet the public. The most important quality of a salesperson is to meet the public and speak about the product he wants to sell them. He is also required to overcome considerable resistance, deal with strangers in his selling activity and opens up new territories. The salesman should always be polite and generous to his work and to the customers. It deals, not to be late for appointments, addressing customer in a friendly way. Never losing temper, saying thank you and food-bye while leaving. All the workers should be cooperative help one another to make pleasant working conditions.

3.3.4 Character Traits

There are some important attributes in a person's character. No one can expect to be successful unless he follows some modal characteristics. It includes honesty and reliability, enthusiasm, industry and persistence.

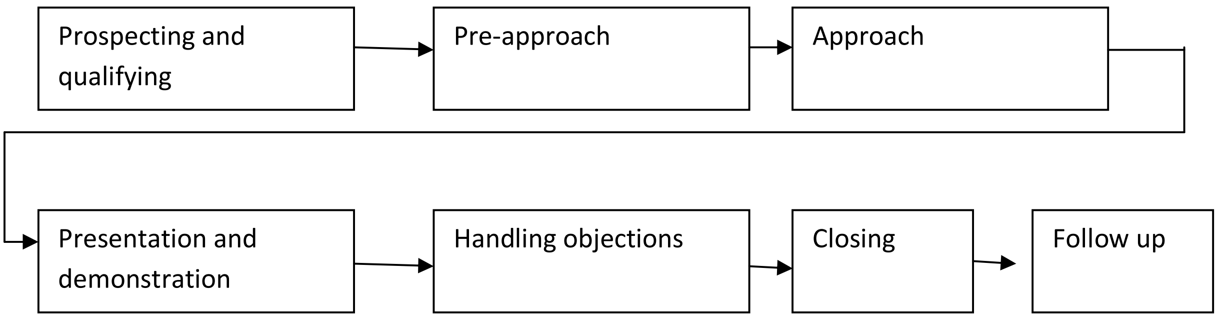
3.4 THE PERSONAL SELLING PROCESS

Selling process is culmination of the steps that the salesperson follows when selling which include prospecting, and qualifying, pre-approach, approach, presentation and demonstration, handling objections, closing and follow-up.

The selling process consists of several steps that the sales person consists of several steps that the salesperson must master. These steps focus on the goal of getting new customers and obtaining orders from them. However, most sales people sped much of their time maintaining existing accounts and building long-term customer relationships. We discuss the relationships aspect of the personal selling process in a later section.

The figure below shows a comprehensive hierarchical step in effective

selling.



3.4.1 PROSPECTING AND QUALIFYING

The first step in the selling process is prospecting identifying qualified potential customers. Approaching the right potential customers is crucial to selling success. As one expert puts it: “if the sales force starts chasing anyone who is breathing and seems to have a budget, you risk accumulating a roster of expensive-to-serve, hard –to-satisfy customers who never respond to whatever value proposition you have”. He continues. “ the solution to this isn’t rocked science. (You must) train salespeople to actively scout the right prospects. If necessary, great an incentive program to reward proper scouting”. Another expert concludes: “increasing your prospecting effectiveness is the fastest single way to boost your sales”.

The sales person must often approach many prospects to get just a few sales. Although the company supplies some leads, salespeople need skill in finding their own. They can ask current customers for referrals. They can cultivate referral sources, such as suppliers, dealers, non-competing sales people, and bankers. They can search for prospects in directories or on the web and track sown leads using the telephone and direct mail. Or they can drop in unannounced on various offices (a practice known as “cold calling”).

Sales people also need to know how to quality leads- that is, how to identify the good ones and screen out the poor ones. Respects can be qualified by looking at their financial ability, volume of business, special needs, location, and possibilities for growth.

3.4.2 Pre-approach

Before calling on a prospect, the sales force should learn as much as possible about the organization (what it needs, who is involved in the buying) and its buyers (their characteristics and buying styles). This step is known as the pre-approach. The sales person can consult. Standard industry and incline sources, acquaintances, and others to learn about the company. The salesperson should set call objectives which may be to qualify the prospect, to gather information, or to make an immediate sale. Another task is to decide on the best approach, which might be a personal visit, a phone call or a letter. The best timing should be considered carefully because many prospects are busiest at certain times. Finally, the salesperson should give thought to an overall sales strategy for the account.

3.4.3 APPROACH

During the approach step, the salesperson should know how to meet and greet the buyer and get the relationship off to a good start. This step involves the salesperson's appearance, opening lines, and the follow-up remarks. The opening lines should be positive to build goodwill from the beginning of the relationship. This opening might be followed by some key questions to learn more about the customers need or by showing a display or sample to attract the buyer's attention and curiosity. As in all stages of the selling process, listening to the customers is crucial.

3.4.4 Presentation and Demonstration

During the presentation step of the selling process the salesperson tells the product "story" to the buyer, presenting customer benefits and showing how the product solves customer's problems. The problem solver sales force fits better with today's marketing concept than does a hard-sell salesperson or the glad-handing extroverts. Buyers today want solutions, not smiles, results, not razzle-dazzle. They want salesperson who listen to their concerns, understand their needs and respond with the right products and services.

The qualities that buyers dislike most in salespeople include being pushy, late, deceitful and unprepared or disorganized. The qualities they value most include empathy, good listening, honesty, dependability, thoroughness, and follow-through. Great salespeople know how to listen and build strong customer relationships.

Today, advanced presentation technologies allow for full multimedia presentations to only one or a few people. CDs and DVDs, HDs, online presentation technologies, and handheld and laptop computers with presentation software have replaced the flip chart.

3.4.5 Handling Objections

This step in the selling process implies the salesperson seeking out, clarifies, and overcomes customer objections to buying.

Customers always have objections during the presentation or when asked to place an order. The problem can be either logical or psychological, and objections are often unspoken.

In handling objections, the salesperson should use a positive approach, seek out hidden objections ask the buyer to clarify any objections, take objections as opportunities to provide more information and turn the objections 0into reasons for buying. Every salesperson needs training in the skills of handling objections.

3.4.6 Closing

After the prospects objections, the salesperson now tries to close the sale. Some salespeople do not get around to closing or do not handle it well. They may lack confidence, feel guilty about asking for the order, or fail to recognize the right moment to close the sale.

Salespeople should know how to recognize closing signals from the buyer, including physical actions, comments, and questions. For example the customer might sit forward and nod approvingly or ask about prices and credit terms. Salespeople can use one of several closing techniques: They can ask for the order, review points of agreement, offer to help write up the order, ask whether the buyer wants this model or that one, or note that the buyer lose out if the order is not placed now. The salesperson may offer the buyer special reasons to close such as a lower price or an extra quantity at no charge.

3.4.7 Follow-Up

This is the last step in the selling process follow-up is necessary if the salesperson wants to ensure customer satisfaction and repeat business. Right after closing, the salesperson should complete any details on delivery time, purchase terms and other matters.

The sales person then schedules a follow-up call when the initial order is received to make sure there is proper installation, instruction, and servicing. This visit would reveal many problems, assures the buyer of the salesperson's interest and reduce any buyer concerns that might have arisen since the sale.

Self Assessment exercise

- Itemize the various components of physical and mental traits as major aspects to be developed by the salesperson to achieve success.

CONCLUSION

It is very important that you know how the salesperson operates. A salesperson is expected to possess some essential qualities and major aspects to be developed through which he can achieve success. This unit has introduced to you the various stages that are involved in the selling process.

5.0 SUMMARY

A sales person or salesman or sales-force is an individual acting for a company by performing one or more of the following activities. Prospecting, communicating servicing and information gathering.

Sales personality, knowledge of goods and important buoying motives are the essential qualities of a good successful salesperson.

The salesforce must know the different methods of acquiring knowledge about the product personal experience, reading books trade journals, consulting with the seniors, studying advertisement, reading sales manual and meetings and conferences.

The personal selling steps prospecting and qualifying, pre-approach, approach, presentation.

Handling objections, closing and follow up enhance effective selling process.

6.0 Tutor-marked assignment

Discuss extensively the following steps involve in the selling process:

a. Prospecting and qualifying
b. Preapproach
c. Presentation and demonstration
d. Handling objections
e. Closing

f. Follow-up.

ANSWER TO SELF ASSESSMENT EXERCISE

ASPECTS	COMPONENTS
(i) Physical traits	* Health
	* Breath
	* Posture
	* Speech and
(ii) Mental Traits	* Accuracy
	* Alertness
	* Imagination
	* Observation and
	* Self-confidence

7.0 REFERENCE/FURTHER READING

Adediran, A. (1995): Sales management in practice.

Fola and Associates Ibadan

Assael, H. (1999): Marketing Action and Consumer Behaviour, Kent publishing company, Boston.

Daramola, Y. (2001): Sales force management and the consumer prospects. Nigeria, Vol. III, No. 7

Kotler, P. (1989): Introduction to marketing 3rd Edition, Harper Row, New York.

Online Journal www.marketingcrossing.com

UNIT THREE: SALES FORCE MANAGEMENT

CONTENTS

1.0 INTRODUCTION

Salesforce management is the analysis. Planning, implementation, and control of salesforce activities to include selling and designing salesforce strategy and recruiting, selecting, training, supervising, compensating and evaluating the forms sales people. There are clear guidelines to be used in sales management that can and will also help you in your management responsibilities. Though they are never perfect and will vary by market and by the product lines a dealer represents.

However, they are useful in navigating the issues, problems and opportunities to sell products and services effectively.

2.0 OBJECTIVES OF THE UNIT

On completion of this unit, you are expected to do the following:

- Define saleforce management
- Identify the key responsibilities of a sales manager.
- Make a sketch figure to show the sales force management decision web (steps).
- Address the issues that are involved in salesforce management strategy and structure design.
- Explain the concept of salesforce size and team setting.

3.0 MAIN CONTENT

3.1 MEANING OF SALESFORCE MANAGEMENT

We define salesforce management as the analysis, planning, implementation, and control of salesforce activities. It includes designing salesforce strategy an structure and recruiting, selecting, training compensation, supervising and evaluating the form's sales people. These major sales force decide management decisions are shown in the content 3.3 of this unit and shall be treated extensively in the subsequent units of this course.

3.2 RESPONSIBILITIES OF THE SALES MANAGER

As a sales manager for any organization, you are bound to be always challenged by a number of activities that requires immediate attention and good judgment in order to win a deal.

Some of these key responsibilities of the salesmanager unlike his counterparts include.

3.2.1 Market share

The sales manager is held accountable for improving market share as well as maintaining high levels of gross margins.

At times these responsibilities seemed to contradict one another. Dealer management required market share improvement every year and is required to maintain or improve gross margins.

3.2.2. Equipment /Product Pricing

Naturally, customers might be asking for a lower price for equipment, products or services. Sales representatives constantly complain that company product prices are too high and they must offer the customers a discount or lose the business. Sales personnel are to be trained to understand that the “selling price” of the products or services has a greater impact on the profit ability of these products and services.

The salesforce are required to use the necessary astute measures and initiatives when making a sales call. When these are employed, the discussion with the customer changes from pricing to all the other factors that may influence the products profitability. As a result, more products can be sold and at higher profits.

3.2.3 Inventory Management

Good sales force management certainly include managing equipment inventory, product inventory or service inventory.

As a sales manager and a dealer, it is a key factor in "cash flow" and "working capital". There must be constant pressure to manager the both.

With too much inventory and the financial controller must be under pressure to reduce inventory. With too little inventory, you could easily lose several deals to the competition who may have the products in stock. The sales manager is charged with the responsibility of periodic review of the RE-over quantity, minimum stock level and maximum inventory stock level. This enables to know when and not to place an order. The, sales manager must have a good knowledge about the Economic order quantity, just –in-time management and maintains a complete total quality management (TQM).

3.2.4 **Equipment/Material Usage**

There is often an issue of "Trade-in" to manager. Evaluating a trade-in is as much art as it is science. You may never meet a salesman who believes the trade value to be exactly right. Salesmen want higher trade value to make the sale go smoothly.

Not surprisingly the equipment or inventory manager believes the organization over-value trades putting the department at risk. This is so since the sales manager is responsible for meeting gross profit goals. The best way to settle difference sin trade values is to have the sales force pre-sell the trade-in. As a sales manager, commission objective has to be sets that could pay great bonuses to sales personnel if they pre-sold the trade-in 50% of the time. With this the sales personnel will be very happy and the dealership can increase the gross margins on materials sales by say over 25%. This could be considered as strong sales force management.

It is therefore recommended that sales managers should set an objective to motivate their sales force to “pre-sell” their trades.

3.2.5 Equipment leasing and rentals

Rentals is very interesting and had it’s own challenge. Salesman generally feels that the rental equipment inventory is to low and unsystematic which could lead to losing the opportunity to improve market share and generate profit (and a commission. Making it clear to the salesforce that equipment leasing and rental fleet utilization is a key factor in getting additional ones in fleet and thus making rental successful e.g. Van hire for distribution, lorries and tracks for sales promotion etc.

3.2.6 Sales Training

Sales force training is a challenging activity. With too much training, the salesmanager is at times guilty of keeping the salesman out of the field where the money is made.

On the other hand with too little training, the salesman may not be prepared to close or develop a relationship with the customer and again he will be unable to reach out to the pubic.

This is a "balancing act" sales mangers are to pay close attention to. Survey has revealed over the years that ales personnel should have atleast 80 hours of classroom and 40 hours in field training. The sales manager should attend customer meetings with the sales personnel.

3.2,7 Product Sales Forecasting

As a sales manager, you will be held accountable for an accurate sales forecast. The forecast is often completed under a very strict system which is to be reviewed with the sales force every week and with senior management every month. You cannot rely solely on historical data. The sales manager has to stay close to what customers will tell us and then try to effect and perfect them.

3.3 Sales Force Management Decision Chain

The major sales force management decisions are shown in the figure below

Designing Salesforce Strategy and Structure

↓

Recruiting and Selecting Salespeople

↓

Training Salespeople

↓

Compensating Salespeople

↓

Supervising Salespeople

↓

Evaluating Sales people

3.4 DESIGNING SALESFORCE STRATEGY AND STRUCTURE

Marketing managers face several sales forces strategy and design questions. How should ales people and their tasks be structured? How big should the sales force be? Should salespeople sell alone or work in teams with other people in the company? Should they sell in the field or by telephone? We address these issues below.

A company can divide up sales responsibilities along any of several lines. The decision is simple if the company sells only one product line to one industry with customers in many locations. In this case the company would use a territorial salesforce structure. However, if the company sells many products to many types of customers, it might need either a customer sales force structure, or a combination of the two.

3.4.1 Territorial Salesforce Structure

This is a salesforce organization that assigns each salesperson to an exclusive geographic territory in which that sales person sells the company's full line of products or services to all customers in that territory. This organisation dearly defines each sales person's job and fixes accountability. It also increases the salesperson's desire to build local business relationships that, in turn improve selling effectiveness. Finally, because each salesperson tables within a limited geographic areas, travel expenses are relatively small.

A territorial sales organisation is often supported by many levels of sales management positions. For example, telecommunication companies in Nigeria (Airtel, MTN, Globacom, Multilink Etisalat etc) use territorial structure in which each salesperson is responsible for selling all their products. Starting at the bottom of the organisation, sales merchandisers report to sales representatives, who report to retail supervisors, who report to directors of retail sales operations, who report to one of the total regional sales managers. Regional sales managers, in turn report to one of all the general sales managers.

3.4.2 Product Sales Force Structure

This structure is a salesforce organisation under which salespeople specialize in selling only a portion of the company's products or lines. Sales people must know their products – especially when the products are numerous and complex. This need, together with the growth of product management, has led many companies to adopt a product sales force structure, in which the sales force sells along product lines, for example, Kodak uses different sales forces for its film products than for its industrial products. The film products sales force deals with simple products that are distributed intensively. Where as the industrial products sales force deals with complex products that require technical understanding.

The product structure can lead to problems, how ever, if a single large customer buys many different company products. For example, cardinal Health, the large health care products and services company, has several/product divisions, each with a separate salesforce.

3.4.3 Customer Sales Force Structure

Under this structure, the sales people specialize in selling only to certain customers or industries. More and more companies are now using a customer salesforce structure in which they organize the salesforce along customer or industry lines. Separate sales forces may be set up for different industries for serving current customers versus finding new ones, and for major accounts versus regular accounts.

Organizing the sales force around customers can help a company build closer relationships with important customers.

3.4.4 Outside and Inside Sales Force

The company may have an outside sales force or field sales force an inside sales force or both.

The outside salespeople travel to call on customers. Inside salespeople conduct business from their offices via telephone or visits from prospective buyers.

To reduce time demands on their outside sales forces, many companies have increased the size of their inside sales force. Inside salesforce include technical support people, sales assistants, and telemarketers. Technical support people provide technical information and answers to customers questions. Sales assistants provide clerical backup for outside sales people. They call ahead and confirm appointments, conduct credit checks, follow up on deliveries, and answer customers' questions when outside sales people cannot be reached. Telemarketers use the phone to find new leads and quality prospects for the field sales force or, sell and service accounts directly,

The inside sales force frees outside salespeople to spend more time selling to major accounts and finding major new prospects.

3.4.5. Complex Sales force Structure

When a company sells a wide variety of products to many types of customers over a broad geographic area, it often combines several types of sales force structures. Sales people can be specialized by customer and territory: by product and territory by product and customer; or by territory, product and customer, No single structure is best for all companies and situations. Each company shouted select a sales force structure that best serves the needs of its customers and fits its overall marketing strategy.

3.4.6 Sales Force Size

Once the company has set its structure, it is ready to consider sales force size. Sales force may range in size from only a few sales people to many tens of thousands. Some sales forces are huge. For example, Microsoft employs 23,000 sales people, Pepsi company 36,000, etc. Salespeople constitute one of the company's most productive and most expensive assets. Therefore, increasing their number will increase both sales and costs.

Many companies use some form of workload approach to set sales force size. Sales management must also decide who will be involved in the selling effort and how various sales and sales support people will work together.

3.5 THE CONCEPT OF TEAM SELLING

This is a concept that implies using teams of people from sales, marketing, engineering, finance, technical support, and even upper management to service large, complex accounts.

As products become more complex, and as customers grow larger and more demanding, a single salesperson simply can't handle all of a larger customer's needs. Instead most companies now are using team selling to service large, complex accounts. Companies are finding that sales teams can unearth problems, solutions and sales opportunities that no individual salesperson could. Such teams might include experts from any area or level of the selling firm-sales, marketing, technical and support services, research and development engineering operations, finance and others. In team selling situations, the salesperson moves or shifts from "soloist" to "orchestrator".

3.6 SALES FORCE MANAGEMENT GUIDELINES

The following are the important errands involved in the successful management of the sales in the organisations:

a. Setting personal selling objectives
b. Formulating sales policies
c. Structuring the salesforce
d. Deciding the size of the sales force
e. Designing sales territories
f. Developing the sales forecasts and sales budget
g. Fixing sales quotas/targets for individual sales territories/salesmanship.
h. Creating the sales force (recruitment, selection and introduction/orientation)
i. Managing the sales force (compensation, motivation, morale building, sales coaching/supervision evaluating/appraisal and training and development).
j. Managing the marketing channels
k. Ensuring growth and developing new accounts
l. Sales communication and reporting

m. Sales coordination and sales controlling including sales expenses control.
n. Building the sales organization
o. Co-ordination with marketing management in the areas like product mix pricing, distribution advertising and sales promotion.
p. Creating and maintaining right image for the company and its products in the market.

SELF ASSESSMENT EXERCISE

- List the various steps that are involved sequentially in designing the sales-force structure.

4.0 CONCLUSION

In this unit, you have learnt about the meaning of sales force management, the functions of a sales manager. You have also learnt the various stages that are involved in designing a sales force structure. This unit has also introduced you to the concepts of team selling and guidelines for sales force management.

5.0 SUMMARY

Sales force management is the analysis, planning, implementation, and control of sales force activities. It includes designing sales force strategy and structure and recruiting, selecting, training, compensating, supervising and evaluating the firm's salespeople.

Major steps in sales force management designing sales force strategy and structure, recruiting and selecting salespeople, training salespeople, compensating salespeople, supervising salespeople and evaluating salespeople.

6.0 TUTOR MARKED ASSIGNMENT

Write short notes on the following

- Sales-force management
- Team selling
- Sales force size

7.0 REFERENCE/FURTHER READING

Andy Cohen (2003): Sales and marketing management "Virtual sales meeting on the Rise" August, 2003. P.12;

Daniel Tynan (2004): Sales and marketing management "Next Best Thing to Being There"

April, 2004. P.22;

Julia Change (2003): Sales and marketing management "NO instructor required"

May, 2003, P.26

Tom Cannon (1997): Basic Marketing Principles and Practice fourth edition Cassel publishers Ltd. Wellington House, London.

UNIT FOUR SALESFORCE MANAGEMENT SYSTEM CONCEPTS

1.0 INTRODUCTION

Sales force management systems are information systems used in CRM (Customer Relationship Management) Marketing and management that help automate some sales and saleforce management functions. They are frequently combined with a marketing information system, in which case they are often called customer relationship marketing (CRM) systems.

2.0 OBJECTIVES OF THE UNIT

Having completed studying this unit, you are expected to:

- Defined sales management system
- Highlight the identifiable sales force management process.
- Explain the significant of control process to the sales force
- State the metrics implemented in sales force management system
- Identify the major components of sales force automation system.

- Discuss the respective sales force automation application and their advantages and disadvantages.

3.0 MAIN CONTENT

3.1 THE NATURE AND SCOPE OF SALES FORCE MANAGEMENT SYSTEM

Sales force management systems are information systems used in Customer Relationship Management (CRM) Marketing and management that help automate some sales and sales force management functions.

They are frequently combined with a marketing information system, in which case they are often called Customer Relationship Management (CRM) systems.

Sales force management systems are essentially the same thing as Salesforce Automation System (SFA).

A sales force automation system, typically a part of a company's customer relationship management system, is a system that automatically records all the stages in sales process.

SFA includes a contact management system which tracks all contact that has been made with a given customer, the purpose of the contact, and any follow up that might be required. This ensures that sales efforts are not duplicated, reducing the risks of irritating customers. SFA also includes a sales lead tracking system, which list its potential customer through paid phone lists, or customer of related products. Other element of an SFA system can include sales forecasting, order management and product knowledge. More developed SFA systems have features where customers can actually. Model the product to meet their required needs through online product building systems. This is becoming more and more popular in the automobile industry, where patrons can customize various features such as color and interior features such as leather vs. upholstered seats. Making a dynamic salesforce links strategy and operational actions that can take place within a department, the sales force automation system (SFA) relies upon objectives, plans budget and control indicators under specific indications.

3.2 IDENTIFIABLE SALES FORCE MANAGEMENT PROCESS

In order to perform the objectives charged by SFA correctively specific procedures must be implemented. They are:

a) Setting targets and objectives based on inputes (usually via a command center).
b) Assigning actors responsible for achieving objectives.
c) Control process for ensuring objectives are being achieved within; a given time frame, and a given constrained context (customers and or markets).
d) System management to handle uncertain environments.

3.3 THE CONTROL PROCESS AND THE SALES FORCE

The process usually starts from specific sales targets. The command center analyses the inputs and outputs established from a modeled control process and the sales force.

The control process enables the sales force to establish performance standards, comparing measured performance against established standards and taking corrective action. The sales managers adjust their actions based upon the overall process.

3.4 METRICS IMPLEMENTED IN SALES FORCE MANAGEMENT SYSTEM

Aside from the control process, the following metrics are implemented.

3.4.1 Time Management Accurately Measures The Tasks And The Percentage Of Time For Each Tasks.

3.4.2 Call management – plan for customer interaction takes into account the percentage of command center representatives that comply with the process and have successful calls.

3.4.3 Opportunity Management – If the process is followed correctly then you will have a sales opportunity. The percentage of command center representatives that utilize the tools, comply with the objective are all measured.

3.4.4 Territory management - for monitoring the account, the territory is measured by the number of account representatives and perpective versus active customers.

3.4.5 Sales force management- Process shared across several people and departments. The process includes training, IT systems, control and coaching.

There are five major activities involved in staffing a sales force and they need to be broken down into related steps.

- Step I plan the recruiting and selection process:- The responsibilities associated with this step are generally assigned to top sales executives, the field sales manager or the human resources manager. The company wants to determine the number and the type of people needed, which involves analyzing the market and the job and preparing a written job description. The qualifications of the job needed to be established to fill the job.
- Step II the recruiting phase includes identifying sources of recruits that are considered with the type of person desired, selecting the source to be used and contacting the recruits.
- Step III select the most qualified applicants.
- Step IV is to hire those people who have been selected, just because you made an offer doesn't mean that your job is done. You need to convince

your recruit that your job offers everything that they need and want to get them to join your company or at least highly consider it.

- Step V Assimilating the new employee into the company by placing them under direction of an employee in the company and possibly giving them a mentor to help them feel comfortable working within the company and then going through the training programmes.

Besides, there are five important steps in a good sales program:

- Qualified sales people are scarce
- Good selection improves sales force performance
- Good selection promotes cost saving
- Good selection eases other managerial tasks
- Sales managers are no better then their sales force.

3.5 COMPONENTS OF SALES FORCE AUTOMATION SYSTEM

When looking for sales force automation systems not all are created equal. They are like selecting a new car. The systems van vary dependent upon what information the organisation is looking for. The application also has implications based upon their size, organisation roll up, demand of new system; sales processes and number of users.

Dependent upon what you are looking for services can fall into 2 categories: On Premise software and On-Demand (hosted) software. With On-premise software, the customers manage and purchase the application. On- premise.

Software has some advantages and disadvantages dependent upon what a customer is really looking for. The disadvantage of On-premise software to some is the higher cost of the software along with maintenance.

Customization is also required for some who utilize additional processes outside the normal out of the box solution. Time is also a factor which takes longer implementation. The advantages of On-premise software is looking at the overall return on investment and the amount of inputted data.

The On-Demand solution on the other hand takes shorter implementation time, less cost, and tailored to meet the customers need.

3.6 MAJOR PLAYERS IN THE SALES FORCE AUTOMATION SYSTEM

The key players in the sales force automation system include:

- Oracles Siebel
- Sales force com
- Microsoft dynamics
- Oracle EBS (E- Business Suite)
- Zoho customer relationship management
- Peoples soft
- Maximize software

3.7 THE APPLICATIONS OF SALES FORCE AUTOMATION SYSTEM

3.7.1 Open source sales force automation

There are so many SFA solutions out in the market. Small to medium size business and individual users have the choice of using the open source SFA solutions, online or cloud SFA solutions, and licensed SFA software solution. Open source solutions regardless of application have become extremely popular over years. Example is sugar customer relationship management.

3.7.2 Mobile sales force automation application

A huge number of sales managers are always on the go. The expansion of smart phones has reignited the creation of mobile sales force automation systems. Most companies, IT departments are aware that adopting new capabilities require extensive testing. Despite the required time to test such a new product, it will pay off in the future for the sales department. Smartphone appeals to salespeople, a part of a company's department that is extremely resistant to new technology implementation. Smartphone are easy to carry and easy to use, great interface design, touch screens and fast wireless network capabilities like 4G and 3G phones.

- Advantages of mobile sales force automation application to the sales manager
  - (i) Understanding the economic structure of your industry
  - (ii) Identifying segments within your market

(iii) Identifying your target market

(iv) Identifying your best customers in place

(v) Doing marketing research to develop profiles (demographic, psychographic and behaviour of your core customers.)

(vi) Developing new products

(vii) Understanding your competitors and their products.

(viii) Understanding your company's strength and weakness.

- Disadvantages of sales force automation detractors claim that sales force management systems are:

  (i) Difficult to work with

  (ii) Require additional work inputting data

  (iii) De-humanizing a process that should be personal

  (iv) Costly

  (v) Difficult to integrate with other management information system

3.7.3 ENCOURAGING USE

For all the reasons stated above many organizations have found it difficult to persuade sales people to enter data into the system. For this reason many have questioned the value of the investment. Recent development have embedded sales process systems that give something back to the seller within the customer relationship management screens. Because the system helps sales people plan and structure their selling in the most effective way they give a reason to use the CRM.

SELF ASSESSMENT EXERCISE

- What do you understand by the term “Sales force management system”?
- What are the disadvantages of applying sales force automation system?

4.0 CONCLUSION

This unit has offered you so much to add to your daily business life. The unit discusses broadly the nature and scope of salesforce management system, the control process and the salesforce and the applications of sales force automation system.

5.0 SUMMARY

Sales force management system are frequently combined with a marketing information system in which case they are often called customer relationship management (CRM) systems.

The application of sales force automation is very expensive, rigid to work with and takes long time implementation e.g On-Premise software.

6.0 TUTOR-MARKED ASSIGNMENT

- Highlight the identifiable sales force management process.

ANSWERS TO SELF ASSESSMENT EXERCISE

- Sale force management systems are information. Systems used in customer relationship management (CRM) marketing and management that help automate some sales and sales force management functions.
- The disadvantages of sales force automation application are that they are:

_ Difficult to work with

_ Require additional work inputting data

_ Dehumanizing a process that should be personal

_ Costly

_ Difficult to integrate with other management information system.

7.0 REFERENCES/FURTHER READING

Darmon, Rene Y. (2007): Introduction to the dynamic sales force management process Cambridge University Press.

Gartner (2003): A frame work for evaluating sales force automation functionality G0015860

Jordan, Jason (2009): Sales management Best practices management smart Warsaw University Press.

Wilmbarrs and Souls (2007): Salesforce Management system New Era, 2007 Texas, USA.

UNIT FIVE RECRUITMENT SELECTION OF SALESMEN

CONTENTS

1.0 INTRODUCTION

Perhaps more than any other function of the sales manager, successfully recruiting new salespeople into the company is critical to the long-term success of the organisation.

As marked expand both domestically and internationally, companies continue to seek qualified new candidates to fill sales positions. At the same time, it is likely that talented people in the organisation are being recruited, often by competitors, and leaving for other opportunities. Finally, competition for talent candidates is fierce and the cost of poor recruiting is high, in both direct and indirect costs. For all these reasons, recruiting and selecting salespeople has become a very important part of the sales manager's job.

2.0 OBJECTIVES OF THE UNIT

After studying this unit, you should be able to

- Understand the key issues that drive the recruitment and selection of salespeople.
- Identify who is responsible for the recruitment and selection process.
- Understand a job analysis and how selection criteria are determined.
- Define the sources for new sales recruit.
- Explain the selection procedures.
- Understand the equal opportunity requirements for selecting sales people.

3.0 MAIN CONTENT

3.1 KEY ISSUES THAT DRIVE THE RECRUITMENT AND SELECTION OF SALESPEOPLE

At the heart of any successful salesforce operation is the recruitment and selection of good salespeople. The performance difference between an average salesperson and a top salesforce, the top 30 percent of the salespeople might bring in 60 percent of the sales. Thus, careful salesperson selection can greatly increase overall sales force performance.

Beyond the differences in sales performance, poor selection results is costly turnover. When a salesperson quits, the costs of finding and training a new ales person-plus the costs of lost sales-can be very high. Also, a sales force with many new people is less productive, and turnover disrupts customer relationships.

What sets great salespeople apart from all the rest? In an effort to profile top sales performers, Gallup management consulting group, a division of the well-known Gallup polling organisation, has interviewed as many as half a million salespeople. Its research suggests that the best salespeople possess four key talents: Intrinsic, motivation, disciplined work style, the ability to close sale and perhaps most important, the ability to build relationships with customers.

Super salespeople are motivated from within.

“Different things drive different people”:-

- Pride
- Happiness
- Money
- Your name (Popularity)

“Says one expert”. But all great salespeople have one thing in common; an unrelenting drive to excel. “Some salespeople are driven by money, a hunger for recognition, or the satisfaction of competing and wining. Others are driven by the desire to provide service and to build relationships. The best salespeople possess some of each of these motivations.

"A competitor with a strong sense of service will probably bring in a lot of business while doing a great job of taking care of customers.

Whatever their motivations, salespeople must also have a disciplined work style. If salespeople aren't organized and focused and if they don't work hard, they can't meet the ever increasing demands customers make these days. Great salespeople are tenacious about laying out detailed organized plan, then following through in a timely, disciplined way.

Other skills mean little of a salesperson can't close the sale. So what makes for a great closer? For one thing, it takes unyielding persistence. "Great closers are like great athletes"

- Says one sales trainer. "They are not afraid to fail, and they don't give up until they close. Great closers also have a high level of self-confidence and believe that they are doing the right thing.

3.2 THE IMPORTANCE OF SALES FORCE RECRUITMENT AND SELECTION PRACTICES

Recruitment and selection process hold an important role for building a strong sales force performance.

This process requires the company to invest through human capital as an important resource. The objective of this process is searching for qualified candidates to fulfill the right positions and hopes that they can make long-run returns for the company. Even though there is no right or wrong way how the company chooses the right candidates for certain positions, every single step in recruiting and selecting candidates should be taken carefully in order to get the right person in the right position. He goal of recruiting is to find and attract the best pool of qualified applicants.

3.3 UNDERSTANDING JOB ANALYSIS AND HOW SELECTION CRITERIA ARE DETERMINED

Job analysis according to Fajaria (1992) is a systematic investigation of a job in order to identify its essential characteristics and to translate this into writing in form of job description.

It is the determination of tasks, which compose the job, skill, knowledge and responsibility required of the salesforce for successful performance and differentiation of job from all other jobs.

This is the process of identifying the relevant aspect of a job in terms of its.

- Duties and responsibilities
- Methods to be used in carrying out the job;
- Techniques, system and procedures
- Various tools employed
- General working condition
- Job hazards involved
- Level of training and education for the tasks.

JOB ANALYSIS

A process of obtaining all pertinent job information and facts

JOB DESCRIPTION

A statement containing

1. Job Title
2. Location
3. Duties to be performed
4. Materials
5. Equipment
6. Supervision given and received
7. Working condition

JOB SPECIFICATION

A statement containing

1. Qualification necessary to the job
2. Education and training
3. Initiative
4. Experience
5. Judgment
6. Physical fitness
7. Personality

3.4 SOURCE FOR NEW SALS RECRUITS

There are two in number

a. Internal sources

b. External sources

Internal Source: Involves filling the sales force requirement within the organisation.

It can be done through promotion, transfer or demotion:

(i) Promotion: It upgrades the status of the salesperson to fill higher position. It advances a salesforce to a better job in terms of greater skill and especially increased in rate of pay and commission.

Sometimes advertisements are placed for the salesperson to compete for vacant post, this is called internal advertisement.

(ii) Transfer: Involves shifting the sales person from one territory or geographical location to another without changing responsibility or compensation. Reasons could be increase/decrease in demand for personnel in a location, request of the salesman; for impacting knowledge or training; policy matters; increasing efficiency.

The major disadvantage is that the company may lose sales and customers who were familiar to the salesforce.

(iii) Demotion: Down grading of the salesperson to a location where there is decrease level of responsibility, status and pay. Reasons could be on punitive measure, poor performance etc.

B. External sources: Filling vacancies with new individual (salesperson) outside the organisation. The available option include,

i) Existing waiting list unsolicited applicant

ii) Unsolicited applicant

iii) Professional journal

iv) Seminar/convention

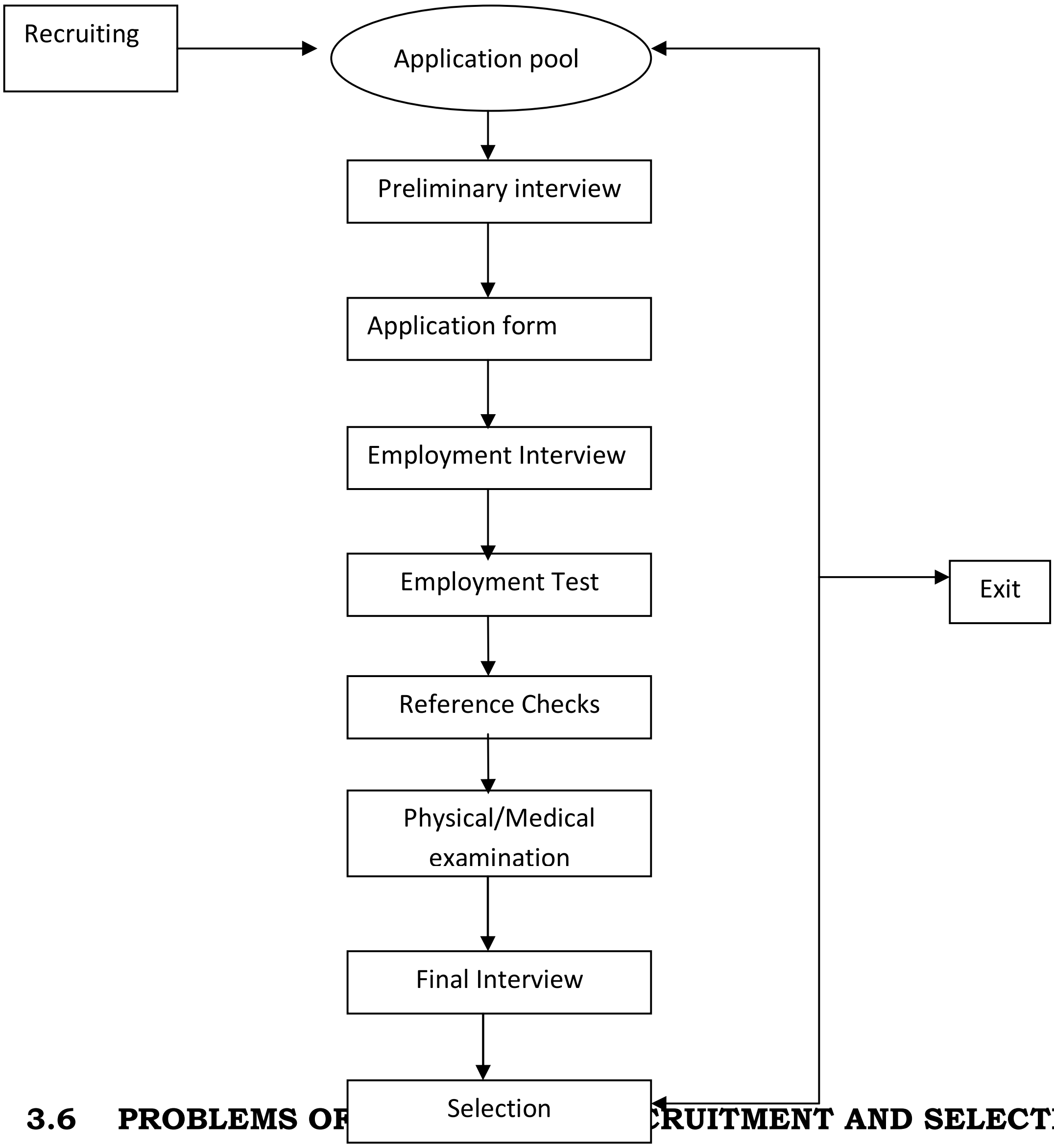
v) College placement

vi) Employment agencies

vii) Referral:- Where the salesforce is referred to an organisation by some influential people.

3.5 SALESFORCE SELECTION PROCESS/PROCEDURES

The process of selection varies among organizations and among jobs. The process of selecting sales people of a typical large firm may take the following orders: Application form, test, interview, physical examination, references, and employment decision. It can be described in the diagram below:



3.6 PROBLEMS OF … RUITMENT AND SELECTION

There are few problems associated with inadequate implementation of salesforce recruitment and selection.

(a) Inadequate sales coverage and lack of customer follow up.

(b) Increasing training costs to overcome deficiencies.

(c) More supervisory problems

(d) Higher turnover rates

(e) Difficulties in establishing enduring relationships

(f) Suboptimal total salesforce performance.

SELF ASSESSMENT EXERCISE

Enumerate the talents possess by a successful salesforce

4.0 CONCLUSION

Recruitment and selection of sales people, companies need a vibrant and energetic market team it boost their sales. Infact, a powerful sales team is necessary to kick start a business on sound footing. The lack of it can land entrepreneurs in serious trouble. The recruiters should focus on the long-term benefits of a person instead of hiring every seemingly bright candidate.

Thus, this unit has taken you on a walk towards understanding the key issues that drive the recruitment and selection of salespeople and the selection process.

5.0 SUMMARY

Perhaps most importantly in today's relationship marketing environment, top salespeople are customer problem solvers and relationship builders. They have an instinctive understanding of their customer's needs. Talk to sales executives and they will describe top reformers in these terms. Emphatic, patient, caring, responsive, Good listeners, honest.

When recruiting, companies should analyze the sales job itself and the characteristics of its most successful salespeople to identify the traits needed by a successful salesperson in their industry. Then it must recruit the right sales people. The human resources department looks for applicants by getting names from current salespeople, using employment agencies, placing classified ads, searching the web, and working through college placement services. Another source of saleforce recruitment is to attract top sales people from other companies. Proven salespeople need less training and can be immediately productive.

6.0 TUTOR MARK ASSIGNMENT

- Draw a chart to show a comprehensive procedure/process for selecting salespeople.

Answer to self assessment exercise successful salespeople possess the following talents.

_ Intrinsic

_ Motivation

_ Disciplined work style

_ Ability to close sale and

_ Ability to build relationships with the customer.

7.0 REFERENCE/FURTHER READING

Kotler P. (2003); Marketing Management 11th edition (Upper saddle) New Jersey; prentice-Hall Inc. now know as Pearson Education Inc.

Nwokoye, N. G. (1981); Modern Marketing for Nigeria London and Basing Stoke Macmillan Publishers.

Shokan, O. O. (1998): Product development and marketing management, Ojota, Lagos. Shona Investment Co. Ltd.

Yoram, J. (2002): Convergence Marketing; strategies for reading the new hybrid consumer upper saddle river NJ prentice Hal PTR.

UNIT SIX SALESMAN TRAINING AND MOTIVATION

CONTENTS

1.0 INTRODUCTION

Every organisation experiences “change”. This change may affect the salesforce, machines, managements and the general working environment.

In order for the organisation to achieve its objective, it has to keep abreast of the changes. In order to do this, it has to replace out-dated or obsolescent equipment with modern ones. When old machines have been replaced, there is need to train and retain the salesperson(s) who will handle these machines and equipment. Apart from achieving organisational goals through employee salesforce training, the salespeople themselves become more motivated. Training promotes salesforce “efficiency and effectiveness. Besides, to attract good salepeople, a company must have an appealing compensation plan. Compensation is made up of several elements-a fixed amount, a variable amount, expenses and fringe benefits. The fixed amount, usually a salary gives the salesperson some stable income.

2.0 OBJECTIVES OF THE UNIT

After completing this unit, you are expected to

- Explain what training is.
- Give reasons why training programs fail.
- Identify the goals of training salesperson(s)
- Define salesforce compensation
- Discuss succinctly the relevant motivation theories in sales management.

- Highlight the need for motivating salespeople
- Use a chart to discuss the relationship between overall marketing strategy and marketing mix
- Explain what is meant by sales quota.

3.0 MAIN CONTENT

3.1 Meaning and Nature of Training Salespeople.

Training is any organized effort to bring change in behaviour (i.e learning), not just skills training" Beach (1980) in Banjoko (1980) defined training as "an organized procedure by which people learn knowledge and or skills for a definite purpose". Training should be continuous for the salespeople and other employees' life time in the organisation. No matter how excellent the recruitment process is, there is need for constant salesforce development. Here man et al (1985) defined salesforce development as "a planned process designed to provide the salespeople with learning experiences that will enhance their contribution to organisation goals".

New salespeople may spend anywhere from a few weeks or months to a year or more in training then, most companies provide continuing sales training via seminars, sales meetings, and the web throughout the salesperson's career. In all, Nigerian companies spend more than N5billion annually on training salespeople. Although training can be expensive, it can also yield dramatic returns. For example, one recent study showed that sales training conducted by a major telecommunication firm paid for itself in 16 days and resulted in a 6-month return on investment of 812 percent.

3.1.2 WHY MOST TRAINING PROGRAMMES FAIL

Most training programmes fail as a result of a number of factors. Such factors include:

- Financial limitation
- Corruption (diverting funds meant for salesforce training)
- The fear for change
- Inadequate modern training equipment/materials
- Attitudes of employers towards training
- Fear for lose of sound salespeople to other organizations.

3.2 GOALS AND OBJECTIVES OF TRAINING SALESPEOPLE

Training programs have several goals. Salespeople need to know and identify with the company and its products. So most training programs begin by describing the company's objectives, organisation, financial structure, facilities, and chief products and markets. They also need to know about customers and competitors. Training programs teaches them about competitors strategies and about different types of customers and their needs, buying motives and buying habits. Finally because salespeople must know how to sell effectively, they also trained in the basics of the selling process.

A training program will have some of these objectives:

- To familiarize the new salespeople with organisation and their products/services
- To provide entry training in entry-jobs assignments for new salespeople.
- To improve salespeople knowledge and skills for better performance.
- To provide re-training for new sets of tasks.
- To provide salesforce effectiveness and efficiency for better quality and quantity of sales
- To be able to adapt to changes in the organisational environments. (prevailing changes in the field)
- To be able to reduce cost and waste.

3.2.1 Salesforce Training Methods

In determining the training methods for salespeople, keeling and Kallaus (1983) suggested the following factors for consideration.

a. The salesforce trainees and their location
b. Their similarities and differences in education, experience, abilities, functions and occupational levels.
c. The abilities of the trainers
d. The instructional space, equipment, the media available for the training programme and
e. The cost of the method selected in relation to the result expected.

The method to be selected should be one that is capable of achieving organisational objective of increasing skill, knowledge, change of attitudes and behaviour. The methods are:

- On-The-Job Training (OJT): Here new salespeople are taught by a departmental head or supervisor, the knowledge and skill needed for selling. It provides a trainer-trainee relationship within a working environment.
- In-House Lecture/Demonstration: Where there are many new salespeople requiring re-training, the organisation may organize in-house lecture/demonstration for the salespeople. A lot of information may be passed to them at the same time. Film or video tapes may be used.
- Job Rotation: New salespeople are hereby made to rotate through different fields and territories.
- Vestibule Training: Is a method used for skills development. The salesperson is not trained in the actual working environment but he is provided with a simulated environment and equipment.
- Programmed Instruction: Is motivational. The salespeople learn at their own pace. It provides independent self-study.
- Computer assisted instruction (CAI): Programs such as Tutor-DOS, Microsoft tutorial and prof- DOS do not require any trainer. They have self learning "help" facilities without any trainer.
- Internship

- Apprenticeship
- Role Playing or Psycho-drama.
- In-basked Training. The salesforce is given a higher task and lies is promoted to the position to make all necessary decisions and solutions on it.
- Business Games, and
- Case Studies.

3.3 SALESFORCE MOTIVATION/COMPENSATION

Keeping sales people motivated can be a real challenge. What motivates one might not motivate another. Good sales managers know this and are always aware of where their individual salespeople are on that "motivational" scale. Sales compensation is a crucial factor in their motivation, but other factors impact motivations, too.

Certo (1980) defined motivation as "an individual's inner state that causes him or her to behave in a way that ensures the accomplishment of some goals.

Mcfarland (1968) defined motivation as a "behavioural concept by which we try to understand why people behave as they do.

There is one truism among salespeople that is universal – if they feel that they cannot control the factors that contribute to their success and and sales compensation, they will be frustrated, demontivated and find a new employer.

In order to ensure equity of pay among the salesforce, there is need to establish compensation management policy.

There are both internal and external factors which influence compensation management.

According to Akintunde (1993), the key internal factors that play significant roles in salary and bonus decisions are:

- The portion of labour cost to total cost of production
- Types of skill required.
- Relationship between salespeople performance and productivity of output.
- Rapidity of changes in plant processes and technology that bear direct influences on the job content and composition of labour skill pool.
- He also gave the following external factors which influence compensation management
- Competitive standing of the organisation and its monopolistic strength.
- Its earning capacity and financial position.
- Its profitability in-view of market behaviour.
- Vis-à-vis the demand and supply forces on the company's products.
- Controlled market share and availability of the required skill.
- Management the salespeople themselves,
- The public
- Labour unions

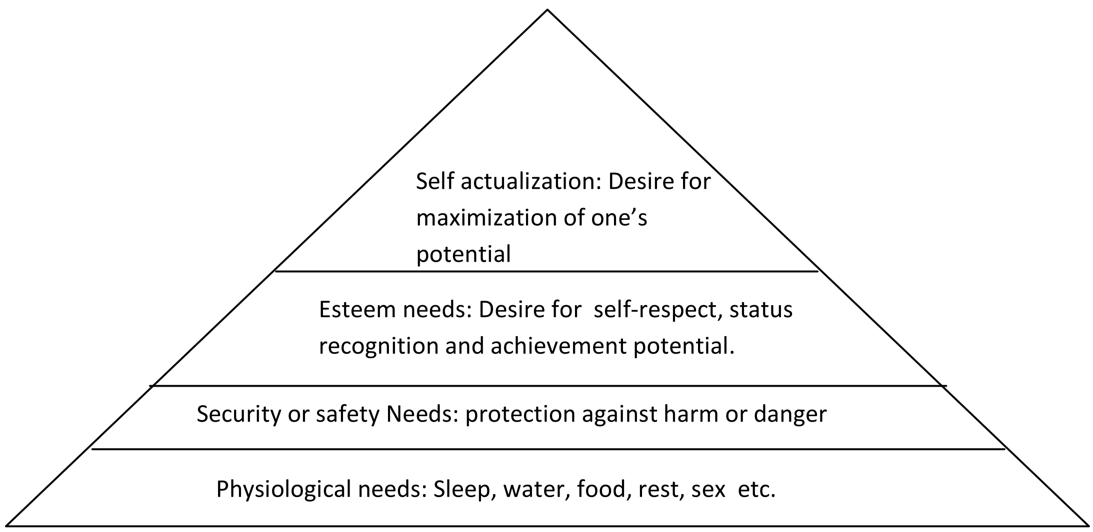
- Labour markets
- Government regulations
- The general standard of living of the people

3.3.1 Salesforce Motivation Theories

Among other numerous theories of human resources management, Abraham Maslows' hierarchy of needs theory is relevant in salesforce compensation and reward system.

Here, Maslow looked at human needs in hierarchy. He posted out that human needs are in give basic stages according to their importance. He said that when one need has been satisfied, human beings want to meet another need. This is what is called insatiability of human wants in an economy. Till we die, we can never be satisfied. After satisfying a want, the need to satisfy another one sets in.

- Hierarchy of needs by Abraham Maslow



3.3.2 Roles of Salesforce Compensation Motivation

- Economic roles as it affects acquisition of property
- Social role as it affects his status in the society.
- Growth or maturity role as it affects his position in the organisation.
- Psychological role as it gives him confidence
- Political role as it influences his political position in the society.

The top management has the following objectives for compensation administration.

- To attract and retain qualified salesforce.
- To remove in-equities in sales force compensation
- To recognize, motivate and reward competent sales people with extra efforts and achievements.
- To help the organisation minimize its profit through high-level performance of its staff.
- To provide job satisfaction.

3.4 SUPERVISING SALES PEOPLE

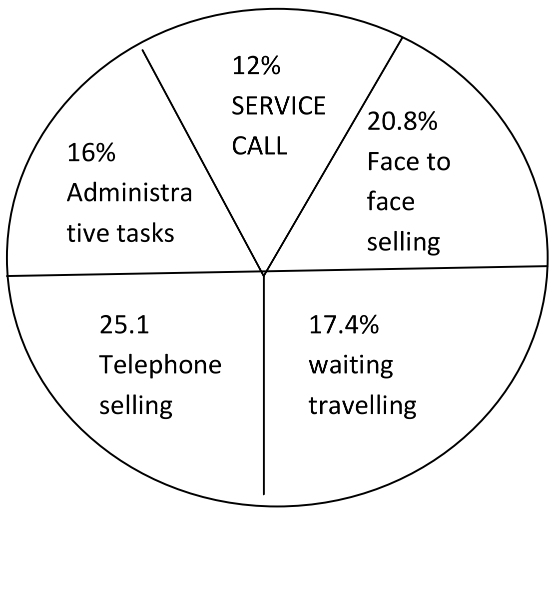
New salespeople need more than a territory, compensation, and training- they need supervision. Through supervision, the company directs and motivates the sales force to do a better job.

Companies vary in who closely they supervise their sales people. Many help their salespeople in identifying customer targets and setting call norms. Some may also specify how much time the sales force should spend prospecting for new accounts and set other time management priorities. One tool is the annual call plan that shows which customers and prospects to call on in which months and which activities to carry out. Activities such as taking parts in trade shows, attending sales meetings, and carryout marketing research. Another tool is time and duty analysis. In addition to time spent selling, the sales person spends time travelling, waiting, eating, taking breaks, and doing administrative chores

3.4.1 **The Relationship between Overall Market Strategy and Salesforce Compensation**

The figure below shows how salespeople spend their time on average actual face to face selling time accounts for less than 30 percent of total working time. If selling time could be raised from 30 percent to 40 percent, this would be a 33 percent increase in the time spent

HOW SALES PEOPLE SPEND THEIR TIME



- The relationship between overall marketing strategy and salesforce compensation.

3.5 DESIGNING A CUSTOMER DRIVEN MARKETING STRATEGY AND MARKETING MIX STRATEGY GOAL:

	To Gain Share Rapidity	To Solidify Market Leadership	To Maximize profitablity
Ideal Salesperson	• An independent self starter	• A competitive problem solver	• A team player • Relationship Management
Sales focus	• Deal making • Sustained high effort	• Consultative selling	• Account penetration
Compensation Role	• To capture accounts • To reward high performance	• To reward existing account sales	• To manage product mix • To encourage team selling • To reward account management.

SOURCE: Adapted from Sam T. Johnson, “Sales Compensation: In Search of a better solution PP. 53 – 60, 1993.

SELF ASSESSMENT EXERCISE

- List any six salesforce training methods you know.

4.0 CONCLUSION

In this unit, you have learnt about the nature of salesforce training, the need for training and why same training programs fail. You have also learnt about the various training methods that are adopted in training salespeople. Unit has also introduced you to salesforce compensation and motivation which are expected to have a deeper impact in your business life as well.

5.0 SUMMARY

Although training can be expensive, it can also yield dramatic returns.

Training programmes have several goals. Sales people need to know and identify with the company products and its services.

Salesforce are trained to acquire new skills that are involved in selling.

Salesforce are compensated to bring out the best in them which leads to efficiency and effectiveness.

6.0 TUTOR-MARKED ASSIGNMENT

- Examine critically the relationship between the overall marketing strategy and salesforce compensation.

Answer to Self Assessment Exercise

The following are six out of the numerous saleforce training methods.

- On –the-job training method
- Internship
- Vestibulity
- Role Playing (Psycho-drama)
- Case studies
- Computer Assisted Instruction (CAI)

7.0 REFERENCE/FURTHER READING

Adewale Onifade (2001): Management Office, Business, Education, Oke-Lantoro, Abeokuta.

Linus Osuagwu (2005): Marketing Principles and Management

J. A. Kandy (2004): Is marketing evil? King Marketing (2004).

Sam T. Johnson (1998): Sales Compensation and Benefit Review PP. 53-60, November – December 19998. www.amanet.org.

ASSIGNMENT AND ANSWERS

MODULE ONE: OVERVIEW AND FUNDAMENTALS OF SALESMANSHIP

UNIT 1: INTRODUCTION TO SALEMANSHIP

TUTOR-MARKED ASSIGNMENT

- Salespeople should worry about sales and the company should worry about profit. Discuss. Or sales people should be more than just producing sales. Discuss.

ANSWER

Personal selling is the interpersonal arm of the promotion mix. Advertising consists of one way, non-personal communication with target, consumer groups. In contrast, personal selling involves two way, personal communication between salespeople and individual customers, whether face-to-face, by telephone, through video or web conferences, or by other means.

Personal selling can be more effective than advertising in more complex selling situations. Sales people can probe customers to learn more about their problems, then adjust the marketing offer and presentation to fit the special needs of each customer.

The role of personal selling or salesforce varies from company to company. Some firms have no sales-people at all for example, companies that sell only online or through catalogs, or companies that sell through manufacturer's representatives, sales agents, or brokers. In most firms, however the salesforce plays a major role. In companies that sell business products and services, such as IBM (International Business Machine), Samsung etc, the Company's sales people work directly with customers. In consumer product companies such as textiles, Procter and Gamble and Nike, the sales force plays an important behind-the-scenes role.

The salesforce or salesman or salesperson performs the following roles:

i. He serves as a critical link between a company and its customers. In most cases, sales people serve both masters-the seller and the buyer.
j. The sales person establishes communication with the customer and all relevant publics.
k. He or she is to create goodwill in order to secure current and future businesses.
l. An important job is to identify the needs of the consumer.
m. He should be able to negotiate profitable order for his organization.
n. He should be able to organize credit and apply the necessary subtle pressure to close the deal.

o. Salespersons ensures customer satisfaction by making sure that the right product is delivered on time, installed and performs to the expectation of the customer.

p. He must create the necessary contacts needed to sell the product e.g contact with decision-making units in the case of industrial selling and the selling household durables.

UNIT TWO: FUNDAMENTALS OF SALESMANSHIP

Tutor-marked assignment

Discuss extensively the following steps involve in the selling process:

g. Prospecting and qualifying
h. Preapproach
i. Presentation and demonstration
j. Handling objections
k. Closing
l. Follow-up.

ANSWERS:

PROSPECTING AND QUALIFYING

The first step in the selling process is prospecting identifying qualified potential customers. Approaching the right potential customers is crucial to selling success. As one expert puts it: “if the sales force starts chasing anyone who is breathing and seems to have a budget, you risk accumulating a roster of expensive-to-serve, hard –to-satisfy customers who never respond to whatever value proposition you have”. He continues. “ the solution to this isn’t rocked science. (You must) train salespeople to actively scout the right prospects. If necessary, great an incentive program to reward proper scouting”. Another expert concludes: “increasing your prospecting effectiveness is the fastest single way to boost your sales”.

The sales person must often approach many prospects to get just a few sales. Although the company supplies some leads, salespeople need skill in finding their own. They can ask current customers for referrals. They can cultivate referral sources, such as suppliers, dealers, non-competing sales people, and bankers. They can search for prospects in directories or on the web and track sown leads using the telephone and direct mail. Or they can drop in unannounced on various offices (a practice known as “cold calling”).

Sales people also need to know how to quality leads- that is, how to identify the good ones and screen out the poor ones. Respects can be qualified by looking at their financial ability, volume of business, special needs, location, and possibilities for growth.

Pre-approach

Before calling on a prospect, the sales force should learn as much as possible about the organization (what it needs, who is involved in the buying) and its buyers (their characteristics and buying styles). This step is known as the pre-approach. The sales person can consult. Standard industry and incline sources, acquaintances, and others to learn about the company. The salesperson should set call objectives which may be to qualify the prospect, to gather information, or to make an immediate sale. Another task is to decide on the best approach, which might be a personal visit, a phone call or a letter. The best timing should be considered carefully because many prospects are busiest at certain times. Finally, the salesperson should give thought to an overall sales strategy for the account.

APPROACH

During the approach step, the salesperson should know how to meet and greet the buyer and get the relationship off to a good start. This step involves the salesperson's appearance, opening lines, and the follow-up remarks. The opening lines should be positive to build goodwill from the beginning of the relationship. This opening might be followed by some key questions to learn more about the customers need or by showing a display or sample to attract the buyer's attention and curiosity. As in all stages of the selling process, listening to the customers is crucial.

Presentation and Demonstration

During the presentation step of the selling process the salesperson tells the product "story" to the buyer, presenting customer benefits and showing how the product solves customer's problems. The problem solver sales force fits better with today's marketing concept than does a hard-sell salesperson or the glad-handing extroverts. Buyers today want solutions, not smiles, results, not razzle-dazzle. They want salesperson who listen to their concerns, understand their needs and respond with the right products and services.

The qualities that buyers dislike most in salespeople include being pushy, late, deceitful and unprepared or disorganized. The qualities they value most include empathy, good listening, honesty, dependability, thoroughness, and follow-through. Great salespeople know how to listen and build strong customer relationships.

Today, advanced presentation technologies allow for full multimedia presentations to only one or a few people. CDs and DVDs, HDs, online presentation technologies, and handheld and laptop computers with presentation software have replaced the flip chart.

Handling Objections

This step in the selling process implies the salesperson seeking out, clarifies, and overcomes customer objections to buying.

Customers always have objections during the presentation or when asked to place an order. The problem can be either logical or psychological, and objections are often unspoken.

In handling objections, the salesperson should use a positive approach, seek out hidden objections ask the buyer to clarify any objections, take objections as opportunities to provide more information and turn the objections 0into reasons for buying. Every salesperson needs training in the skills of handling objections.

Closing

After the prospects objections, the salesperson now tries to close the sale. Some salespeople do not get around to closing or do not handle it well. They may lack confidence, feel guilty about asking for the order, or fail to recognize the right moment to close the sale.

Salespeople should know how to recognize closing signals from the buyer, including physical actions, comments, and questions. For example the customer might sit forward and nod approvingly or ask about prices and credit terms. Salespeople can use one of several closing techniques: They can ask for the order, review points of agreement, offer to help write up the order, ask whether the buyer wants this model or that one, or note that the buyer lose out if the order is not placed now. The salesperson may offer the buyer special reasons to close such as a lower price or an extra quantity at no charge.

Follow-Up

This is the last step in the selling process follow-up is necessary if the salesperson wants to ensure customer satisfaction and repeat business. Right after closing, the salesperson should complete any details on delivery time, purchase terms and other matters.

The sales person then schedules a follow-up call when the initial order is received to make sure there is proper installation, instruction, and servicing. This visit would reveal many problems, assures the buyer of the salesperson's interest and reduce any buyer concerns that might have arisen since the sale.

UNIT THREE: SALES FORECE MANAGEMENT

TUTOR-MARKED ASSIGNMENT QUESTIONS

Write short notes on the following

- Sales-force management
- Team selling
- Sales force size

ANSWERS:

We define salesforce management as the analysis, planning, implementation, and control of salesforce activities. It includes designing salesforce strategy an structure and recruiting, selecting, training compensation, supervising and evaluating the form's sales people. These major sales force decide management decisions are shown in the content 3.3 of this unit and shall be treated extensively in the subsequent units of this course.

THE CONCEPT OF TEAM SELLING

This is a concept that implies using teams of people from sales, marketing, engineering, finance, technical support, and even upper management to service large, complex accounts.

As products become more complex, and as customers grow larger and more demanding, a single salesperson simply can't handle all of a larger customer's needs. Instead most companies now are using team selling to service large, complex accounts. Companies are finding that sales teams can unearth problems, solutions and sales opportunities that no individual salesperson could. Such teams might include experts from any area or level of the selling firm-sales, marketing, technical and support services, research and development engineering operations, finance and others. In team selling situations, the salesperson moves or shifts from "soloist" to "orchestrator".

Sales Force Size

Once the company has set its structure, it is ready to consider sales force size. Sales force may range in size from only a few sales people to many tens of thousands. Some sales forces are huge. For example, Microsoft employs 23,000 sales people, Pepsi company 36,000, etc. Salespeople constitute one of the company's most productive and most expensive assets. Therefore, increasing their number will increase both sales and costs.

Many companies use some form of workload approach to set sales force size. Sales management must also decide who will be involved in the selling effort and how various sales and sales support people will work together.

UNIT FOUR: SALESFORCE MANAGEMENT SYSTEM

TUTOR-MARKED ASSIGNMENT

- Highlight the identifiable sales force management process.

ANSWERS:

IDENTIFIABLE SALES FORCE MANAGEMENT PROCESS

In order to perform the objectives charged by SFA correctively specific procedures must be implemented. They are:

e) Setting targets and objectives based on inputes (usually via a command center).

f) Assigning actors responsible for achieving objectives.

g) Control process for ensuring objectives are being achieved within; a given time frame, and a given constrained context (customers and or markets).

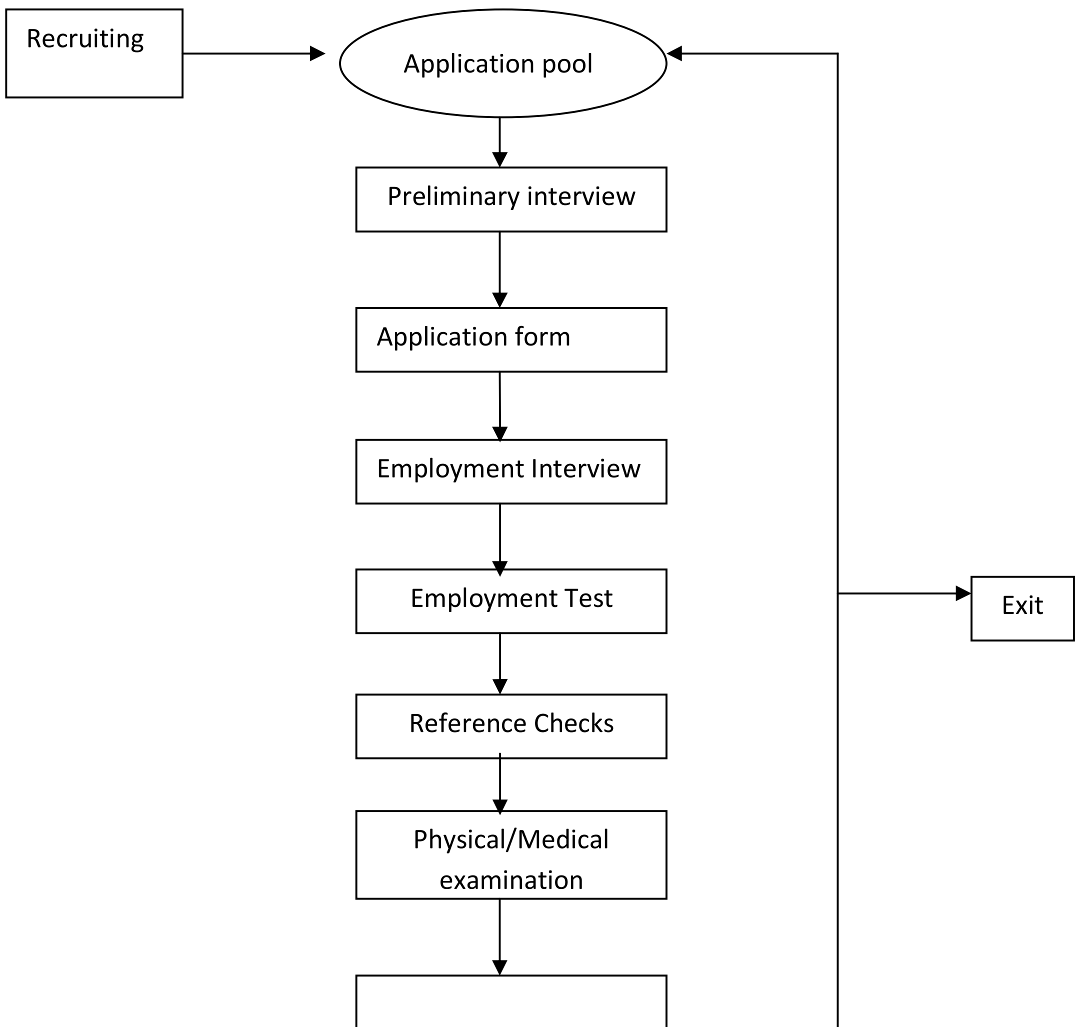
h) System management to handle uncertain environments.

UNIT FIVE: Recruitment and selection of salesmen

TUTOR-MARKED ASSIGNMENT QUESTIONS

- Draw a chart to show a comprehensive procedure/process for selecting salespeople.

ANSWERS



UNIT SIX: SALESMAN TRAINING AND MOTIVATION

TUTOR-MARKED ASSIGNMENT QUESTION

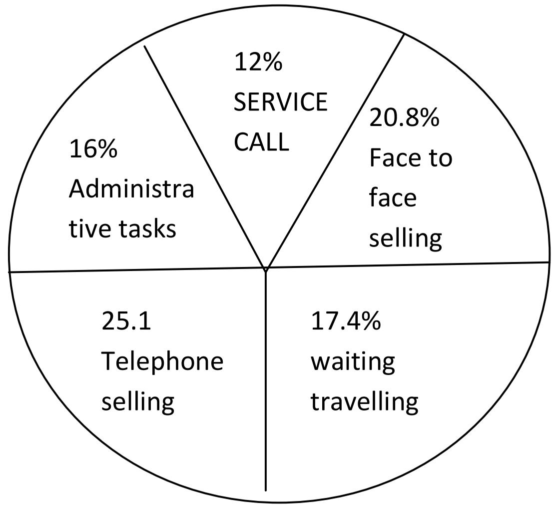
- Examine critically the relationship between the overall marketing strategy and salesforce compensation.

ANSWERS:

The Relationship between Overall Market Strategy and Salesforce Compensation

The figure below shows how salespeople spend their time on average actual face to face selling time accounts for less than 30 percent of total working time. If selling time could be raised from 30 percent to 40 percent, this would be a 33 percent increase in the time spent

HOW SALES PEOPLE SPEND THEIR TIME



- The relationship between overall marketing strategy and salesforce compensation.

MODULE TWO CONCEPTS AND PRINCIPLES OF SALESMANSHIP

UNIT ONE: PERFORMANCE APPRAISAL

TUTOR-MARKED ASSIGNMENT QUESTION

- Discuss those strategic questions to be asked when evaluating the salesforce performance in terms of motivation and opportunity.

ANSWERS:

Evaluate Motivation and Opportunity

Motivation is the desire to succeed. It can come from within or from incentives. Assessing your salespeople motivation is much more subjective than assessing their competencies. Observe the in the field and around the office, and note the following:

f. Are they giving 100% efforts?
g. Do they have a positive attitude
h. Do they enjoy seeing their customers?

i. Do they celebrate their sales success?

j. Do they closely track their sales results and commissions earned?

Look at past performance. A decline in performance might indicate a motivation issue rather than a competency issue.

B. Evaluate Opportunity

Opportunity is the availability of goals, territory, tools, products and support,

Performance evaluation starts with you. To evaluate the opportunity component of performance, ask your self the following questions:

- Have you set the right sales strategy and goals?
- Does your team understand and accept the goals?
- Are territories clearly defined?
- Do you have the right sales people in the right territory?
- Does your team understand and accept the territory assignments?
- Does your sales team have sales collateral product samples, portable computers and electronic communication devices?
- Does your sales team have marketable products?
- Is adequate product training available?
- Do you support your representatives in the field.
- Do you coach your representatives, team up with them on joint calls, empower them, and provide a winning sales culture for them?

- Do you create effective sales incentive program partner with marketing to generate, leads and partner with production to coordinate delivery?

A negative response to any one of these questions might affect the performance of your sales team.

UNIT TWO: PRINCIPLE OF SALES MANSHIPS

TUTOR-MARKED ASSIGNMENT QUESTION

Explain in detail the art nature of salesmanship.

ANSWERS:

THE ART OF SALESMANSHIP

Art is a science applied. It involves actual doing. It is the practical application of knowledge or natural ability. One might have a broad knowledge of the science of medicine and possess, or develop, but in different ability in applying it.

It may be said, speaking generally, that knowledge of a science is gained by study; proficiency in an art by practice.

Here is the real truth behind the often made statement: "Experience is the best teacher". To a large extent, that is so, But to the thinking man the advantage of knowledge gleaned from the experience of others, in making his personal experiences mean more to him than they other wise could, will be apparent.

The recently graduated medical student definitely needs his hospital experience to make him a real physician. Without his particular knowledge as a background, however, his hospital training could mean little or nothing to him. The trained engineer fresh from his technical school is probably not so good a builder of bridges as is the foreman who has worked at bridge building since boyhood. Give the engineer trained in engineering principles a few years of practical experience. However, he will be by far the better bridge builder because he has at his disposal not only his own experience but that of the entire engineering profession reduced to definite laws in like manner, a knowledge of selling principles along is not sufficient. Actual practice in their application is necessary. but a knowledge of principles will enable one to get his selling ability into action more quickly and make of him a better salesman than he otherwise could hope to be the art of salesmanship may be defined as the ability to apply fundamental selling principles to the circumstances of the individual selling situation.

The term salesmanship as used in this text includes both knowledge of fundamental selling principles and the ability to apply them in the actual making of sales. It comprehends both the science and the art.

UNIT THREE: PRODUCT DECISION AND DESIGN

TUTOR-MARKED ASSIGNMENT

- Why do organisations embark on new products innovations despite the slump in the economy?

ANSWERS:

THE IMPORTANCE OF NEW PRODUCT DEVELOPMENT

Te essence of organizations or companies developing new products are as a result of

- Providing for survival edge and overall competitive position for the product and the organisation as well as to replace obsolete products through technological advances.
- Diversifying their product offerings and to service a wider range of markets.
- Increasing sales and stabilize future sales and profits.

UNIT FOUR: PRODUCT BRANDING

TUTOR-MARKED ASSIGNMENT QUESTION

(c) What is product differentiation?

(d) How can a marketing manager of fast consumer moving goods (FMCG) company differentiates its products?

ANSWERS:

PRODUCT DIFFERENTIATION

A. Product differentiation is a product strategy by which one company attempts to distinguishing its product is creates the impression that its product is better than competitor's brand. It is a non-price competitive strategy.

B. Product differentiation can be effected by bringing differences in certain product features as in the following:

- Design
- Brand, brand-name, brand-mark, trademark
- Packaging
- Style
- Quality
- Colour
- Image
- Flavour and
- Other essential features

Product differentiation may also result from products of various sizes, options and models. It enables customer to prefer one variety of products instead of another.

UNIT FIVE: PRODUCT PACKAGING

TUTOR-MARKED ASSIGNMENT QUESTION

With good examples each, write short notes on the following:

b. Product mix (b) product item (c) product line (d) product width (e) product department (f) product group (g) piecemeal approach for product line modernization.

ANSWERS:

- Product mix or product assortment: the set of all product lines and items that a particular seller offers for sale to buyers.
- Product items: these are particular version or brand of products that have separate designation in the sellers list and it usually meant for specific use. Example omo, elephant, Klin, Peugeot, Bora etc.
- Product line: a group of product that are closely related, either that they satisfy a class need, used together, sold to the same group of customers

or marketed through the same marketing outlet e.g Bournvita and Millo, brush and toothpaste, lux and omo.

- Product width:- The number of different product lines found within a firm, e.g sharp TV, sharp CD player, sharp video etc.
- Product Department:- an arranged number of items offered by a firm or seller within each product line e.g. close up toothpaste in large, medium and small size offered by a seller.
- Product Group: an entire products offered for sale by a seller e.g. sweet varieties, bournvita, pronto, poundo yam, tomapep tec are products of Cadbury Nig plc.
- Product line modernization piecemeal approach. This is an approach which allows the company to see how customers and dealers like the new product styles before changing the whole line.

UNIT SIX: PRICING DECISION

TUTOR-MARKED ASSIGNMENT QUESTION

B. Discuss the pricing objectives you know.

ANSWERS:

Pricing objectives can be to:

- Survive competition: A firm can have problems of over-capacity, intense competitor and chancing consumer tastes and wants. Such a firm must set low prices to attract price sensitive customers and take less profit to survive in the industry.
- Achieve target return on net sales or investment. A desired level of profit can be set as a percentage of sales or of capital investment.
- Stabilize Prices: A demand fluctuates in industries, the industry leader can set for satisfactory returns and to have some form of relationship with followers. This helps to stabilize prices and avoid price wars.

- Maintain or increase market share; to keep customers satisfied as well as to maintain current market share for product, producer must set prices competitively.
- Prevent competition: The company engages in research and development exercises maintains quality of products and prices products according to competitive price ranges.
- Maximize profits: Organisations want to make as much profit as possible with adequate capital and efficient production process, earn a rapid return on investment or charge what the traffic can bear or charging high prices. This happens when demand can warrant high price or in inelastic demand conditions.

MODULE THREE: SALES FORCE RECORDS, APPRAISAL AND ANALYSIS

UNIT ONE: PRODUCT PRICING STRATEGIES

TUTOR-MARKED ASSIGNMENT QUESTION

Critically examine the nine laws of price sensitive and the consumer psychology.

ANSWERS:

NINE LAWS OF PRICE SENSITIVITY AND CONSUMER PSYCHOLOGY

In their book, the strategy and tactics of pricing, Thomas Nagle and Reed Holden outline Nine (9) laws or factors that influence how a consumer perceives a given price and how price-sensitive he is likely to be with respect to different purchase decisions.

Reference Price Effect

Buyer's price sensitive for a given product increases the higher the product's price relative to perceived alternatives. Perceived alternatives vary by buyer segment, by occasion, and other factors.

Difficult Comparison Effect

Buyers are less sensitive to the price of a known/more reputable product when the have difficulty comparing it to potential alternatives.

Switching Costs Effect

The higher the product-specific investment a buyer must make to switch suppliers, the less price sensitive that buyer is when choosing between alternative.

Price-Quality Effect

Buyers are less sensitive to price, the more that higher prices signal higher quality. Products for which this effect is particularly relevant include: image products, exclusive products, and products with minimal cues for quality.

Expenditure Effect

Here, buyers are more price sensitive when the expense accounts for a large percentage of buyers available income or budget.

End Benefit Effect

The effect refers to the relationship a given purchase has to a larger overall benefit, and is divided into two parts: derived demand – the more sensitive buyers are to the price of the end the end benefit, the more sensitive will be to the prices of those products that contribute to that benefit.

Price proportion cost – the price proportion cost refers to the percentage of the total cost of the end benefit accounted for by a given component that helps to produce the end benefit (e.g. think CPU and PCS). The smaller the given components share of the total cost of the end benefit, the less sensitive buyers will be to the component's price.

Shared-Cost Effect

The smaller the portion of the purchase price, buyers must pay for themselves, the less price sensitive they will be.

Fairness Effect

Here, buyers are more sensitive to the price of a product when the price is outside the range they perceived as "fair" or "reasonable" given the next purchase context.

The Framing Effect

Buyers are more prices sensitive when they perceived the price as a loss rather than a forgone gain, and they have greater price sensitivity when the price is paid separately rather than as part of a bundle.

UNIT TWO: SALES BUDGETING

TUTOR-MARKED ASSIGNMENT QUESTION

- Examine the role of the manager in the preparation of a sales budget.

ANSWERS:

MANAGER'S ROLE IN SALES BUDGET PREPARATION

Managers must take forecasting and make decisions about the critical factors under their control, such as prices, sales force, advertising, and territorial or geographical coverage

Upper-level managers may decide that one product or product line should be de-emphasized because of poor long-ranged potential. They may decide that serving a particular geographical market is unwise because of heavy transportation costs. A whole host of decisions must be made before sales forecasts become sales budgets. Managers who accept particular forecasts are acting passively. Those who attempt to influence the environment by altering policies and strategies are being active, in decision making and actions that they expect will improve the firm's sales position.

UNIT THREE: SALES FORECASTING AND PLANNING

TUTOR-MARKED ASSIGNMENT QUESTION

- Examine critically the qualitative sales forecasting methods you know.

ANSWERS:

QUALITATIVE SALES FORECASTING METHODS

These methods do not rely on hard, statistical data, but centre on "soft" data based on expertise, knowledge and judgment. There are several methods of qualitative sales forecasting.

Management Judgment: This is the riskiest source of sales information, as it relies on the people at the top or on experts within the organisation to predict what will happen. While the people involved may have weath of experience, expertise and knowledge between them, there is a risk that they are too close to the organisation, its way of doing things and its markets and sales to be truly objective. Their sales assumptions and judgment and prejudices may lead to an incomplete or inaccurate picture (Bunn, and Taylor 2005). Despite the fact the management judgment does not lead to rigorous sales forecasts, it does at least encourage the systematic analysis and justification fo available data and top sales executives attitudes.

Sales force survey: Through this method each sales manager may be asked to provide estimate or sales for each products for target groups. This may help in providing for trend, strengths and weakness of the product offerings. When each sales manager provided forecast of his or her territory, the total of the figures become the basis for the firm's sales fore cast.

Advantages

- It is based on experience of sales managers on the field.
- It motivates sales managers to increase sales because they are involved in the forecast.

Disadvantages

- It is not scientific

- It can be influenced by recent or past performance.
- It can be distorted deliberately for personal interest.

Panels of Experts: This involved using the interpretation of outside well-informed people like sales consultants on economic and industry forecast. **This expert's opinion can be achieved through:**

- Group Discussions – Here expert meets at a committee level and issue one group estimate.
- Pooled Individual- Individuals are requested to submit estimates to a project leader who would merge them into a single estimate.
- Delphi Method:- Individual estimates are reviewed by a project leader, revised for second and third rounds until their estimate converged.

Advantages

- It is not influenced by dominant person in the group.
- The discussion concentrated on the problem no on any individual or group interest.
- There is no group pressure to conform.
- It achieved consensus without the distortion caused by face-to-face communication.

Scenario Techniques

This techniques aim to provide a complete picture or trends and events of sales to create a more integrated and complete view of alternative situations.

Although a panel of experts can be used for such a purpose, the main method used tends to be the Delphi technique which pools expert opinion on the assumption that group opinion is better than that of an individual. This method is especially useful for very long-ranged forecasting and technological forecasting. The experts used are not brought together and they do not know who else is involved. Each one is questioned on issues and trends of sales, then the collective responses are distributed to all members of the team with a further, more detailed questionnaire. This process is repeated until a rounded profile is obtained, the median of the group response. The main problem is potential bias, as members are influenced by feedback from the collective responses. For short-term, organisation sales forecasts, the same approach can be used involving the sales team and managers.

UNIT FOUR: SALES QUOTA AND ANALYSIS

TUTOR-MARKED ASSIGNMENT QUESTION

- Discuss extensively the common methods that are used for sales control.

ANSWER

COMMONLY USED METHODS OF SALES CONTROL

The questions as to how sales analysis be done for multi product company selling consumer durables through nationwide retail network has created a lot of concern to the sales management.

Sales performance review means previewing the performance of sales with respect to all factors associated with the sales.

2. Total Actual Vs Budget (target) i.e. what is your sales performance by month?

Months	Actual sales	Budgeted sales	Variances

2. Sales by product i.e. what is your sales performance by product group?

Product	Actual sales	Budgeted sales	Variances

3. Sales by Territory i.e. what is your sales performance by individual territory

Territory	Actual sales	Budgeted sales	Variances

4. Sales by customers i.e. what is your sales performance by individual customers?

Customers	Actual sales	Budgeted sales	Variances

5. Sales by Region.

What is your sales performance by region?

Region	Actual sales	Budgeted sales	Variances

6. Market size by months

What is the market size by month?

Months	Estimate	Market size

7. Market share by months

What is the market share by month?

Month	Estimate Market size	Actual sales	Variances

Based on the outcome of the above analysis set performance standards, and review the monthly performance.

The performance standard could consist of both quantitative as well as qualitative

UNIT FIVE: SALES RECORD

TUTOR-MARKED ASSIGNMENT QUESTION

Examine the importance of sales record, the information obtained on customers, including but not limited to their contact information, how often they purchase from you, what they purchase and how they pay heir bills are referred to in sales record.

ANSWERS:

THE IMPORTANCE OF SALES RECORD

Good sales records are a fundamental task for the effective organisation of any business enterprise for intelligent business and sales decision making. However most business owners do not see the need for updated record keeping in their business. They argue that they do not see the need for record keeping since it does not directly contribute to the success of their business. What an error. Those who have such argument always make reference to some successful business they know that does not keep up to date sales record but yet they are successful because they have a good product and an aggressive marketing team to convert every prospective customer into a buying and paying loyal customer.

If you are there is one thing I want you to know. The fact that those businesses are making good sales does not mean they are doing everything right. It does not also mean that their lack of sales records will not plaque in the future. A time will come when they will need information to evaluate their business and make intelligent management decision.

Good sales record keeping enable you to:

- Able to know if you are making or losing money in general and on specific jobs or product sales.
- Able to price your product accurately. It will prevent you from selling your product cheap.
- Supply information for preparing sales budget

- Know your cash flow both short term and long term
- Evaluate sales people base on their sales ability and reward those that deserve it.
- Be able to work effectively and efficiently with bankers.
- Make the tax agencies know how you are doing in business.

MODULE FOUR: MARKETING COMMUNICATION AND STRATEGY

UNIT ONE: MARKETING STRATEGY

TUTOR-MARKED ASSIGNMENT QUESTION

Write shot note on the following boston consulting group, product growth strategy:

- Cash cows
- Star product
- Question mark product

ANSWERS

The cash cow is a dominant business in the industry, but exists in a mature, slow growth industry with a high rate market share. Economics of scales are achieved with this product and a lots of money generated. It provides money to fund other products. For example, a firm like Nigerian Breqeries plc, its cash cow is a STAR larger Beer.

A star is a business product that has a high market share in a rapidly growing or expanding market. The star is important because it has additional growth potential, and profits should be ploughed into the business as investments for future growth and profits. The star is feasible and attractive and will generate a lot of money, just for its promotion but sometimes need resources from the cash cows, for example, a company like Nigerian Breweries, its star product is harp.

Question mark are firm's products that exist in a new, rapidly growing industry but has only a low market value. The question-mark business is risky. It could become a star or could fail. The business can invest the cash earned from cash cows into question mark for sustainability. For example a firm like Nigeria Breweries plc, its problem child or question mark product is Farouz and Guiders.

UNIT TWO: INTERNATIONAL MARKETING

TUTOR-MARKED ASSIGNMENT QUESTION

- Discuss international product strategy as a major type of international marketing mix:

ANSWER

International product strategy/policy

Basic marketing concept tells us that we will see more of a product if we aim to meet the needs of our target market. In international market, we have to take into consideration consumers cultural background, buying habits, level personal disposable income etc in order to deliver a tailored marketing mix programmes to suit their needs.

The arguments however for standardization suggests that if you go through the process of adapting the product to local markets it does little but add to the overall cost of producing the product and weakens the brand on the global scale. In today's global world, where consumers travel more, watch satellite television, communication and shop internationally over the internet, the world now is becoming a lot smaller. Because of this there is no need to adapt products to local markets. Brand such as coca-cola, MTV, NIKE, Levis are all successful global brands where they have a standardized approach to their marketing mix, all these products are targeted at similar groups globally.

UNIT THREE: COMMUNICATION IN MARKETING

TUTOR-MARKED ASSIGNMENT QUESTION

- Discuss the various promotion mix strategies you know.

ANSWERS:

Marketers can choose from two basic promotion mix strategies – Push promotion or pull promotion. The relative emphases on the specific promotion tools differs for push and pull strategies. A push strategy involves "pushing" the product through marketing channels to final consumers. The producer directs its marketing activities (primary personal selling and trade promotion) toward channel members to include them to carry the product and the promote it to final consumers. A pull strategy is a promotion strategy that calls for spending a lit on advertising and consumer promotion to induce final consumers to buy the product. If the pull strategy is effective, consumers will them demand the product from channel members, who will in turn demand it from producers.

UNIT FOUR: RELATIONSHIP MANANGEMENT (MARKETING) AND MARKETING ETHICS

TUTOR-MARKED ASSIGNMENT QUESTION

- Examine critically the market models in relationship marketing you know.

ANSWERS:

Christopher Payne and Ballantyne Market Models

Christopher Payne and Ballantyne (1991) from Grandfield University identify six markets which are related and central to relationship marketing. They are:

- Internal Markets: supplier markets, recruitment markets, referral markets, influence markets and customer markets.
- Referral markets: Developing and implementing a marketing plan to stimulate referrals. Marketing to suppliers is aimed at enduring a long-term conflict-free relationship in which all parties understand each others needs and exceed each others' expectations. Such strategy can reduce costs and improve quality.
- Influence markets: Involve a wide range of sub-markets including government regulators, standard bodies, lobbyists, stockholders, bankers, venture capitalists, financial analysts, stockbrokers etc.
- Public relations: Department, but relationship marketers feel that marketing to all six is the responsibility of everyone in the organisation. Each market may require its own explicit strategies and a separate marketing mix for each.