CHAPTER 18: MANAGING PERSONAL COMMUNICATIONS

Direct marketing

Direct marketing is the use of consumer-direct channels to reach and deliver goods and services to customers without using marketing middlemen.

Direct marketing channels- direct mail, catalogue marketing, telemarketing, etc.

The benefits of direct marketing

For customers: home shopping can be fun, convenient, and hassle-free. It saves time and customers can do comparative shopping

For sellers: direct marketers can have the profiles of customers so that they can customize and personalized messages. In the long run, direct marketers can build a continuous relationship with each customer.

The public and ethical issues in direct marketing

Irritation, unfairness, deception and fraud, invasion of privacy

Direct-mail marketing:

- Involves sending an offer, announcement, reminder, or other item to a person at a particular physical or virtual address.
- Largest direct marketing medium.
- Well-suited to one-to-one communication.
- Target markets and prospects – Recency, Frequency, Monetary amount

Catalog marketing

Companies can send,

- Full-line merchandise catalogs
- Specialty consumer catalogs
- Business catalogs
- List of available services

Combining websites and catalogs are an effective way to sell

Telemarketing

Involves the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions.

It helps the companies to increase revenue , reduce selling costs and improve customer satisfaction.

Companies can use call centers for

Inbound telemarketing – Receiving calls from customers

Outbound telemarketing – Initiating calls to prospects and customers

Interactive marketing

The internet provides marketers and consumers with opportunity for much greater interaction and individualization through well-designed web sites as well as online ads and promotions.

Advantages

Tailored messages possible

Easy to track responsiveness

Contextual ad placement possible

Search engine advertising possible

Disadvantages

Subject to click fraud

Consumers develop selective attention

Pishing

Interactive Marketing Communication Options

1) Websites

Companies must design websites that expresses their history, vision, products, etc

Seven key design elements of an effective website 7Cs

- *Context* - Layout and design
- *Content* - Text, pictures, sound, and video the site contains
- *Community* - How the site enables user-to-user communication
- *Customization* - Site’s ability to tailor itself to different users or to allow users to personalize the site
- *Communication* - How the site enables site-to-user, user-to-site, or two-way communication
- *Connection* - Degree that the site is linked to other sites
- *Commerce* - Site’s capabilities to enable commercial transaction

To encourage repeat visits, companies must pay special attention to context and content factors and embrace another ‘C’ – Constant change.

2) Search ADs

search advertising is a method of placing online advertisements on web pages that show results from search engine queries.

3) Display ADs

Display advertising is a method of attracting the audience of a website, social media platform or other digital mediums to take a specific action.

4) E-Mail

5) Mobile marketing

6) Social media marketing

Word of Mouth

Transfer of message from one person to another in oral or written mode. Can happen through electronic mode as well.

- Through social media: Three main platforms. Online communities and forums, blogs and social networks (Like Facebook, Twitter, etc).
- Buzz and Viral marketing
- Opinion leaders

Personal Selling

Face to face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions and procuring orders.

Types of salespersons

Deliverer – A salesperson whose major task is the delivery of a product. There is little attempt to persuade customers to increase the order.

Order taker – An inside order taker (standing behind the counter) or outside order taker

Missionary—A salesperson not permitted to take an order but expected rather to build goodwill or educate the actual or potential user

Technician—A salesperson with a high level of technical knowledge

Demand creator—A salesperson who relies on creative methods for selling tangible products (vacuum cleaners, household products, etc) or intangibles (insurance, advertising services, etc).

Solution vendor—A salesperson whose expertise is solving a customer’s problem, often with a system of the company’s products and services

Designing the sales force

Sales force objectives

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Sales force strategy

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Sales force structure

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Sales force size

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Sales force compensation

Sales force objectives and strategies

Common sales force objectives:

1. To improve the revenue generation capabilities
2. To increase the sales volume
3. Inorder to attain and increase sustained profits
4. To contribute towards the growth of the organization
5. To increase the market share
6. To increase the efforts to convert prospects into customers
7. Inorder to motivate the Sales Force
8. To reduce the churn rate
9. To increase the functional coordination and co-operativeness

In performing their jobs, salespeople complete one or more specific tasks:

- Prospecting: Searching for prospects or leads
- Targeting: Deciding how to allocate their time among prospects and customers
- Communicating: Communicating information about the company’s products and services
- Selling: Approaching, presenting, answering questions, overcoming objections, and closing sales
- Servicing: Providing various services to the customers—consulting on problems, rendering technical assistance, arranging financing, expediting delivery
- Information gathering: Conducting market research and doing intelligence work
- Allocating: Deciding which customers will get scarce products during product shortages

A **direct (company) sales force** consists of full- or part-time paid employees who work exclusively for the company. Inside sales people conduct business from the office and receive visits from prospective buyers, and field sales people travel and visit customers.

A **contractual sales force** consists of manufacturers’ reps, sales agents, and brokers who earn a commission based on sales.

Sales force structure

The sales force strategy also has implications for its structure. A company that sells one product line to one end-using industry with customers in many locations would use a territorial structure. A company that sells many products to many types of customers might need a product or market structure.

Companies can adopt some combination of four types of sales force:

(1) A strategic market sales force assigned to major accounts

(2) a geographic sales force calling on customers in different territories

(3) a distributor sales force calling on and coaching distributors

(4) an inside sales force marketing and taking orders online and via phone.

Sales Force Size

Sales representatives are one of the company's most productive and expensive assets.

Methods to decide optimum sales force size.

1) Workload approach

Five steps

Step 1: Group customers into size classes according to annual sales volume.

Number of class A customers: 1000, class B customers: 2000

Step 2: Establish desirable call frequencies (number of calls on an account per year) for each customer class.

Call frequency for class A customers: 18, for class B customers: 6

Step 3: Multiply the number of accounts in each size class by the corresponding call frequency to arrive at the total workload for the country, in sales calls per year.

Sales call per year = (1000*18)+(2000*6) = 30000 sales call per year

Step 4: Determine the average number of calls a salesperson can make per year.

Average number of calls a sales person can make per year = 1000 calls

Step 5: Divide the total annual calls required by the average annual calls made by a sales representative to arrive at the number of sales representatives needed.

Number of sales persons required = 30 salespersons

2) Incremental method

A company can appoint any number of salesmen (normally minimum number). Then, it will continue adding more salespersons as long as the additional sales revenues are greater than additional selling costs. According to this method, profit will increase when additional salespeople are added, if the incremental sales revenues exceed the incremental costs.

3) Breakdown method

In this method, it is assumed that each member of the corporate sales team possess the same level of productivity. Hence to determine the size of the sales force needed, the total sales figure forecasted for a period is divided by the sales likely to be generated by each individual in that period.

4) Experts' opinion method

Experts can be internal experts such as Chief Marketing Officer, general managers, National level chief, state level chief, marketing research head, etc., or external experts like marketing consultants, advertising agencies, and marketing research firms.

5) Affordable method

In this method the number of salespersons is determined on the basis of a company's financial capacity to spend on salesforce.

Sales Force Compensation

The company must quantify four components of sales force compensation.

Fixed amount - a salary, satisfies the need for income stability.

Variable amount - commissions, bonus, etc

Expense allowances – travel expenses, food expenses, etc

Other benefits - paid vacations, sickness or accident benefits, pensions, etc

Fixed and variable compensation give rise to three basic types of compensation plans:

1) Straight salary - salespersons receive fixed salary at regular interval of time
2) Straight commission - Commission can be paid on the basis of sales volume, sales value, profits, collections , order size etc
3) Combination of salary and commission

Managing the sales force

Recruiting and selecting sales representatives

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Training sales representatives

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Supervising sales representatives

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Motivating sales representatives

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Evaluating sales representatives

1) Recruiting and selecting sales representatives

2) Training sales representatives

3) Supervising sales representatives

- Norms for prospect calls
- Using sales time efficiently
- Sales technology

4) Motivating sales representatives

- Intrinsic rewards and extrinsic rewards
- Sales quotas

5) Evaluating Sales Representatives

Sources of information

Most important source: Sales report. Sales reports are divided between activity plans and write-up of activity results.

Additional sources: Personal observation, salesperson self-reports, customer surveys, customer feedbacks, etc.

Sales persons also submit expense reports, new-business reports, lost-business reports and reports on local business and economic conditions.

These reports provide raw data from which sales managers can extract key indicators of sales performance:

a) average number of sales calls per salesperson per day

b) average sales call time per contact

c) average revenue per sales call

d) average cost per sales call

e) entertainment cost per sales call

f) percentage of orders per hundred sales calls

g) number of new customers per period

h) number of lost customers per period

i) sales force cost as a percentage of total sales

Major steps in effective selling

Prospecting and qualifying

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Pre-approach

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Presentation and demonstration

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Overcoming objections

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Closing

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Follow-up and maintenance

1) Prospecting and qualifying

a) Identify and define the prospects

b) Search of Sources of potential accounts

Primary sources – family, friends, suppliers, employees, shareholders, etc

Secondary sources – Responses from previous surveys, list of members published by a trade association, Internet sources, etc

c) Qualify the prospects from suspects

BANT method:

Budget - Does the prospect/customer have the necessary budget?

Authority – Sufficient authority to buy?

Need - a compelling need for the product?

Timeline - for delivery that aligns with what is possible?

2) Pre-approach

The salesperson needs to learn as much as possible about the qualified prospect (what it needs, who takes part in the purchase decision) and its buyers (personal characteristics and buying styles). How is the purchasing process conducted?, etc

Involved functions

- Determination of call objectives
- Development of customer profile
- Determination of customer benefits
- Determination of sales presentation
- Decision on best contact approach—a personal visit, phone call, e-mail, or letter?

3) Presentation and demonstration

FABV Approach

Features - describe characteristics of a market offering

Advantages – describe why the features give customer an edge

Benefits - describe the economic, technical, service, and social pluses delivered

Value - describes the offering’s worth (often in monetary terms)

Demonstration – Direct demonstration, through videos, etc

4) Overcoming objections

Price is the most frequently negotiated factor. Others include contract completion time, quality of goods and services offered, purchase volume, product safety, and responsibility for financing, risk taking, promotion, and title.

5) Closing sales

The success in earlier stages will lead to the last stage of closing the sale.

Should persuade the qualified prospect to act right now than postponing or delaying the action.

Finalization of the order takes place at this stage.

6) Follow up and Maintenance

Follow-up and maintenance are necessary to ensure customer satisfaction and to undertake transactions in future.

Thank you