Personal Selling

I. Personal Selling Basics

A. What is Personal Selling?

We all know, or at least have an impression, of what personal selling entails. As a general rule, college students tend to be somewhat negatively predisposed toward personal selling, particularly as a career. As such, in addition to explaining a variety of personal selling concepts and explaining personal selling's role in the promotion mix, a goal for these notes is to dispel some of these negative impressions by emphasizing that reputable employers hire and train reputable salespeople. Much of personal selling's sometimes unsavory reputation originates in the cultures of unsavory businesses rather than in personal selling itself.

I define personal selling as "the face-to-face process of a company representative (or small group of representatives) and a customer identifying customer problems and solving them through the purchase and application of the representative's products."

This definition suggests several comments about personal selling. First, it is dyadic in nature. Dyadic simply means of or relating to two people. Thus, personal selling revolves around a marketing relationship developed between two people. Frequently, personal salespeople enlist the help of others in their organizations to sell to and service customers. And just as frequently, personal salespeople find themselves making presentations to small groups of people or working with multiple individuals within customers' firms. However, ultimately a successful marketing relationship is built by two people – one person selling and person buying. Successful salespeople identify that person early on and work to win their trust and confidence.

Second, personal selling is a process, not a single activity. And done correctly, the process continues indefinitely. Salespeople, sales managers, and others inside the seller's organization frequently see the selling process as culminating or ending with a signed order. However, in these days of so-called "relationship marketing" and "customer relationship management" successful organizations recognize that signed orders simply represent one point of positive feedback in an ongoing and continuous process.

Third, personal selling is highly interactive. In advertising, information flow occurs initially in a one-way direction. What feedback the advertiser receives arrives late – well after an advertisement has aired. Moreover, without costly research, the attitudinal effects of advertising may never be known. In personal selling, feedback is largely instantaneous and continuous. The two-way flow of information that characterizes personal selling creates a communication channel rich with information, much of it nonverbal. Effective personal salespeople become adept at interpreting this information quickly and adapting their responses to it.

Finally, personal selling is about problem solving. As the marketing concept is adopted by more and more firms, the emphasis of personal salespeople will be more on identifying customers with a true need for the firm's products and applying those products to solve customer problems. Less emphasis will be placed on simply making a sale. The focus on problem solving in personal selling reflects a larger trend toward building relationships between customers and clients. Marketers know that to develop these relationships, they must be willing to forego short term gains, particularly when the salesperson realizes that at that moment a purchase might not be in the customer's best interests.

Exhibit 1 below summarizes the shift in emphases taking place in personal selling.

Previous Emphasis	Current Emphasis
• product orientation	• customer orientation
• "create" customer needs	• discover customer needs
• makes sales pitches to manipulate customers	• listen to and communicate with customers to solve customer problems
• make immediate sale	• develop lasting relationship
• selling process ends with completed sale	• selling process ongoing and continuous

Adapted from Anderson (1998)

Exhibit 1. Changing Emphases in Personal Selling

B. Personal Selling in the Promotion Mix

Most marketing texts include personal selling as a tool of promotion, which is in turn part of the overall marketing mix. Many businesses don't share that view – at least if the organizational structure of their marketing function gives any indication. Firms frequently separate their sales departments from other marketing and promotion functions. Many firms place all functions *except sales* into their "marketing department" controlled by a marketing or brand manager while the sales staff operates from a "sales department" under the leadership of a sales manager. Marketing managers and sales managers then may report to a marketing vice president. Some firms establish national sales managers whose organizational rank equals that of a marketing vice president.

Firms that separate sales from the rest of marketing offer two important reasons for doing so. First, the "boundary spanning" role of personal salespeople presents unique challenges that frequently respond best to highly independent and autonomous management. Salespeople frequently operate separately from the rest of the firm and come into contact with customer employees far more frequently than with employees of their own firms. Many salespeople develop intense loyalties to their customers that may equal or exceed the loyalty they feel toward their own firms. And the immediacy of feedback to personal selling efforts makes quantifying salesperson productivity far simpler than that of other employees, which leads to methods of evaluating, motivating, and compensating salespeople that differ from those used for other employees.

Second, for most firms, personal selling is by far the single most important revenue generation activity. Its importance to the continuing operations of these firms cannot be overstated. Consequently, corporate executives may wish for as few layers of management between them and sales management as possible. Moreover, the critical role of personal selling enhances the importance of sales management often elevating their rank and influence in the firm.

Despite this organizational separation from the rest of marketing, I obviously advocate including personal selling as a function of promotion. For one thing, even marketing or brand managers who do not hold authority over a salesforce should appreciate the unusual nature of the sales job. In companies with separately organized salesforces, marketing must still work very closely with sales. Better understanding of the personal selling process produces more effective and satisfactory interaction and cooperation. Additionally, many companies do not employ in-house salesforces but may outsource their selling function to manufacturer's representatives. In such cases, manging the personal selling function does fall to a brand or promotion manager.

C. Types of Jobs and Tasks in Personal Selling

1. Types of tasks in personal selling. By "tasks," I do not refer to the everyday activities associated with the steps in the personal selling process. As used here, the term tasks refer to three broad sets of responsibilities given to salespeople. First is "order getting." Some firms more formally refer to order getting as "new business development" or "account development." Salespeople with order getting responsibilities must seek out new customers for their firm. Many salespeople regard this as the most difficult part of personal selling because it involves not just building customer relationships but creating them. This requires developing and qualifying sales leads, then pursuing them.

Second, salespeople may also be responsible for "order taking." As the name implies, order taking involves dealing with a firm's established customers. The name should not imply that order taking means sitting idly by while the orders come rolling in. Order taking involves meeting with customers, assessing their needs, and proposing solutions just as any salesperson would do. The difference between order getting and order taking is one of emphasis: Order getting emphasizes relationship creation while order taking emphasizes relationship building.

Third, salesforces may employ support personnel whose responsibilities include doing whatever is necessary for personal selling success short of actually getting or taking orders. Sales support personnel work inside the sales office handling detail work for the salesforce, or outside directly assisting the salesforce with presentations or following up with customers on behalf of a salesperson.

2. Types of jobs in personal selling. Around each of the three selling tasks or areas of responsibility, personal selling jobs may be categorized into several types. First, and perhaps most common is "trade selling." Trade selling is probably what comes to mind for most people when they hear the term "personal selling;" it is the closest thing there is to a "typical" business-to-business personal selling job.

a. trade selling. People in trade selling work in an assigned territory, regularly calling on a fixed set of customers. Common duties in trade selling include building sales volume and frequency among current customers and assisting these customers with details associated with purchasing the salesperson's products. For example, depending on what they sell, trade salespeople may help with product installation, setting up product displays, supervising delivery, or training customer employees on product use.

b. missionary selling. Second is missionary selling. Missionary salespeople most commonly work for consumer product manufacturers or for wholesalers, whose main customers are retailers. Missionary salespeople do not actually sell to retailers, but assist retail salesforces in selling product to consumers. An example of a missionary salesperson would be a cosmetic company representative working in a department store providing "free makeovers" to store customers. (Note also the tie-in to sampling in this example.) Missionary salespeople often give product demonstrations in retail stores. For example, representatives of fishing equipment manufacturers often appear at sporting goods stores to demonstrate new products or techniques. So called pharmaceutical detailers qualify as missionary salespeople as well, even though they do not assist retailers. Instead, they call on physicians to provide them with product information in hopes the physicians will prescribe their brand of drugs to patients.

c. technical selling. Third is technical selling. Technical selling resembles trade selling in several respects. Technical salespeople typically call on a set group of customers in a fixed geographic area; they must grow relationships with their existing customers, and cultivate new customer relationships when the opportunity arises. However, the context in which customers are services differs significantly between trade selling and technical selling. As you might have guessed, technical salespeople frequently have highly specialized backgrounds in the sciences or engineering. They often sell equipment or supplies associated with manufacturing, engineering, or research and development.

d. retail selling. The fourth area of personal selling is retail sales. Some writers argue that retail sales should not be included as a personal selling job because many retail sales jobs seem more akin to being a "store clerk." This view, I believe, is shortsighted. Although many retail jobs fall into the category of store or sales clerk, selling at the retail level can be equally challenging as selling in a business-to-business context. Consider automobile sales, for example. Selling cars is a tough and highly competitive business. Selling cars successfully requires skill, resourcefulness, and product knowledge that rivals personal selling in any context or channel level. Selling nonessential "luxury" items also present unique challenges. Product categories such as jewelry, antiques, and art require well-trained and talented retail salespeople. Thus, retail selling (as opposed to simply “clerking”) should not be so casually dismissed as not belonging in the same class as other personal selling jobs.

II. The Personal Selling Process

As noted in the opening section of these notes, personal selling is a process rather than simply an activity. It requires a series of activities, all of which must be performed exceptionally well on order to build lasting and mutually profitable relationships between buyers and sellers. To follow is a relatively brief discussion of the activities in that process. Bear in mind that, although presented as discreet steps in the process, in reality the process rarely stays neat and tidy. Steps and stages overlap or may occur simultaneously. Some stages may occur quickly while others can be very drawn out.

Still, the steps in the process exist as discernible parts that can be discussed and understood. Many writers develop their own set of steps to describe the personal selling process. However, taken as a whole, they include essentially the same activities. For this discussion, I follow Anderson (1995), who breaks the selling process into seven steps.

A. Prospecting and Qualifying.

Prospecting and qualifying are two recurring parts of the same step that help salespeople find new opportunities. Customers start out as “leads,” which is *anything* that identifies a potential buyer. Salespeople acquire leads from many sources including friends and colleagues, customers, newspaper articles, even things they observe while driving down the street. This implies that successful salespeople always look for leads even as they go about taking care of existing customers.

Leads become “prospects” by “qualifying” them. Qualifying a lead simply means finding additional information to determine if they warrant further efforts to contact. Many leads do not qualify as prospects; in fact most do not. The criteria salespeople use to qualify leads vary widely, as you might expect. Sales managers often provide criteria for salespeople to apply, though experienced salespeople develop a sense for quickly discerning which leads will qualify as prospects.

Anderson (1995) suggests an acronym for qualifying leads: N.A.M.E. The N stands for “need or want.” Obviously, salespeople should not waste their time or reputation attempting to sell to prospects that did not need or want their products. Occasionally, salespeople discover prospects that do not yet recognize their need for the product. This often occurs when a prospect’s status quo seems just fine. A salesperson must demonstrate to the prospect that a better, more productive, economically superior way exists to accomplish the task or objectives in question.

The A represents “authority to buy.” The individual contacted by the salesperson must have the organizational authority to make the purchase. In my experience with salespeople, I saw several occasions in which salespeople wasted their time with the wrong people. While working in radio, a salesperson approached me about producing a spot commercial for a prospect in hopes that actually hearing the commercial would convince her to buy airtime on our stations. After I wrote and produced the commercial, the salesperson played it for the prospect – a store manager at a retail clothing outlet. After hearing it, the manager told the salesperson that she would check with the store owner. The store owner reported back through her store manager that she only advertised in newspaper and would not purchase time on our station.

Had the salesperson done a little more homework, he might have discovered that the manager lacked the authority to approve advertising expenditures and would have directed his efforts toward reaching the store owner directly. Instead, the net result was wasted time and effort, not only by the salesperson, but by others at the station including me.

M in Anderson's acronym stands for "money." Even people with authority must have money to make the purchase. This seems an obvious point, though to enthusiastic salespeople it might be overlooked. Before a sale can be completed, many sellers ask prospects to submit to a credit check or require payment at or before delivery. This stage of the process can be delicate to some prospects, particularly small business owners. A surprising number believe that they should be able to conduct business based only on their reputations. For new buyer-seller relationships this is generally not a risk the seller is willing to assume.

Of course, this part of qualification cannot occur until later in the selling process. Making payment arrangements or conducting credit checks assumes that the prospect has expressed interest in buying or may have even agreed in principal to purchase, This is why this part of qualifying prospects frustrates many in sales; considerable work may be lost if making financial arrangements derails the selling process.

Finally, the E stands for "eligibility to buy." Eligibility means that selling to a customer does not violate a seller's policies or agreements with other customers. For example, some firms enter into exclusive or otherwise restricted relationships with customers that may inhibit their freedom to sell to prospects that may be in conflict with their existing relationships.

B. The Preapproach

The preapproach refers to the planning part of meeting with the prospect. Techniques vary widely across firms and individual salespeople, but they all involve one essential ingredient: researching the prospect. While some research occurs as a natural part of qualifying leads, this rarely prepares the salesperson sufficiently to contact the prospect and begin talking specifics. Salespeople should scour media sources, industry associations or business contacts to learn what they can about the prospect's operations as they relate to the salesperson's products. This will help the salesperson be as specific as possible concerning the prospect's operations. It also indicates to the prospect that the salesperson is a serious professional and not someone out to make a quick buck.

At some point, the salesperson must attempt to contact the prospect and basically sell the idea of making an appointment. Different circumstances call for different combinations procedures. In some cases a salesperson might begin with a letter, in other cases a phone call, in still others both. No matter what procedures salespeople follow, they need to make a strong case that prospects ought to meet with them and at least hear what they have to say.

C. The Approach

Although often only a few minutes long, this step of the selling process may be the most critical because during this time the salesperson makes his or her first real impression on the client. The approach is the first initial substantive meeting between prospect and salesperson. Although possible to approach a client via any channel of communication, salespeople are well advised to delay this meeting until it can occur in person and face to face.

Salespeople should prepare for these pivotal few minutes by deciding in advance how it will happen. This may seem a trivial point, but confidence, warmth and poise can make a huge impact on prospects. In highly competitive product categories, prospects may base a purchase decision between very similar competitors on their trust and confidence in the salesperson. Knowing in advance exactly how they plan to greet the prospect and make the transition to the sales presentation can provide the salesperson with that degree of self-assurance necessary to get off on the right foot.

Many tried and true approach tactics exist; you can refer to any good personal selling textbook for a complete discussion. Suffice it to say here that effective salespeople plan their approaches because doing so vastly improves their odds for success.

D. Sales Presentation

A good approach paves the way for a good presentation. Salespeople should, when possible, find out in advance where the sales presentation will occur. Some prospects prefer a formal presentation, perhaps in front of several people. Others may simply offer a salesperson a few minutes to chat while the prospect attends to other duties. Obviously, the more attention the better, but any attention is better than none

Some writers disagree strongly with this last point; they maintain that salespeople should not accept an appointment unless reasonably assured of the prospect's undivided attention. I beg to differ. In many conversations with salespeople, I've been told that getting any meeting time with a prospect can be extremely difficult. Therefore salespeople should not pass it up except under extraordinary circumstances. At the very least, effective salespeople should use whatever time they have to assess prospect needs more clearly and if time is limited, arouse prospect interest enough to obtain more time later.

Assuming sufficient time exists for an extended sales presentation, salespeople may choose from two broad categories of presentation styles. First is a "canned presentation."

Canned sales presentations require sales personnel to read almost extensively from a prepared script with little permissible deviation. Referring to a sales approach as "canned" may imply that many in personal selling look down on such presentations. And often, they have good reason to do so. Sales managers reserve canned approaches for selling situations in which they have little trust in the salesperson's ability to cover major product advantages and benefits accurately. Indeed, many untrained telemarketers must use canned presentations, which perhaps contributes to the disfavor with which these presentations are held by many professional salespeople.

Beyond controlling untrained sales personnel, circumstances do exist for favoring canned sales presentations because they permit maximum control over the content of what's communicated to customers. For example, canning at least part of a presentation may work well when technical details or fine points of product operation or use create a need for very precise language. Similarly, when legalities regarding product use or operation (e.g., safety or warranty issues) become pertinent many managers prefer for salespeople to use preapproved verbiage in their presentations.

At the other end of the spectrum of sales presentations is "adaptive selling." As the name implies, salespeople are free to adapt their presentations to fit the circumstances minute by minute. Many sales presentation styles fall into the category of adaptive selling and covering them all here is beyond our purpose. In general, however, these presentation styles follow some combination of uncovering prospect needs through careful questioning, then responding to the answers in the context of how the product can help address those needs.

A high degree of skill is necessary for effective adaptive selling. First, salespeople must know what questions to ask. This requires acquiring knowledge of the prospect's business. Asking questions perceived to be uninformed can make a salesperson appear ill prepared at best and foolish at worst. Second, ideally salespeople will have a good idea what the prospect will answer. Being able to creatively apply product solutions to prospect problems requires that salespeople not be caught off guard by questions that seem to come "out of left field."

E. Handling Objections and Offering Trial Closes

During sales presentations, prospects often raise objections. While prospect objections often fluster novice salespeople, to experienced and prepared salespeople, objections offer an opportunity to present their products in an even better light by directly addressing specific prospect concerns. Selling adaptively suggests that salespeople use prospect objections to develop a feel for their priorities and adjust the order and emphasis of product features and benefits to fit those priorities.

Experienced salespeople also know that prospects do not always raise objections verbally. Prospects often express themselves through body language. Salespeople should learn to read such clues and act on them. This is also part of "adaptive selling."

Positive nonverbal cues suggesting prospect interest may call for spending more time on the product feature or benefit that elicited the favorable body language, for example.

As you might expect, the most common objection raised by prospects is price. Always looking for a better deal, prospects may appear to ignore everything else a salesperson discusses and simply "cuts to the chase." Indeed, many prospects who can easily afford a salesperson's product may use price as a smokescreen to cover other objections he or she simply can't (or won't) verbalize. Salespeople should develop a sense for when price objections are legitimate or for when they mask hidden objections. Salespeople absolutely must be well versed on what price concessions

As each objection is met, discussed, and satisfactorily disposed of, salespeople often slip in a "trial close" to see whether other objections remain or whether the prospect appears ready to consider placing an order. Trial closes help the salesperson know when to begin closing the sale or whether unanswered objections still exist.

Following his or her response to an objection, a salesperson may ask a client something like, "Did I clear up the misgivings you had about the product warranty?" Then, assuming the prospect answers yes, the salesperson might ask, "Based on what you've heard so far, does the product seem like something that interests you?" The second question is a trial close. It gauges prospect interest and gives the salesperson an indication of whether to proceed to the next point, to begin to close the sale, or whether to continue questioning the prospect to uncover more reservations or objections.

Trial closes are certainly not limited to the example given above. Personal selling texts or articles offer a wealth of examples on how to use trial closes and how to interpret prospect responses. The point here is that they are an important tool for salespeople to learn how prospects are receiving the presentation and what do to next.

F. Closing the Sale

For many salespeople, particularly beginners, the close stands as the most daunting and difficult part of the process. Closing a sale simply means asking the prospect for the order. Many salespeople view closing as a huge leap beyond presenting product benefits and addressing prospect needs In reality, it's not; it's a natural next step that the prospect expects the salesperson to take. A reluctant salesperson may see the close only in terms of asking for potentially large sums of money, which might make them unconformable. Or he or she may hesitate to close the sale out of fear the prospect may reject their proposal after all the work getting to this point may have entailed.

Therefore, many salespeople avoid this crucial step. Indeed, according to many sales managers, failure to close a sales presentation remains the single most common mistake among inexperienced salespeople. One could argue that if a sales presentation goes well and the prospect seems to impressed with the product and its benefits, the salesperson need not ask for the order – the prospect will ask to buy. This is simply not the case! In fact, it seems pretty unlikely under most normal circumstances. In fact, many experienced prospects *want* the salesperson to close the sale. Doing so is a sign of self-assurance, confidence, and maturity. A good close to a sales presentation also suggests a well-trained salesperson, a factor of great importance to some prospects who want knowledgeable people handling their accounts.

A well executed close means more than simply asking the prospect for the order. Abruptly asking, "Okay, you ready to buy some now? How 'bout an order?" will likely undo any confidence a good presentation instilled in the prospect. Salespeople should ease into the close as if wanting to buy is an obvious feeling.

Again, personal texts detail many different tried and true closing techniques, and my purpose here is to emphasize the importance of closing the sale and the need to learn good techniques – not to teach them.

F. Follow-up

Business relationships are not built overnight, nor are they built over a single successful order. Once the sale is closed and the order is signed, personal salespeople must begin the process of turning a single transaction into a long term selling relationship.

Following-up a sale can encompass several activities. It may involve being at the customer's location when the product is delivered or installed. It can mean a series of phone calls or visits to users of the product – who may or may not include the person who approved the sale – to see whether the product's performance is living up to expectations. No matter what sequence of activities a salesperson uses to follow-up, they build the foundation for future business. Actual product delivery represents another "first impression" in a process that has evolved from seller-prospect to buyer-seller. And first impressions happen only once.

III. A Brief Look at Managing the Salesforce

No matter how the marketing or promotion function is organized, promotion managers almost always work with, supervise, or work for a sales manager. Like personal selling, understanding a sales manager's job may be indispensable for building an optimal promotional strategy. Generally speaking, sales managers lead three areas of responsibility: staffing and training, organization, and motivation and compensation.

A. Staffing and Training the Salesforce

1. Staffing. Because of the unusual characteristics of personal selling jobs discussed at the beginning of these notes, sales managers often control this duty even if the company uses centralized human resources for all other jobs. Staffing salesforces presents a particularly vexing challenge because of the high turnover common to many salesforces and the unusually high cost of training new sales hires.

Thus, the main challenge for sales managers lies in learning to select sales applicants with the highest likelihood of success. Unfortunately, many people pursue and accept sales jobs because nothing else is available in their preferred field; they go into sales with getting out utmost on their minds. As a result, sales managers have tried for years to find ways of predicting personal selling success, and with very little to show for their efforts.

Over the years, many marketing researchers and academics also searched for ways to predict success in sales job applicants. They used psychological testing and data analyses to build statistical models that they hoped could identify a set of personal characteristics that optimally predicted sales performance. To date, the best of these models only explain about 10% of the variance in personal selling performance. The other 90% remains a mystery.

What these model-building attempts do reveal is very consistent with what sales managers have looked for in applicants as a matter of common sense. Sales managers desire applicants who are honest, highly persistent, and who work well without direct supervision. But, that's certainly no secret!

2. Training. Training salespeople typically centers on two activities: teaching product knowledge and improving selling technique. Depending on company size and product complexity, training usually follows some combination of formal in-class training and on-the-job training.

As you might expect, smaller companies and those selling relatively nontechnical products tend to favor on-the-job training for new sales hires. Smaller companies rarely have a sufficient number of new sales staff to warrant a formal classroom based training program. Instead, managers may pair new hires with more senior salespeople for several weeks or months and combine training in product knowledge with training on selling technique.

Some larger companies such as IBM place great importance in training salespeople extensively and invest millions in facilities and personnel to do just that. These companies have found that extensive training, while expensive, reduces turnover and therefore pays for itself over time. New hires may spend as much as a year in training before being assigned to a sales office and territory.

B. Organizing the Salesforce

Another critical area of responsibility for sales managers involves deciding what salesperson sells what products to what customers at what location. This is the essence of salesforce organization. These questions encompass more than mere organizational logistics. They affect salesforce size, training, and costs as well. Therefore, sales managers must make these decisions carefully. Three of the most popular arrangements are the purely geographical organization, the product line organization, and the market or customer organization.

1. Purely geographic organization. A purely geographical organization is the most commonly used and certainly the simplest. With this form of organization, salespeople each work in a defined area and call on all businesses or organizations that presently purchase or may in the future purchase the company's products. All salesforce organizational schemes utilize a geographical component. That is, virtually every salesperson works in a territory defined by geographical boundaries. In salesforces organized purely on geography no additional organizing variables are included to assign salespeople to customers.

The downside to this simplicity is that the geographic form of organization does not permit any specialization within the salesforce. Salespeople selling a broad range of products to customers in a variety of different businesses may find the depth and breadth of knowledge required to effectively service their customers to be daunting. Consequently, some businesses add product line or customer type variables to their salesforce organization in order to permit specialization.

2. Product line organization. Companies selling a broad range of products for a broad range of applications or circumstances often divide their salesforce by product type. Exhibit 2 illustrates this type of salesforce organization. Note the combination of geographic territory demarcation as well as division by two different product lines.

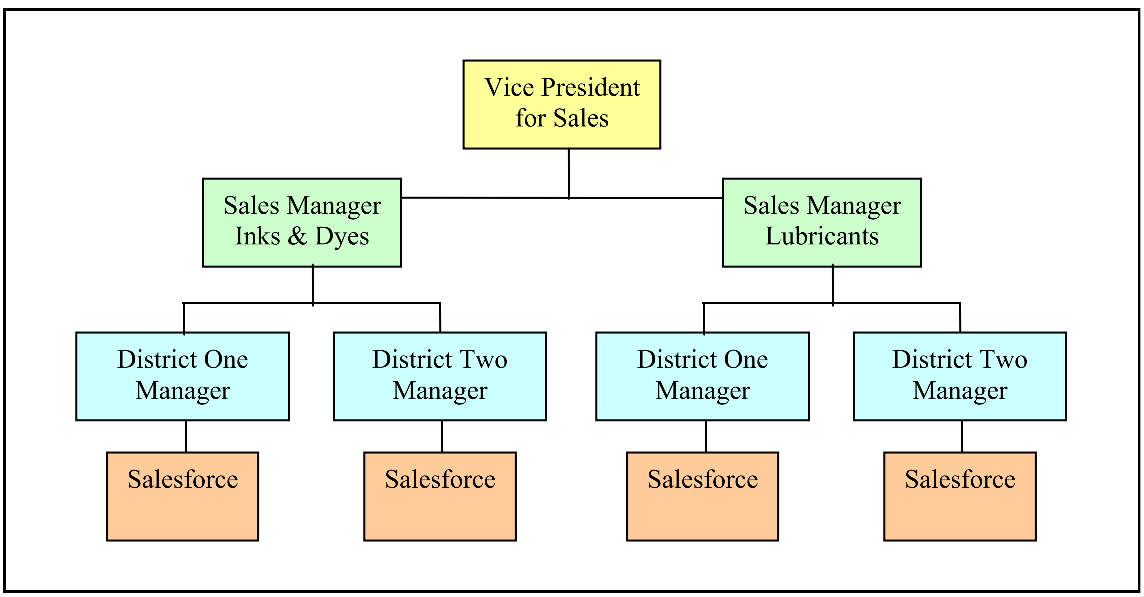

Exhibit 2. Product line salesforce organization

Assuming that the fictitious business in Exhibit 2 sells product lines that are large and substantially different from one another, they might organize along the lines depicted in the diagram. The two districts represent the same physical areas in both product divisions. That is, district one is the same geographic location for both the inks and dyes division and lubricants division. The same would be true for district two.

Organizing separate salesforces for different product lines permits each salesforce to learn their respective product lines in greater depth, the hope being that this additional product knowledge and narrower focus would permit salespeople to better address customer needs and solve customer problems.

This organizational approach suffers from significant disadvantages, however. First, it would likely require a larger salesforce and the larger expenses that go with it. The additional expense could only be justified if the financial performance of the company with two or more salesforces were significantly greater than their performance with just one. Second, organizing salesforces by product line carries the possibility of two salespeople working for the same company calling on the same customers. Not only could this confuse customers, but could actually cost sales. To the extent that personal relationships matter to customers in their decisions to buy, companies sending two salespeople to serve a single customer increase the risk that one of those personal relationships will not develop as well as the other.

On balance, however, through careful salesperson selection and training, many organizations that carry large and diverse product lines find that the advantages of salesperson specialization in a more focused group of products outweigh the disadvantages.

3. Customer or market organization. This organization scheme works identically to product line organization, except in this arrangement, salespeople specialize by customer type rather than product. Exhibit 3 illustrates such an organization.

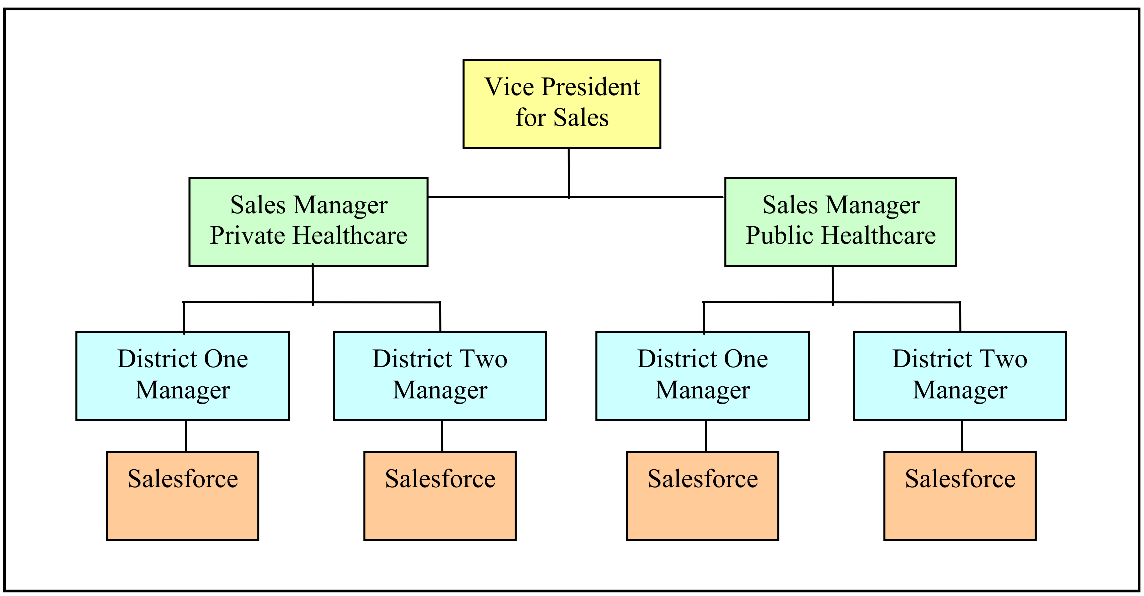

Exhibit 3. Customer or Market Salesforce Organization

The hypothetical salesforce organization illustrated in Exhibit 3 shows a medical supply salesforce in which one group of salespeople calls on private healthcare providers such as hospitals or doctor's offices. The other group, however, calls on government health facilities, where the process and requirements for making a sale may differ substantially due to the degree of bureaucratic oversight. Besides purchase decision process, customers also differ in size, purchase frequency, and product use, among others. Any of these may work well for dividing a salesforce, depending on the circumstances.

Like the product based salesforce organization, organizing by customer has its pros and cons. Most importantly, it permits salespeople to learn the needs and operations of a particular customer type in great depth, which can assist enormously in finding ways to meet customer needs or understanding how to remove obstacles from making a purchase. However, this advantage must be balanced against salesforce size and expenses as well as the possibility of having two or more salespeople in a single geographic region selling essentially the same set of products. Deciding whether to organize this way, of course, rests with whether doing so reaps superior financial performance than not doing so.

D. Motivating and Compensating the Salesforce

As sales management tools, motivation and compensation work together so closely that the two cannot be completely separated from each other. Although compensation motivates workers in any setting, the nature of personal selling makes it particularly important. Because salespeople spend so much time working unsupervised, because their success rate is so easily quantified, and because many find the job to be so difficult, sales managers have long used sales commissions and bonuses as both motivational and compensation tools.

1. Motivation. Motivation simply means maintaining the morale and enthusiasm of the salesforce, both individually and collectively. Motivation involves rewarding people for behaving in desirable ways. Given this perspective of achieving motivation through rewards, it's easy to make the connection between motivation and compensation. Psychologists identify two basic categories of motivational rewards: intrinsic and extrinsic. The two act separately from one another, but are certainly not mutually exclusive.

Intrinsic rewards motivate people who find pleasure and enthusiasm from simply being competent and self-determining. People motivated by intrinsic rewards believe that a job well done is, to some extent, its own reward. Sales managers can motivate salespeople using intrinsic rewards by appealing to their sense of challenge, by emphasizing the positive benefits the product provides customers, by appealing to a sense of salesforce *esprit de corps,* and other factors that would enhance the internal value of high sales performance.

No matter how intrinsically motivated some salespeople may be, of course none will work for free. And even as these people relish the feeling of accomplishment and satisfaction that comes from doing good work, they may also be motivated by rewards that come from the external environment. We call these rewards "extrinsic rewards."

People most commonly associate extrinsic rewards with money, usually in the forms of commissions and bonuses. However, viewing extrinsic rewards strictly in terms of payment would exclude a variety of highly motivating and likely less expensive rewards.

For example, one large prize can be given away for winning a sales contest. Or many sales managers give away small gifts to salespeople to reward good work (that may be considerably more valuable to the company than the cost of the gifts). These include things as small as dinner at a nice restaurant or tickets to a ballgame.

Extrinsic rewards need not even be tangible. Many salespeople derive motivation from simply being recognized for their efforts; a public pat on the back and thank you can go a long way toward maintaining enthusiasm among many salespeople. And of course, such recognition costs nothing.

To the extent that motivation involves rewarding behavior, sales management must also establish clear behavioral targets or objectives. Personal selling professionals refer to these targets as "quotas." Most people think of sales objectives first when they hear the term quota; however, quotas can be applied to any measurable activity. For example, quotas may be set for prospecting, service calls, even paperwork. Quotas should be used in combination with rewards to motivate and guide salesforce behavior.

2. Compensation. Effective salesperson compensation follows the same basic rules that apply to compensating any employee, though the specific compensation methods for sales jobs may be quite different than for the average employee.

Although compensation formulas for personal salespeople may become quite complex, they simply combine different amounts of several basic elements. First is salary. Salary offers salespeople security because the amount is guaranteed and does not immediately depend on sales performance but may also be tied to seniority and factors. Some firms pay salespeople only a straight salary and promote this fact to current and prospective customers in hopes that the salespeople will be seen as more credible and more focused on the customer's true long term interests.

Some sales jobs lend themselves to salary based compensation more than others. For example, sales support or missionary sales jobs seem better suited to compensation not directly tied to sales performance. Additionally, beginning salespeople frequently need the security of a salary while they build their customer contacts and sales volume.

Second is commission. Commission plans pay salespeople a percentage of the dollar or unit volume they sell. Many commission formulas may be quite complex. For example, salespeople employed by one radio station where I worked commissioned salespeople using many different rates depending on the circumstances of a particular sale. Commissions for sales to "new accounts" (businesses that had not advertised on any of our stations for two years or longer) were the highest. Commission rates rose as sales increased each month; the rate increased for each $10,000 in sales. And other factors affected the rate of commissions paid to salespeople.

Sales management institutes such plans to provide extra motivation for salespeople. However, management must also take care that the plan does not become overly complex. Salespeople must know what to expect in terms of pay. Plans that are too complex run the risk of engendering suspicion on the parts of salespeople who may fear management is attempting to pay them less than they deserve.

Third, bonuses, which may or may not be cash, act similarly to commissions but are rarely paid as part of monthly compensation. Bonuses are lump sums of cash paid to employees. Bonuses may be based on individual performance, department performance, or company performance. Unlike commissions, which may be calculated and must be paid, management has no obligation even to announce the amount of the bonus, and may not be obligated to pay a bonus at all.