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Part I

The philosophy of selling

1

The role of selling

1.1 Overview

The role of selling is to create value for a firm at the point of contact with a customer. Value, typically expressed as revenue or profits, may be from a single sales transaction or a lifetime of customer purchases.

Efficient and effective sales management is, therefore, critical to gaining the maximum value from each customer. Despite the use of advanced technology in other management functions such as manufacturing, marketing, distribution and communications, personal selling is often the principal factor in the sales process. The personal selling function however – as represented by the role of salespeople in traditional textbooks – has changed radically. Modern sales operations can combine face-to-face selling with other customer contact tasks such as technical consulting, telephone and Internet sales, and personalised or automated customer service.

Today's firms must find the best way to integrate these functions into an effective and efficient sales management process that will deliver continuous value, both to themselves and their customers. Surprisingly, courses in business and marketing sometimes marginalise this subject. By contrast, leading firms recognise its importance and constantly seek ways to improve its practice through process improvements and management training.

1.2 Learning objectives

This chapter aims to

- help you understand the role of selling in the business and marketing context;
- describe the environment in which modern selling takes place;
- explain the significance and costs of the sales process to the organisation;
- explain the role salespeople perform.

1.3 Definitions

Personal selling is the personal contact with one or more buyers for the purpose of making a sale.

Sales management is the process of planning, organising, directing, staffing and controlling the sales operations to achieve the firm’s objectives through subordinates.

Salesmanship is a ‘seller-initiated effort that provides prospective buyers with information and other benefits, motivating or persuading them to make buying decisions in favour of the seller’s product or service’ (Still, Cundiff and Govoni, 1988).

1.4 Selling in the business and marketing context

A firm lives or dies by what it sells. Sales are the engine of sustainability and growth and are usually defined as a set of objectives by the firm in its business and/or marketing plan. Achievement of these objectives depends on how well they translate into specific market and customer sales targets and then performed within the sales process.

To reiterate, the role of selling is to create the maximum value for a firm at the point of contact with a customer. The revenue and profits earned from this contact may derive from a single sales transaction or a lifetime of customer purchases. However, value maximisation may not be possible from every customer contact, and senior management must provide guidance to salespeople in the business plan regarding selling prioritisation by current and future profitability.

This guidance is often ignored in business planning. In later chapters on sales operations, we shall discuss how senior management can contribute to the accomplishment of the business plan objectives through a sales process that aligns selling with corporate goals.

Selling is an element of the marketing mix (readers are assumed to have studied at least the fundamentals of marketing before studying this textbook). Indeed, the traditional marketing mix, based on McCarthy’s 4 Ps model (Perrault *et al.*, 2000), shows selling as a subsidiary function within the promotional mix, an adapted form of which is shown in Figure 1.1.

This hierarchy suggests a relegation of the sales function, which does not reflect today’s competitive market context. Many firms spend more resources and employ more people in selling than in any other promotional activity. In some situations, the sales budget may exceed all other marketing activities added together.

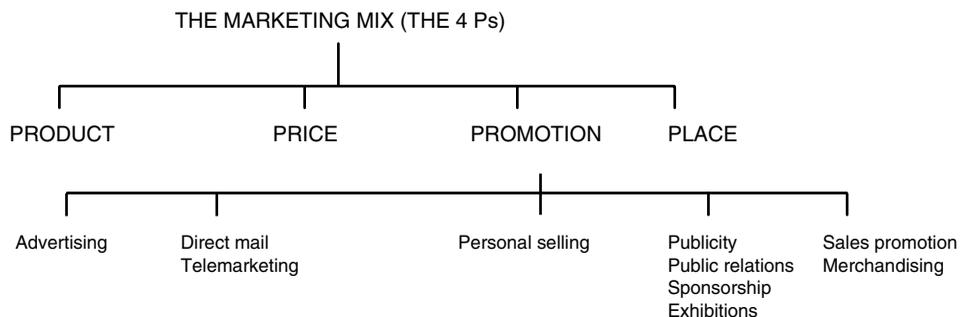


Fig 1.1

Elements in the marketing mix

Did you know?

Numbers of UK Marketing and Sales Professionals

Benson Payne Ltd, a management consultancy appointed by the MSSSB – a new government-backed body to set world-class standards in Marketing and Sales – estimates there were 545,000 full-time marketing professionals in 2003, an increase of nearly 80 per cent since 1993, and 766,000 full-time sales professionals within field sales operations, an increase of 9 per cent since 1993. This was greater than the number of teachers, doctors, engineers or accountants. Remarkably, MSSSB also estimates that over 2.5 million people have selling as a primary activity in their job.

(Source: <http://www.msssb.org/>)

A negative view of the subordinate role of selling in the marketing mix has an unfortunate outcome, which is to consider marketing and selling as differing functions rather than as complementary roles. This view is compounded by a persistent notion of firms as having either a ‘production–sales orientation’ or a ‘marketing orientation’, first expressed in ‘Marketing Myopia’ (Levitt, 1960). While there are firms that still operate with a production attitude, successful firms have since adopted a marketing customer orientation.

Viewing marketing and selling as opposing rather than complementary functions can also be a moral conceit. Marketing (giving customers what they want) is seen as virtuous, healthy and necessary, whereas selling (getting rid of something) is seen to be cynical, callous and indiscriminate. This view of selling is typified by the one-off, high-pressure sales approach, such as may be found in some telesales operations, where dubious techniques are used to induce people to buy. Selling, as a result, is sometimes seen as dishonest.

Professional salespeople know that repeat purchases and continuity of business are more important to the firm than an individual sale. Like most occupations there are good and bad salespeople, sales professionals and sales amateurs and, of course, honest and dishonest people.

1.5 Marketing and sales strategy

Once the business goals are set, it is the role of marketing management to develop an appropriate strategy. This could include (Jobber and Fahy, 2003)

- market and customer segmentation;
- market research to identify the needs and wants of prospective customers;
- decisions on products and services to be offered to each customer or prospect group;
- design and implementation of marketing communications programmes including the sales plan.

Sales planning involves a similar strategic approach at the individual customer level, typified by methodologies such as

- account planning (segmentation and targeting of key customers or groups);
- opportunity identification and value assessment;

- distribution channel management;
- territory management;
- personal communications with prospective and existing customers.

Effective managers will ensure that both marketing and sales strategies are consistent and coordinated by aligning people, process and technology. The sales strategy should derive from marketing, but sales should also provide input into the marketing strategy development. This integration is not easily achieved.

In many organisations, salespeople do not know what is expected of them. There is a lack of clarity from the top about objectives, which results in problems with individual sales plans, targets and remuneration. Conflict between individuals and management, or between sales policies and marketing policies, can arise. For example, the firm's policy on market segmentation can affect an individual salesperson's effectiveness. The extent to which the same product/service package is offered to the market or modified to suit specific groups of customers influences sales management decisions. Selling techniques and resources must be allocated according to whether marketing is undifferentiated (no segmentation), differentiated (different offerings to different customers) or concentrated (different offerings to several groups of customers) (Kotler *et al.*, 2001).

Changes made to the other elements in the marketing mix will have an impact on the degree of personal selling effort. At one extreme, a firm can offer the minimum product specification, cheapest price and rely on customers ordering by phone, letter, in person or electronically. Little or no personal selling is involved; overheads, such as selling costs, are minimal. At the other extreme, salespeople may seek their own leads, carry and deliver the product and collect payment.

We shall discuss how marketing and sales integration can be achieved in later chapters.

What do you think?

Salesperson: 'Marketing are OK at coming up with grandiose schemes and expensive advertising or PR stunts but it is the sales force on the ground, day-in, day-out that makes the customer contact and separates us from the competition. They all think they are customer driven but how would they know? They've never met one, far less having to deal with queries, complaints and a host of competitors in your face.'

Marketing/Brand Manager: 'The trouble with salespeople they only see their own target customers or area as important and if it doesn't suit they don't try to sell your product or brand no matter the overall strategy or the investment behind it.'

How would you resolve such entrenched attitudes?

1.6 Relationship marketing

However, the fundamental difference between the marketing and sales strategies is that the personal selling effort and the salesperson may determine whether a sale

is made or not. This may depend as much on the individual salesperson's ability to build a relationship with the buyer, as on the intrinsic merits of the seller's product or service. 'Relationship Marketing (RM) refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges' (Morgan and Hunt, 1994, p. 22).

Thus, RM predicated an intimacy between the firm and its customers, distributors, suppliers or other parties in the marketing environment (Sheth and Parvatiyar, 1995). Traditionally, owing to their boundary-spanning role, the field sales force of a company has been a vital link between the firm and its customers (Cravens *et al.*, 1992). They act as a platform for communicating the firm's marketing message to its customers and as the voice of the customer to the firm. Nonetheless, the sales management effort was firmly on 'closing the sale'. RM shifts this focus to creating the necessary conditions for a long-term relationship between firm and customers with the aim of building durable and successful sales encounters.

This shift necessitates a reappraisal of conventional sales management practices, in particular the philosophy and culture of 'aggressive and persuasive selling' (Donaldson, 1998). The new role of the salesperson is increasingly that of a relationship manager, advising and counselling, listening and helping (Pettijohn *et al.*, 1995). Each contact point and selling occasion becomes an opportunity to develop mutual trust and commitment, strengthen the relationship and build customer loyalty.

The role of salespeople can be considered as 'boundary spanning' since its purpose is one of coordinating sales activities within one organisation (the seller's company) and linking in a seamless manner with another organisation (usually the buyer or distributor company). The role is often extensive using team-based selling. For example, Procter and Gamble have over 20 people working in Asda Headquarters in the United Kingdom. Likewise, a computer firm may have five or six in a team servicing a large bank customer and so on. As it was put to us by one senior sales manager at IBM 'my job is to mobilise resources behind customer solutions'.

We shall discuss RM in detail in later chapters.

Did you know?

In a recent survey of sales executives 88 per cent replied that relationships were essential in their sales process when asked 'How important are long term relationships to your sales effort'. Using a 7-point scale from not at all to vitally important the mean value was 6.18 (Donaldson and Wright, 2002). Many studies have revealed the importance of customer retention in adding value. For example, it is claimed that retaining 5 per cent more of your existing customers can increase profitably between 25 and 85 per cent (Reicheld, 1996).

1.7 The sales environment

As indicated above, the selling and sales management functions are transforming with the realisation of the value to the firm of customer relationships over individual sales.

The modern sales environment also poses complex challenges for salespeople.

Competitors. In today's economy every pound of disposable income competes with every other pound, and competitive activity is intense. Marketing and sales management must constantly appraise the strengths and weaknesses of competitors and modify their strategies and tactics accordingly to differentiate their firm.

Customers. Expectations continue to rise along with increasing dissatisfaction. Firms need to find ever more innovative and profitable ways to create and deliver value to buyers.

Technology. New materials, products and processes emerge at a seemingly ever-increasing rate. Product life cycles are reduced in length, affecting the way goods and services are manufactured, distributed and promoted. Technology also brings changes to the role and function of selling (more on this in later chapters).

Mature market economies and globalisation. Supply in many markets now exceeds demand. Pressure on prices and margins has resulted in cuts in sales forces and the level of sales support from their organisations. Globalisation has meant a shift towards global and key account management, requiring new and different knowledge and skills from salespeople.

1.8 The cost of selling

Table 1.1 demonstrates the relative importance of the main elements of the marketing mix by type of marketing.

The most significant difference between selling and other elements in the marketing effort is the personal contact, which varies depending on a variety of factors such as the type of customer and product, the frequency of purchase, the newness of the product and so on.

Sales and marketing directors should frequently ask the question: *What would happen if we halved (or doubled) the size of our sales force?* Would sales halve (or double), and what is the effect on profits in the short and long term?

Table 1.1

Relative importance of each element of the marketing mix by type of marketing

| Type of marketing activity | Industrial goods and business to business marketing | Consumer durable | Consumer non-durable |
|---------------------------------------|---|------------------|----------------------|
| Sales management and personal selling | Very high | High | High |
| Media advertising | Very low | Moderate | High |
| Special promotions | Low | Moderate | Moderate |
| Packaging, branding, other | Low | Low | Moderate |

5-point scale: Very low, Low, Moderate, High, Very High

Table 1.2 Average cost of a salesperson 2005 (based on industry sources)

| | Annual cost (£) |
|------------------------------------|-----------------|
| Salary, commission | 21,000 |
| Fringe benefits (pension, BUPA) | 6000 |
| Company car | 12,000 |
| Entertainment | 2000 |
| Telephone, postage, communications | 4000 |
| Accommodation and meals | 4000 |
| Samples | 2000 |
| Sundry costs | 2000 |
| Total | 53,000 |

Table 1.3 Allocation of selling time

| | Hours per day | Percentage of time |
|----------------------------|---------------|--------------------|
| Pre-call preparation | 1.5 | 15 |
| Driving and parking | 2.0 | 20 |
| Face-to-face selling | 2.5 | 25 |
| Non-selling, e.g., display | 1.5 | 15 |
| Admin/reports | 1.0 | 10 |
| Meals and breaks | 0.5 | 5 |
| Telephone, meetings, other | 1.0 | 10 |
| Total | 10 | 100 |

Seldom will the situation be as dramatic as this but the concern over value for money from the sales force is a continuing problem for sales management. Although there are very few examples of companies increasing long-term sales and profits by reducing the size of their sales force, senior management should consider the data provided in Tables 1.2 and 1.3.

Salespeople are expensive, and the time spent face to face with customers is low. These figures are, however, an average and will vary depending on the type of selling and other situational specific factors.

1.9 The role of the salesperson

Every sales situation is in some way unique. As shown in Figures 1.2 and 1.3 the extent of personal selling varies between different categories of goods and with the stage in the buying process.

The selling role of the salesperson can be expressed as a set of distinct stages, as illustrated in Figure 1.4.

These stages reflect stylised models of communication, the most familiar represented by the mnemonic AIDA, that is, Attention, holding Interest, arousing Desire and obtaining Action (Perrault *et al.*, 2000).

In some situations, the first stage can be achieved by impersonal means such as advertising. Indeed, the extent to which all or part of the sales process can be achieved

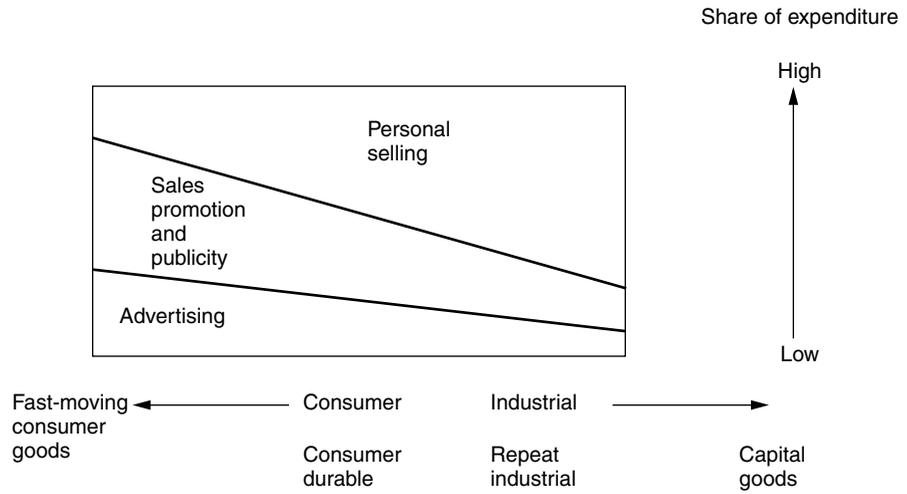


Fig 1.2 Importance of selling and type of product

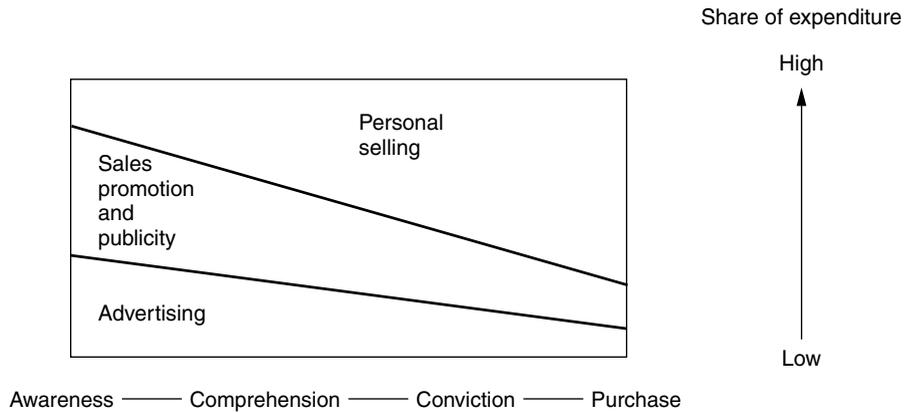


Fig 1.3 Importance of selling by stage in the purchase process

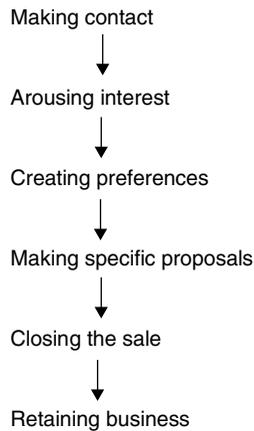


Fig 1.4 Flow chart of the selling process

Table 1.4 Communication methods comparison

| Personal selling | Choice of type of communication | |
|----------------------------|---------------------------------|------------------------------|
| | Direct mail | Advertising |
| Directed at the individual | Directed at the individual | Directed at a mass audience |
| Personal direct contact | Impersonal direct contact | Impersonal indirect contact |
| High level of adaptability | Medium level of adaptability | Less directly adaptable |
| Working in depth | More broad than deep | Working in breadth |
| Two-way | One-way | One-way |
| Direct feedback | No voluntary feedback | Organised feedback |
| Expensive per contact | Very cheap per contact | Relatively cheap per contact |
| Push effect | Push effect | Pull effect |

at lowest cost and maximum efficiency is the ‘holy grail’ of sales management. A comparison of advertising, direct mail and personal selling is shown in Table 1.4.

Beyond the broad selling framework, salespeople will find themselves undertaking the following:

- customer problem solving;
- retaining (and increasing) existing business;
- obtaining new business;
- providing existing and potential buyers with adequate service such as quotations, advice and complaint handling;
- representing the company;
- providing information to and from customers, to and from management.

Salespeople will carry out a variety of specific tasks, ranging from

- taking orders;
- displaying products;
- advising distributors and users;
- after sales service;
- collecting payment;
- stock checking;
- training;
- monitoring delivery progress.

Increasingly, salespeople are required to use computerised technology, pointing to a need for continuing sales training and professional development.

Did you know?

Salespeople do spend a great deal of time on financial issues. The first one is actually trying to collect late payments and obtain cash from customers, but vetting the credit ratings of potential leads and new customers can also be part of the remit. According to one source, 12 per cent of a company representative’s time on average is spent on such duties, with an incredible 8 per cent of firms spending over 30 per cent of a salesperson’s time on this activity (Corcoran *et al.*, 1995).

1.10 The role of the sales manager

It is not unusual for a sales manager to be promoted from a sales position in the same organisation. This can give rise to performance problems. Salespeople who are promoted to first-line managers may fail to distinguish management tasks from doing tasks and continue to sell (doing) rather than managing salespeople (managing).

What do you think?

One of the issues facing many newly promoted salespeople and indeed some long-serving sales managers is that they are unable to separate doing from managing. Effective selling (doing) is what made them successful in the first place, and, understandably, they are reluctant to let go to others. Yet, it is the job of the manager to manage not to do the work of others.

Assume you are a sales manager and test yourself on whether you can readily identify the difference between managing and doing from the following list:

- visiting a customer with one of your salespeople to show a customer that the company values the account (doing);
- discussing new selling approaches with one of your salespeople (managing);
- making a presentation to a local community group (doing);
- contacting operations within your company to resolve a delivery problem for one of your salespeople (doing);
- deciding how to respond to a request to match a competitor on price (managing);
- telephoning the sales director to update her on progress in your markets (managing).

The role of the sales manager involves planning, organising, staffing, directing and controlling performance. The precise nature of sales management will be open to debate but should include

- defining the role and tasks of the sales function in relation to overall corporate and marketing objectives;
- selecting, training and delegating subordinates;
- using time effectively;
- allocating time to think and plan;
- exercising leadership;
- maintaining control.

This does not necessarily mean some selling tasks can or should be avoided. Large, important customers will expect to deal at director, often managing director, level with a supplier, and senior people must perform a selling role. Likewise, sales managers may be expected to address outside groups as representatives of their company. This does not invalidate the basic premise that sales managers should be primarily employed to manage salespeople. Table 1.5 summarises the amount of time different levels of management spend on different tasks.

Table 1.5 Allocation of management activities at different decision levels

| | Planning | Organising | Staffing | Directing | Controlling |
|-------------------------|----------|------------|----------|-----------|-------------|
| Top level – strategic | 40 | 30 | 10 | 10 | 10 |
| Middle level – tactical | 10 | 30 | 20 | 30 | 10 |
| 1st line – operational | 10 | 10 | 10 | 30 | 40 |

Source: based on an original idea by Ryans and Weinberg, 1981 and up-dated

The table divides management activities into three conceptual decision levels: (1) strategic, (2) tactical and (3) operational. In smaller organisations one person may embrace the three decision levels but the classification is a useful aid to understanding the nature of decisions in all organisations.

In the following sections, we look at each stage in more detail.

Strategic level

Strategic decisions are those concerned with definition of the firm's existing and future business to arrive at an appropriate marketing statement of

- the markets to be served now and in the future;
- the types of products and/or services which satisfy customers in these markets;
- the areas of business the company does not want.

The sales function will have an input into this process. The outcome of the process is to define the role personal selling will have vis-à-vis other elements in the marketing mix (advertising, sales promotion and publicity) and the tasks the sales force will perform. A failure to address these strategic questions will reduce the enterprise to a 'follow-my-leader' position or constant fire-fighting tactics. The strategic decision stage is crucial to a long-term business success.

Tactical level

Tactical sales management decisions are taken following marketing and sales strategy decisions. This means market exploration studies and market segmentation analysis have been done and decisions completed on product differentiation policies and promotional planning, that is, where the market and sales potential is known and the identity and location of customers and prospects have been established. Also, because of the sequential nature of this process, the balance between personal selling and other marketing variables is clear, the role salespeople are to perform is determined and management tasks fall into three areas:

- 1 structuring the sales force in terms of its size and organisational design;
- 2 developing the sales force such as recruitment, selection and training policies and programmes;
- 3 motivating the sales force by supervision, leadership, remuneration and by evaluation and control.

Operational level

Management concern at this level is to ensure that salespeople are doing an effective job. Managers must encourage salespeople to manage themselves and their territories as far as possible. Responsibilities include the type of person in terms of personality, knowledge, skills and motivation. First-line managers must also understand the needs and characteristics of the customers they serve. They must be able to evaluate and react to competitor's sales strategy and environmental factors. Finally, they must be aware of organisational policies and procedures as they apply to the sales organisation and implement rules and regulations applying to their salespeople. The way this is done can be a strong motivating factor in sales performance.

To implement sales policies at these three levels requires different types of skills:

- 1 *First-line managers*, for example, need strong person-management skills to lead a sales team. The emphasis is on product, company and customer knowledge, to be able to demonstrate selling skills and to select and train subordinates.
- 2 *Tactical decisions* require more organisational capability, setting job specifications and job descriptions, arranging the necessary training, payment, incentive packages and control systems.
- 3 The *strategic level* requires a much higher level of conceptual thought, superior organisational abilities and a corporate perspective. Sales managers should possess the capability to master all three levels of managerial decision-making. An important requirement within an organisation is to train salespeople in the technical, human and conceptual skills to prepare them for future sales management positions.

Finally, managers at all levels should consider their own management style in order to achieve the best results from subordinates in their organisation.

1.11 The study of sales management

The study of sales management presents several specific problems:

- Traditionally, the emphasis in sales management is on implementation and tactical operations rather than strategic planning and policy, which tends to be the prerogative of marketing.
- There is difficulty in isolating the sales response function and its causes. Many factors other than selling effort affect sales response.
- There exists a myopic view that behavioural relationships and interactions in selling are not amenable to classification or that variables are impossible to measure.
- Many principles of sales organisation, deployment and motivation are based on 'how to' principles, some of which are difficult to assess or understand; for example, how to overcome objections. Much of the data is highly specific and anecdotal.
- The terrain on which operations takes place is continually changing (territories, personnel and customers).

- Much of the input on sales management issues comes from disparate areas of research, behavioural sciences, operations research and economics.
- Much study and evidence is US-based and these findings in empirical research do not necessarily remain intact across the Atlantic.

There are five possible ways to address these problems, by examining the sales function and its management.

1 View the position and role of selling as one element in the promotional mix, itself one element in the marketing mix. Management of each element is required to maximise both individually and collectively the effect on business performance as a customer-creation-satisfaction process more effectively than the competition. Moreover, the elements together used in an integrated and coordinated way have a synergistic effect greater than maximising the effect of each element individually and exclusively. Most marketing students address the subject with this approach, which in reality is the task only of senior executives who have responsibility for corporate and marketing strategy on which sales operation plans are based. Simple adaptations of this approach in consumer product marketing are inadequate when looking at the realities of industrial product markets or of services (see, for example, Gummesson, 1999).

2 Study the individual salesperson and attempt to understand the motives and actions that affect performance. Many sales management problems could be eliminated if a successful style could be established for a salesperson. If successful salespeople are born, or can be self-taught, then the sales manager's task is to find such people. Some writers have no problem in suggesting that the mysteries of the super salesperson are to be found in personality, psychological, even physical characteristics (McMurry, 1961; Lamont and Lundstrom, 1977). The search for critical traits is also seen to be important.

What do you think?

Are salespeople born or made?

If born, what are the attributes? Are they physical, psychological or behavioural?

If made, do you try to change people's behaviour, personality or what?

Does it make a difference in terms of age, sex, social class or other factors?

3 Adopt an interactive approach. All personal selling takes place with at least two people, a buyer and a seller, and it would be appropriate to study the subject around interpersonal situations. Early work in this field was an extension of individual physical and psychological elements into the perceived or real similarities and differences between two individuals (Evans, 1963). The outcome was that the greater the similarity between the characteristics of buyer and seller the greater the likelihood of transactions taking place. If the interaction effects are crucial to successful selling, then the wisdom of selecting a sales type in turn will affect the recruitment and selection of policies of sales managers and will affect the content of sales training programmes. The findings of the International Marketing and Purchasing Group have placed new emphasis on buyer/seller interaction by studying the active part played by both customer and supplier

and the negotiated nature of many transactions, which in turn influences resource allocation and organisational relationships (Hakansson, 1982).

4 Study the economics of selling. Various measures of establishing sales force size, the profit and sales from selling effort and the return on investment or value of the sales force can be made. For example, the lifetime value of customers can be measured, using standard cash flow discounting procedures. From this, new or modified organisational systems can be implemented, such as customer relationship management (CRM).

5 Observe the decisions sales managers are expected to make and explore means of assisting such decision-making based on sound theory and empirical findings. The uniqueness of product company and market circumstances may limit the applicability of such guidelines but better planning of territories, setting sales targets, recruitment, training and motivating salespeople will be important in making real productivity gains by management.

These approaches to sales management cover separate but interrelated aspects of the subject, which contribute towards a more complete theory of factors affecting sales force performance and its management.

1.12 Summary

Selling and sales processes have changed in recent years as companies have become more market- and customer-focussed. Sales management practices too have had to change, yet, despite the Internet, call centres and mobile communications, the cost and efficiency of the field sales force still accounts for much of the marketing budget in many companies. It is vital that sales operations reflect the corporate and marketing strategy of the organisation as well as specific sales management objectives. Today, more than ever, there is need to integrate sales, marketing and corporate objectives because of the high costs of personal selling and the limited time that salespeople spend with customers. The management requirement is for a clear definition of the role of selling, the tasks that salespeople must perform and the responsibilities of sales management.

Questions

- 1 Explain how the role of sales manager may differ between an organisation which is production-oriented and one which is marketing and customer-oriented.
 - 2 In your own organisation, or in a firm you are familiar with, identify the main environmental influences which affect the sales operations.
 - 3 What are the conflicts which arise between sales and marketing personnel in the same organisation? Describe how such conflicts can be resolved.
 - 4 Describe some of the non-managing tasks that sales managers are expected to perform. Which of these do you feel can be delegated to subordinates?
 - 5 Interview at least one sales manager and attempt to identify the time spent on different tasks and on different types of management activity.
-

Case study**Dell Computers**

Dell is renowned for its direct sales to customers by phone, Internet and now through e-business enabling consumers to go through the whole sales process online. What is less well known is that Dell, in 2005, took on 150 salespeople to sell their products in United Kingdom/Europe. The reason for this change from direct selling to personal selling is that the cost of a salesperson for an individual customer makes no economic sense, but if you are selling many computers, printers, servers and other products and ancillaries to one customer then personal salespeople are required to understand the customer's needs, offer appropriate solutions and sell the correct package. In this regard, Dell must compete with HP and IBM for business customers on a more personalised service basis.

Yet Dell's background is interesting as the company pioneered direct selling and mass customisation. Founded in Texas in 1984, by 1992 Dell had made the Fortune 500 list and in 2004 was ranked 34 in *Business Week's* Global list of the world's most valuable companies. In 1996, Dell began to sell computers on the Internet, and within 2 years, sales were exceeding \$3 million per day. Much of this was due to the way Dell reduced transaction costs by cutting out expensive distribution and sales channels, including the high cost of personal salespeople. The Dell direct selling model gave the company infrastructure leanness, market agility, minimal inventory and high customer differentiation. Although relatively weak compared with competitors in R & D (Dell 1.3% of revenues; HP 5.8%; IBM 5.9%), the financial discipline using off-the-shelf components and assembly technology gave it a market-leading performance, quality and price combination.

Revenue figures and projections are shown in Table 1.6. Anticipating low growth in the future PC market, the company has refocused as an Internet-centric company (see Table 1.7).

Table 1.6**Dell revenues (in billion US dollars)**

| | 2001 \$ | 2004 \$* | 2006 \$* |
|----------------------|---------|----------|----------|
| PCs | 20 | 27 | 30 |
| Servers/storage | 5 | 8 | 10 |
| Services | 3 | 5 | 9 |
| Software/peripherals | 3 | 7 | 13 |
| Total | 31 | 47 | 62 |

*estimate

Table 1.7**Dell's service products**

| Service | Name |
|--|--|
| Private Intranet sites: customer-specific pricing and paperless ordering | www.Premier.Dell.com |
| FAQs: diagnostics, customer discussion forums, parts ordering dispatch requests, service call status | www.Support.Dell.com |
| Web site hosting to provide small business with own website and web storefront | www.DellEWorks.com |
| Direct online auction for Dell customers | www.Dellauction.com |
| e-Commerce services including reselling | Gigabuys |

Table 1.7

Continued

| Service | Name |
|---|-------------------------------|
| Automated detection, diagnosis and resolution through Internet | Resolution assistant |
| Dell/Ariba alliance to create inexpensive tools for B2B e-commerce | Dell B2B marketplace exchange |
| Custom factory integration service and custom-built factory-installed solutions | DellPlus |
| 'Brick to Click' works with dot.coms to improve business efficiency for SMEs starting in e-commerce | Dell consulting |
| Equity and incubation services for early-stage Internet companies | Dell ventures |

Sources: 1. www.dell.com (accessed 12 Dec 2006)
 2. *Business Week* 'What you don't know about Dell' (3 Nov 2003) 46–54
 3. Dell, M. S. and Fredman, C. (1999) *Direct from Dell* London: HarperCollins

Discussion Questions

- 1 Given the company background above, are you surprised by Dell's move to personal salespeople and sales teams for business customers? Analyse the pros and cons in their strategy.
- 2 Draw a scenario of how you would perceive a working day for a Dell sales representative.
- 3 Discuss some of the issues integrating salespeople with other functions within the organisation.

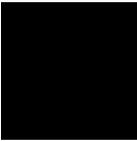
Key terms

- market segmentation
- marketing concept
- marketing mix
- personal selling
- product positioning
- sales management
- sales force interfaces
- salesmanship
- selling environment
- strategy
- tactics

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