Case 5-1

Peggy Leisering, sales representative for Aquaflex Corporation, is calling on Mark Grassman, optometrist and owner of Eyewear Professionals in Aspen, Colorado. Peggy wants to convince Mark of the merits of carrying extended-wear contact lenses in his store.

Peggy: Mark, I'd like to talk to you about our new line of extended-wear contact lenses. I'm sure you've heard something about them.

Mark: Yes, I have. Only last week, I read an article in *Ophthalmologist' Quarterly* about some studies being done and . . .

Peggy: Good! Then you know about some of the advantages of extended-wear contact lenses for your customers—the fact that they offer improved visual acuity, fit, and durability.

Mark: Yes, fit certainly is important. I . . .

Peggy: Yes, it is. And customers are really happy about their improved vision, if they are used to hard contact lenses. Not only that—many people who were always afraid of contacts are now interested.

Mark: I'm sure that's true.

Peggy: To make carrying our lenses attractive to you, Aquaflex is offering some really competitive marketing programs. We're offering a consignment program with built-in discounts to improve penetration among large-volume practitioners who fit 10 or more pairs of extended-wear lenses a month.

Mark: Consignment program?

Peggy: Yes, I knew you'd be excited about the possibilities. Additionally, Aquaflex has established a VIP program for large purchasers of extended-wear contact lenses. This program will really save you money.

Mark: That sounds fine. Tell me, what experience have other optometrists had with the extended-wear lenses?

Peggy: Just great! They're happy with the profit margins and sales volume especially.

Mark: And their customers have had good experiences with the lenses?

Peggy: Excellent reports. Can I put you down for an order?

Mark: Well, I'm kind of busy today. Can you leave some material that I can read and then get back to you?

Peggy: Sure, I've got some right here in my briefcase. Can we set up an appointment in the near future?

Mark: Well, I'd better call you. You know how business is.

Questions

1. What evidence is there in the dialogue that Peggy has much to learn about communication? Is she a good listener?
2. Rewrite the dialogue to show how you think Peggy should have handled matters.

Case 5-2

James Grunloh, sales representative for Appleton Office Supplies Company, has just entered the office of Bob Croze, office manager for Old Orchard Candle Makers. James, who has just graduated from college and begun selling for Appleton, is dressed in a two-piece brown suit. As James enters the office, Bob, a large man about 50 years old, sits behind a large wooden desk with his arms and legs crossed.

James (walking around Bob's desk to extend his hand): Good morning, Bob. It's a pleasure to meet you. How are you today?

Bob: Fine, just fine. You're a little late.

James: Just five minutes. I got delayed at the bank.

Bob (rubbing his nose with his index finger and crossing his arms and legs): Well, okay. What can I do for you?

James: I'm here to tell you about our new office forms. I think you'll be quite pleased with them.

Bob: Before you go any further, let me tell you that we've just placed an order with one of your competitors.

James (crossing arms and legs, his voice increasing in speed and pitch): I'm sorry to hear that. You should have waited until we got here. Appleton's prices have just been lowered by 10 to 20 percent.

Bob (uncrossing arms and legs and stroking his chin): They have?

James (buttoning his coat and starting to rise): Well, I guess it's too late if you've already placed the order. Next time, give us a chance, will you?

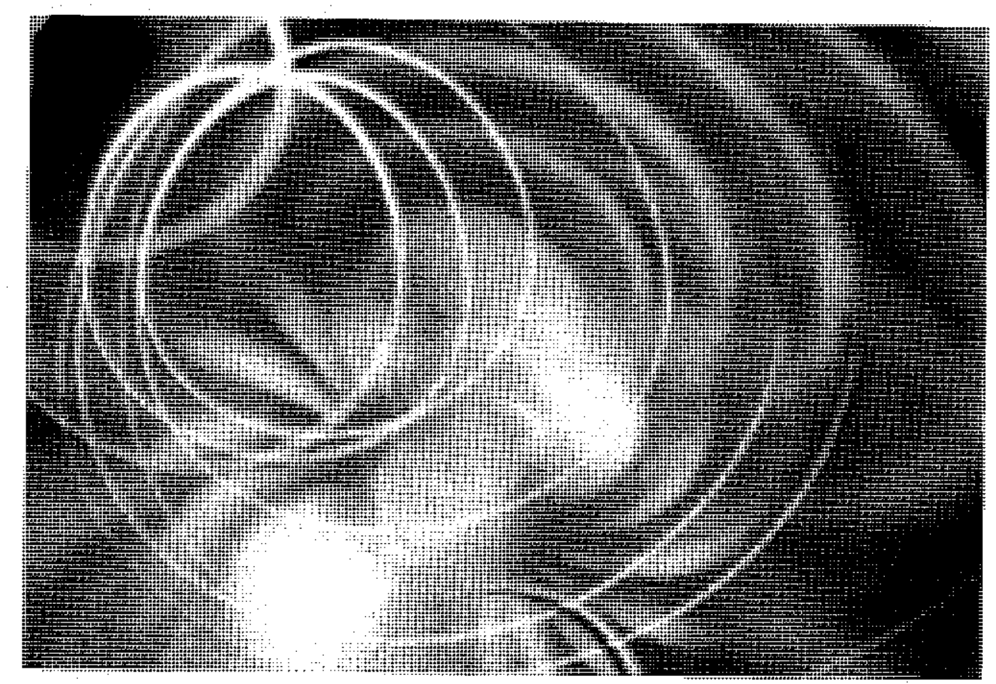
As James leaves, Bob sits at his desk with his elbows propped on his desk and holds both hands together in front of his mouth.

Questions

1. What mistakes in his own nonverbal behavior has James made?
2. What nonverbal cues in Bob has James failed to recognize?

Chapter 6

Beginning the Relationship Selling Process



Key Terms

after-marketing	customer-orientation	F.O.B. plant (or F.O.B. origin)
allowances	C.W.O. (cash with order)	just-in-time (JIT)
assurance	dependability	likability
benefit	discounts	list price
candor	discrete transaction	quantity discounts
cash discounts	empathy	reliability
C.B.D. (cash before delivery)	E.O.M. (end of month)	tangibles
C.O.D. (cash on delivery)	feature	trade discounts
competence	F.O.B. destination	

Outline

Learning Objectives

Learning Objectives

After studying Chapter 6, you will understand:

- The definition of relationship selling
- Why it makes sense
- Differences between transactional and relationship selling
- How to create "value-added"
- Critical relationship variables
- The process of relationship selling
- Successful after-marketing
- The basic principles of relationship selling
- Important elements of precall preparation with regard to industry, company, product, customer, and competition
- How to conduct a target market analysis

This chapter presents opportunities to integrate material already covered and to outline the future course of the text. Until now, the discussion has centered on presenting necessary background information for sales representatives. In the course of the discussion, an approach to selling emphasizing interaction, two-way communication, and relationship-building has been implicit. With sufficient background material, it is now time to present a formal statement of the relationship philosophy of selling. This statement will compose the first portion of the chapter, and it is followed by a discussion of the first step in the process, precall preparation.

6-1 Definition of Relationship Selling

As we explained in Chapter 1, a new term has been introduced into marketing terminology, *relationship marketing*. Although some might argue that customer relations and after-sale service have always been critical, there is a fresh recognition of the value of maintaining a long-term relationship or partnership with certain customers. Though really an extension of the marketing concept (the basic idea is to understand and solve a customer problem and you've already deepened the relationship), it has only recently become a driving marketing focus. The traditional focus has been a transactional one, emphasizing getting the sale and mostly ignoring the period afterward. The traditional assumption of the selling organization after the sale is that the product will not break down during the warranty period and, hence, little follow-up will be needed. Although some after-sale communication might have occurred, it is nothing compared to what is expected in relationship management. Relationship marketing goes further than sellers have ever gone to bind the buyer and seller together for the long term. In relationship management, buyer and seller are not viewed as opponents, but as partners. The payback? One study estimates that a decrease in the customer defection rate by 5 percent can boost profits by 25 percent to 85 percent.[1] Accordingly, relationship marketing is defined as

> Long-term agreements between buyers and sellers that reduce conflict and promote mutually beneficial ties between two firms. Using purchasing partnerships, buyers are supposed to receive a continuous stream of quality products and services, while suppliers are assured of a significant portion of buyers' orders. The relationship enables the partners to plan requirements on a mutually beneficial time schedule with mutually satisfactory pricing.[2]

6-2 Comparing Transactional and Relationship Selling

Perhaps the best manner in which to explain this significant shift in thinking of customer relationships is to contrast it with transactional marketing. Table 6-1 outlines these differences.

As indicated in Table 6-1, it is useful to think about possible marketing approaches or strategies along a marketing strategy continuum. Relationship marketing is placed at one end of the continuum. Here, the general focus is on building relationships with customers (or other parties as well, although only customers are discussed in this context). At the other end of the continuum is transaction marketing, where the focus of marketing is on one transaction at a time. Transactional marketing revolves around creating single transactions or exchanges at a time and not around building long-term relationships.[3]

To draw a complete contrast, it is necessary to draw a distinction between transactions (in particular, discrete transactions) and relational exchange:

Table 6-1 A Comparison of Transactional and Relationship Selling

Strategic Element	Transactions	Relationships
Timing	Short-term	Long-term
Dominant quality dimension	Product quality	Quality of interactions
Price elasticity	More sensitive	Less sensitive
Obligations	Offers and claims regulated by law	Primarily promises between parties plus customs and laws (i.e., self-regulation)
Expectations for association	Little, unless failure	Any conflicts of interest balanced by trust and efforts at unity
Primary personal relations (i.e., social interaction and communication)	Minimal	Important personal, noneconomic satisfaction derived
Cooperation	No joint efforts	Joint efforts
Planning	No future anticipated	Detailed planning for future exchange
Measurement of performance	Little, if product works	Significant attention to specifying, quantifying, and measuring all aspects of performance (including service)
Power (imposing one's will on others)	May be exercised until obligations met	Interdependence
Division of benefits and burdens	Sharp division	Likely to include some sharing over time
Emphasis in selling process	Closing	Problem recognition
Personnel involvement	Marketers and buyers	Integration of personnel from many functional areas
Importance of internal marketing	Minimal	Critical

Sources: Adapted from C. Gronroos, "The Marketing Strategy Continuum: Towards a Marketing Concept for the 1990s," *Management Decision,* 1990, pp. 3, 9; Youngme Moon, *Interactive Technology and Relationship Marketing Strategies,* Boston: Harvard Business School Publishing, 1999; F. Robert Dwyer, Paul H. Schurr, and Sejo Oh, "Developing Buyer-Seller Relationships," *Journal of Marketing,* April 1987, pp. 11–27; Thomas Wotruba, "The Evolution of Personal Selling," *Journal of Personal Selling and Sales Management,* Summer 1991, pp. 1–12; B. A. Weitz and K. D. Bradford, "Personal Selling and Sales Management: A Relationship Marketing Perspective," *Journal of the Academy of Marketing Science,* Vol. 27, No. 2, April 1999, pp. 241–254.

Discrete Transactions

discrete transaction
Money on one side and and an easily measured commodity on the other. No further interactions between buyer and seller are expected over time.

The prototype of a **discrete transaction** is money on one side and and an easily measured commodity on the other:[4]

> Discreteness is the separating of a transaction from all else between the participants at the same time and before and after. Its [pure form], never achieved in life, occurs when there is nothing else between the parties, never has been, and never will be.

Note that relational elements are explicitly excluded. A one-time purchase of unbranded gasoline out of town at an independent station paid for by cash approximates a discrete transaction.

Relational Exchange

Discrete transactions are differentiated from relational exchange along several dimensions. Most important is the fact that relational exchange occurs over time; each transaction must be viewed in terms of its history and its anticipated future. The basis for future collaboration may be supported by expectation assumptions, trust, and planning. Relational exchange participants can be expected to derive complex economic, personal, and noneconomic satisfactions and engage in social exchange. Because duties and performance are relatively complicated and occur over an extended time period, the parties may direct much effort toward carefully defining and measuring the items of exchange.[5]

Consistent with the preceding discussion, another example of a discrete transaction would occur when a consumer might buy peaches at a farmer's market or a grocer may buy bags in quantity from any of several sources. The products can be easily evaluated, paid for with cash, and carted away. There is no prolonged negotiation, paying by cash ends the transaction, and mutual dependence quickly ends.

Relational aspects begin to appear when the buyer pays by check or the seller schedules delivery by next week. That is, dependence is extended, performance is less straightforwardly evaluated, uncertainty leads to protracted communication, the beginnings of cooperative planning and anticipation of conflict arise, and expectations of trustworthiness may be implied by personal characteristics.[6]

More extended relationships enable companies to design services that differentiate their offerings and attract long-term customers. Bandag, which sells truck-tire retreads to more than 5,009 dealer-installers, offers extensive extra services. For example, it assists dealers in filing and collecting on warranty claims from manufacturers and will soon begin offering comprehensive fleet-management services to its largest accounts. Bandag plans to embed computer chips in the rubber of newly retreaded tires to gauge each tire's pressure and temperature and to count its revolutions. That information will enable the company not only to tell each customer the optimal time to retread each tire (thus reducing downtime caused by blowouts) but also to help it improve its fleet's operations.[7]

Respecting the strategic elements in Table 6-1, timing differs depending on where on the continuum a firm is. As transaction marketing means that the firm focuses on single exchanges or one transaction at a time, the time perspective is rather short. The unit of analysis is a single market transaction. Profits are expected to follow from today's exchanges, although sometimes some long-term image development occurs. In relationship marketing the time perspective is much longer, as with Bandag. The marketer does not plan primarily for short-term results. His or her objective is to create results in the long run through enduring and profitable relationships with customers. In some cases, single exchanges may even be unprofitable as such.

For a firm applying a relationship strategy, the traditional marketing mix often becomes too restrictive. Many important customer contacts from a marketing success point of view are the ones outside the realm of the traditional marketing mix and marketing specialists. The marketing impact of the customer's contacts with people, technology, and operational systems and other nonmarketing functions materially determines whether he or she (or the organizational buyer as a unit) will continue doing business with a given firm. All these customer contacts are more or less interactive. Relationship marketing and selling thus involves people who have dual responsibilities. Their main duties are in operations or some other nonmarketing tasks, but they also perform a crucial marketing task because of their vital customer contacts. They have responsibilities as "part-time marketers." This is the case, for example, in most industrial marketing and services marketing situations. A successful interactive marketing performance requires that all parts of the firm that are involved in taking care of customers collaborate and support each other in order to provide customers with good total perceived quality and service satisfaction. Thus, for a firm pursuing a relationship marketing strategy, the internal association between marketing, operations, personnel, and other functions is of strategic importance to success. In relationship marketing, interactive marketing becomes a critical part of the marketing function.[8]

Consequently, part-time marketers have to be prepared for their marketing tasks. Internal marketing is needed to ensure the support of traditional nonmarketing people. They have to be committed, prepared and informed, and motivated to perform as part-time marketers. As Jan Carlzon of SAS noticed, "Only committed and informed people perform." This does not go for the back-office and frontline employees only. It is, of course, equally important that supervisors, middle-level, and top-level managers be equally committed and prepared. The internal marketing concept states that "the internal market of employees is best motivated for service mindedness and customer-oriented performance by an active, marketing-like approach, where a variety of activities are used internally in an active, marketing-like and coordinated way."[9] In transaction marketing, there is not much more than the core product, and sometimes the image of the firm or its brands, which keeps the customer attached to the seller. When a competitor introduces a similar product, which is quite easily done in most markets today, advertising and image may help retain customers, at least for some time, but price eventually becomes a critical issue. A firm that offers a lower price or better terms is a dangerous competitor, because in transaction marketing the price sensitivity of customers is often high. A firm pursuing a relationship marketing strategy, on the other hand, has created more value for its customers than what is provided by the core product alone. Such a firm develops over time more and tighter ties with its customers. Such ties may, for example, be technological, knowledge-related or information-related, or social in nature. If they are well handled, they provide customers with added value, something that is not provided by the core product itself. Of course, price is not unimportant, but is often much less of an issue. Skillful relationship marketing makes customers less price sensitive.

A transactional marketing approach includes no or minimal customer contacts outside the product and other marketing mix variables. The benefits sought by the customers are imbedded in the technical solution provided by the product. The customer will not receive much else that will provide him with added value, other than perhaps the corporate or brand image. Hence, the technical quality of the product is the dominant quality-creating source in transaction marketing.

In relationship marketing, the situation is different. The customer interface is broader and the firm has opportunities to provide its customers with added value of various types (technological, information, knowledge, social, etc.). Hence, how the interaction process is perceived grows in importance. When several firms can provide a similar technical quality, managing the interaction processes also becomes imperative from a broader quality perspective. Thus, in relationship marketing, the perceived quality dimension grows beyond the core product in importance and often becomes dominating. Installing goods, technical service, advice on how to use a physical good or a service, just-in-time logistics, customer-adapted invoicing, technical know-how, information, social contacts, and a host of other elements of bigger or smaller magnitude are added to the relationship, as described in Box 6-1, so that it becomes more attractive and profitable for the customer to engage in an on-going relationship with a given partner in the marketplace. All such elements are different types of services. Of course, this does not mean that product technical quality can be neglected, but it is no longer the only quality dimension to be considered as one of strategic importance.[10]

A typical way of monitoring customer satisfaction and success is to look at market share and to do ad hoc customer satisfaction surveys. A stable or rising share of the market is considered a measure of success and, indirectly, customer satisfaction. When the customer base remains stable, market share is a good measurement of satisfaction. However, often one does not know whether it is truly stable or whether the firm is loosing a fair share of its customers, which is replaced by new customers through aggressive marketing. In such situations, just following market share statistics may easily give a false impression of success, when in fact the number of unsatisfied customers and ex-customers is growing and the image of the firm is deteriorating.

For a consumer packaged-goods marketing firm, which typically would apply a transaction marketing strategy, there are no ways of continuously measuring market success other than monitoring market share. A service firm and many industrial marketers, on the other hand, that can more easily pursue a relationship marketing strategy, have at least some kind of intimate interaction with almost every single customer, even if they serve mass markets. Thus, customer satisfaction can be monitored directly. A firm that applies a relationship-type strategy can monitor customer satisfaction by directly managing its customer base. Managing the customer base means that the firm has at least some kind of direct knowledge of how satisfied its customers are. Instead of thinking in anonymous numbers, or market share, management thinks in terms of people with personal reactions and opinions. This requires a means of gathering the various types of data about customer feedback, which arrives every day; this data is collected by many employees in large numbers of customer contacts. In combination with market share statistics, such an intelligence system focusing on customer satisfaction and customer needs forms a valuable source of information for decision making.

Consequently, in a relationship marketing situation, the firm can build up an online, real-time information system. This system will provide management with a continuously updated database of its customers and continuous information about the degree of satisfaction and dissatisfaction among customers. This can serve as a powerful management decision-making tool. In a transaction marketing situation it is impossible, or at least very difficult and expensive, to build up such a database.

6-3 Rationale for Relationship Marketing

One obvious question at this juncture is why the sudden interest in relationship marketing? The answer is lifetime value. Lifetime value is the sum of the future stream of earnings and other benefits attributable to all purchases and transactions with an

Box 6-1

Ten Ways to Augment the Product for Collaborative Relationships

- *"Pull" promotional programs* can be directed at the customer firm's customers. This might involve trade journal advertisements touting the value of products made from or with the suppliers firm's components.
- *Warranty, maintenance, and repair agreements* can be offered to customer firms to reduce the risk associated with usage of a supplier's products.
- *Cooperative advertising and promotional allowances* can serve the dual purposes of enabling smaller customer firms to advertise regularly and coordinating customer and supplier market communication efforts.
- *Joint sales calls* can be utilized to assist customer firms in developing new markets, or to deal with problem accounts.
- *Coordinated cost-reduction programs* can be implemented to dramatically pare the customer firm's real costs of doing business. Joint material requirements planning (MRP) systems, computer-to-computer order entry systems, just-in-time inventory programs, and statistical process control are some examples.
- *Technical assistance* can be provided to augment customer firm's technical product and application knowledge. Supplier firm technical and production experts can make suggestions on how the customer firm could gain cost savings through substitute materials and alternative production processes.
- *Logistics and delivery systems* can be used to create value. For instance, a manufacturer of paint pigments in "slurry form" rather than in "dry bag" form created greater value for the customer. This enabled customer firms to reduce costs in the production process because they no longer had to emulsify the pigment before use. As a side benefit, the manufacturer was able to gain logistical cost savings because greater quantities of pigments were ordered at a time, and the slurry could be delivered more economically.
- *Computer networking capabilities* can be used to troubleshoot customer problems from a remote location. For instance, a manufacturer of scientific testing equipment uses its network to solve customer problems more quickly. Data and computer software can be downloaded from the equipment on-site and transferred to the manufacturer's simulation computers via telephone interlink. The supplier can troubleshoot the software and make corrections in the case of problems. The corrected software can then be sent back to the customer firm via telephone interlink.
- *Shared expertise programs* in which information is more openly shared between supplier and customer firms is another option. In the marketing area, one manufacturer of chemicals and plastics not only shares information on economic trends with customer firms but also performs market research studies for those customers that lack in-house research expertise. On the technical side, one manufacturing company has a "scientist exchange program" in which its own scientists spend time working in the research and development labs of customer firms.
- *Value-enhancement and codesign programs* can be put in place to upgrade the value of current customer firm products as well as to jointly design new products. Considerable value can be added to the product offering at times simply by a reallocation upstream of processing and production functions. For instance, many steel service centers now perform the functions of stamping doors and window panels for automakers, resulting in a lower overall cost. The assembly of electronic components into modules or boards by electronic component manufacturers is another example of this process.

Source: "Ten Ways to Augment the Product for Collaborative Relationships" from "Partnering as a Focused Market Strategy" by James C. Anderson and James A. Narus, *California Management Review*, Spring 1991, pp. 95–113. Copyright © 1991 by The Regents of the University of California. Reprinted from the California Management Review, Vol. 33, No. 3. By permission of The Regents.

individual customer, discounted back to its present value. As illustrated in Figure 6-1, the longer customers are retained by a company, the more profitable they become because of increased purchases, reduced operating costs, referrals, price premiums, and reduced customer acquisition costs. To this can be added the insights provided, which may result in new capabilities that can be applied to other customers.[11]

As Figure 6-1 indicates, acquiring new sales is more expensive than selling to an existing customer. In one survey, respondents reported that it took an average of seven calls to close a first sale, compared with only three calls to close a sale to an existing account. By multiplying the difference of four sales calls by the average cost of a sales call ($250), we can see that it's more than twice as expensive to land a new account than it is to penetrate an existing account. Specifically, the cost of a sale to a new account comes to $1,750 versus $750 for an existing one, a 235 percent premium on the cost of a new sale over one to an existing account. Moreover, survey participants reported an average of only 17 percent of their companies' sales volume coming from sales to new accounts. That figure isn't surprising when one considers that managers at most firms indicate that the margins accepted "to get a foot in the door" are often lower than those for subsequent sales, making new-account business the least profitable as well as the most expensive. Moreover, additional research indicates that the average company loses half its customers every five years; reducing customer defections by 5 percent can increase profits by 25 to 85 percent; as many as 85 percent of customers who defect say they were satisfied with their current supplier; extremely satisfied customers are six times more likely to repurchase than those merely satisfied; and a satisfied customer will tell five people, while a dissatisfied customer will tell nine.[12]

Figure 6-1 also portrays how consumers use the product or service slowly at first, but as their satisfaction grows, so do their purchases and usage. Moreover, as their purchases rise, operating costs decline. It costs money to process new customers, checking their credit and adding them to the corporate database. Existing

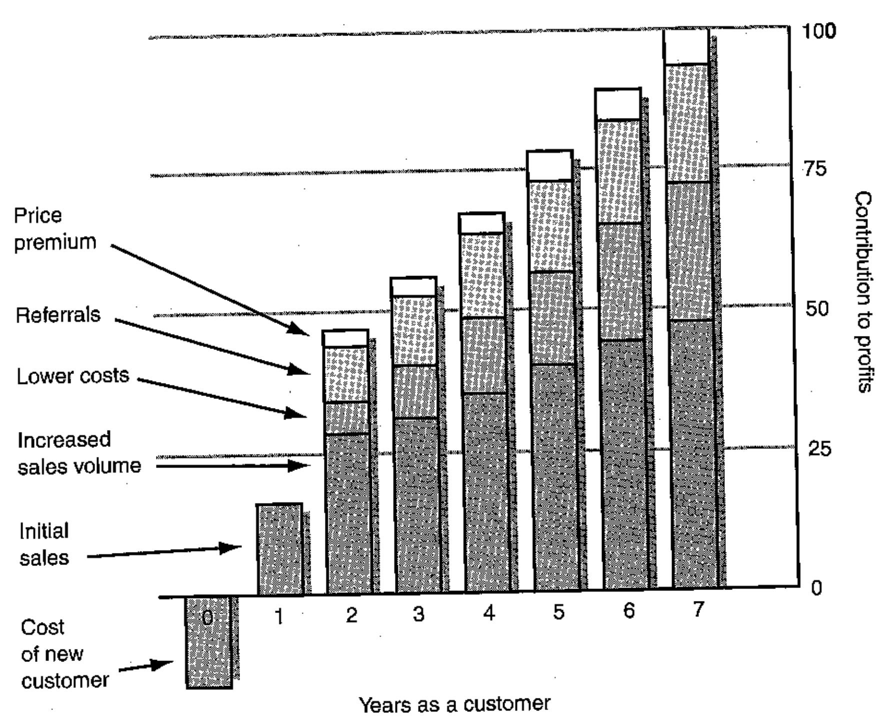


Figure 6-1
Why Loyal Customers Are More Profitable

Source: From "Why Some Customers Are More Equal than Others" by Rahul Jacob, as appeared in Fortune magazine, September 19, 1994, p. 220. Copyright © 1994 Time, Inc. All rights reserved. Used with permission.

customers, in contrast, are only added once. Also, as the seller gains experience with its long-term customers, it can serve them better and more efficiently. Not only do they buy more because of the seller's superior knowledge of them, but they also have fewer questions or problems. Yet a further benefit is the seller's ability to charge more for its products or services. Customers will pay more for a known quantity than risk change to a cheaper but unknown competitor. If satisfied, happy customers also do a lot of talking over the years, yielding many referrals.

Increased customer retention drives job satisfaction among the seller's own employees (i.e., job pride), which leads to higher retention; longer employee tenure, in turn, leads to higher productivity. The very idea of customer satisfaction helps align employees behind a common goal that everyone can understand. One of the biggest hurdles to building customer loyalty is the problem of employee turnover, but high employee retention means a workforce that understands what customers need and has higher productivity. Even in retailing, which typically pays front-line employees minimum wage, companies are rethinking the practice. Home Depot, for example, pays significantly more than the industry average and has been very successful with this approach as an essential element of its marketing strategy and well-publicized success.[13]

Other factors have also accelerated the trend toward relationship selling. Many American firms are adopting Japanese practices such as **just-in-time (JIT)** inventory handling. In contrast to the traditional American practice of competitive bidding for large supply contracts, JIT calls for frequent deliveries with small lot sizes synchronized with manufacturer production schedules. Often, deliveries are made right from the truck or boxcar to the assembly line. In such a system, there is little tolerance for defects, and closer ties between manufacturers and their suppliers is the rule. The traditional adversarial relationship between supplier and customer must be replaced by a partnership philosophy. It is not possible for the JIT producer to work with multiple materials or parts suppliers; rather, one or a few suppliers virtually integrate their own order systems with the production schedules of the producer to make the requisite frequent deliveries of JIT. Producer and supplier must have an intimate knowledge of the needs and capabilities of one another. The salesperson has to manage the relationship of his or her company's design engineers, quality assurance engineers, and production personnel with those of the buyer. Without backup stock to replace defective parts, there is little room for error in JIT; the supplier must approach near-perfect quality consistently. This has often assumed more importance than price in the vendor selection decision.

just-in-time (JIT)
Frequent deliveries with small lot sizes synchronized with manufacturer production schedules.

As illustrated in Figure 6-2, the impact of JIT has been to drastically reduce the number of suppliers with which companies do business. Companies around the country are cutting back the number of suppliers they use by as much as 90 percent. Motorola has cut its 10,000 company supplier base by 70 percent and is still slashing. Xerox has reduced its supplier base to about 500 (from 5,000) and has seen its reject rates on parts go down by a factor of thirteen. Companies are demanding higher levels of service and product quality from the survivors, and they are willing to pay a premium on the theory that getting things right initially is cheaper in the long run.[14]

Of course, another driving force between forming relationships has been globalization. Recognizing the more rapid growth overseas, many companies have found it less costly and more profitable to forge alliances with foreign partners. Besides minimizing costly investments, foreign partners know their markets more intimately, reducing the risk for American companies.

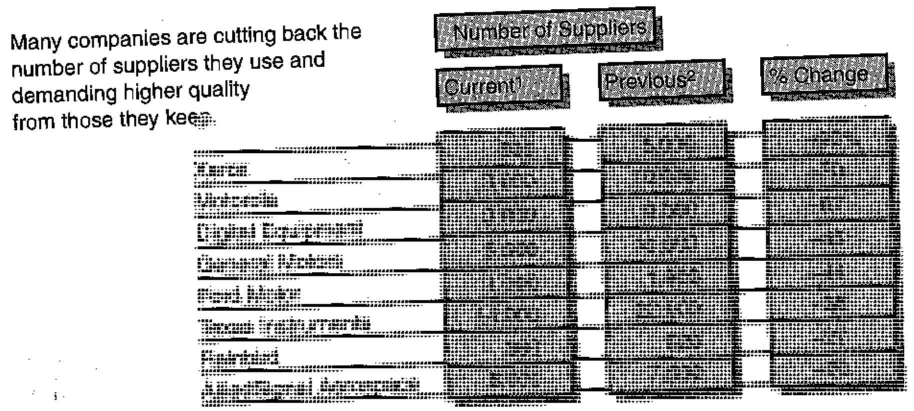


Figure 6-2
Diminishing Suppliers
Source: John R. Emshwiller, "Suppliers Struggle to Improve Quality As Big Firms Slash Their Vendor Rolls," *Wall Street Journal,* August 16, 1991, p. B1.

1Companies have different ways of counting their supplier base. For example, some count only direct manufacturing suppliers, while others count service and support suppliers.

2Number of suppliers firm had prior to starting reduction programs.

6-4 A Theory of Relationship Selling

Some people, including many practicing salespeople, maintain that selling cannot be taught; it must be learned through hard work and experience. Certainly, experience can teach much about selling, but it is not the only teacher, or even conceivably the best.

6-4a Why a Theory of Selling

Experience is a good teacher for salespeople, as long as a framework has been provided against which to assess performance. Any salesperson who learned to sell exclusively through observing others knows how difficult this can be. Unless the student already knows what to look for, mere observation will provide limited information. Frequently, practicing salespeople themselves do not know the reasons for their success, which of course makes it difficult to teach anyone else.

The need for a theory of selling is analogous to a sharpshooter's need for a means of marking the target. A sharpshooter may fire thousands of rounds at a target but never improve; he or she might even get worse. If a flag is raised after each shot, however, the necessary adjustments can be made and the score improved. Salespeople, like sharpshooters, need a method of determining whether they have hit the target. Even if it is less than perfect, a theory or philosophy of selling gives salespeople a target at which to aim and a means for assessing their performance. If they miss with one call, they can determine what went wrong and adjust their technique the next time around.

6-4b Principles of Relationship Selling

Relationship selling is not a series of mandatory sequential steps that must be followed religiously to final success. Rather, it is a philosophy of selling: a fundamental, comprehensive way of dealing with clients. This is not to say that there is an absence of formal tactics with relationship selling; to be sure, there are objections-handling techniques, closing techniques, and the like. But the essence of relationship selling is a philosophy the salesperson should internalize and use as a general guide in all dealings with clients. As such, relationship selling includes the following basic principles:

1. What does the sales rep have to do in terms of specific words and actions to establish a relationship with a client? As mentioned in Chapter 5, the key is trust. The fundamental reality in a relationship is that the client is dependent on what the salesperson has said or promised. The buyer faces risk if what the salesperson has said turns out to be false or what is promised is not delivered. If a vendor has been selected as the sole supplier in a just-in-time manufacturing role, failure of the supplies to arrive on time will result in shutting down the production line, a very expensive proposition for both the manufacturing organization in general and the decision maker(s) who selected the vendor. Table 6-2 enumerates detailed techniques for eliciting trust on the part of the buyer. They are: **candor, dependability, competence,** a **customer-orientation,** and **likability.**[15]
2. Relationship selling is participative. Many salespeople and their managers view selling as a conflict between buyers and sellers, with salespeople using superior strength and determination to impose their wills on their customers. They see selling as a struggle that the salesperson must win. When salespeople use this approach, it is no wonder that many customers become defensive and refuse to buy, even if it is in their best interests.

   Relationship selling sees the salesperson's task as fundamentally different. Psychology suggests that the greatest pressure for change comes from within the individual. Once people recognize the existence of certain needs, they begin to act to satisfy those needs. Until individuals have gained insight into their needs and problems, even the most effective sales

Table 6-2 Building the Relationship: "The Five Trust-Builders"

Candor: (Words)
- Your presentations are balanced and fair (e.g., product limitations as well as advantages are discussed).
- What you say agrees with what the buyer knows to be true.
- The proof you use to support your words is credible.
- Subsequent events prove your statements to be true.

Dependability: (Actions)
- Your actions fulfill your prior (verbal) promises.
- Your action fits a pattern of prior dependable actions you have established.
- You refuse to promise what you can't deliver.

Competence: (Ability)
- You display technical command of products and applications (i.e., you are accurate, complete, and objective).
- You have the skill, knowledge, time, and resources to do what you promise and what the buyer wants.
- Your words and actions are consistent with a professional "image."

Customer-Orientation: (Intent)
- You understand the buyer's needs and place them on a par with your own (and your organization's).
- You give fair and balanced presentations (pros and cons) and clear statements of benefits.
- You advise rather than "sell." (You won't push a product the buyer doesn't need.)

Likability: (Personality)
- You make efficient use of the buyer's time.
- You are courteous and polite.
- You and the buyer share and talk about areas of commonality: goals, interests, even comparable intelligence. This extends to nonbusiness topics.

Note: There is an emotional component to likability that is difficult to define.
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candor
Your presentations are balanced and fair (e.g., product limitations as well as advantages are discussed).

dependability
Your actions fulfill your prior (verbal) promises.

competence
You display technical command of products and applications (i.e., you are accurate, complete, and objective).

VIDEO

customer-orientation
You understand the buyer's needs and place them on a par with your own (and your organization's).

likability
You and the buyer share and talk about areas of commonality—goals, interests, even comparable intelligence; this extends to nonbusiness topics.

presentation will fall on deaf ears. The salesperson who seeks to dominate customers may find them so busy resisting domination that they have little time to think about their needs. So with relationship selling, the salesperson encourages prospects to talk so they can uncover their own needs. Problems do not get solved by salespeople; they are solved by the person who has the problem. The salesperson may support the prospect in this process by offering encouragement and suggestions for solutions, but the basic pressure for change comes from within buyers themselves. A salesperson will have difficulty telling customers to buy because of features and benefits. However, prospects who have been helped to discover the features and benefits for themselves are much more likely to respond favorably. People like to buy; they do not like to be sold.

A participative approach to selling is advantageous from another standpoint—that of attention. The more that people participate in the communication process, the easier it is for them to be attentive. When you are just listening to a speaker and have no opportunity to respond, how long is it until your mind begins to wander? How often does this happen to you in class, for example?

VIDEO

3. Relationship selling encourages active listening and questioning. Telling prospects what they need doesn't work; instead, prospects must be encouraged to talk. The salesperson does this through active listening. To discover a prospect's needs, the salesperson listens carefully, makes a tentative conclusion, and tests carefully with a question. Through nonverbal and verbal feedback—positive, neutral, or negative—the salesperson appraises an initial conclusion and readjusts if necessary. In this manner, as imperfect as it may be, prospect needs are discovered.

In the traditional transaction-oriented approach to selling, much effort is expended on closing. In relationship selling, most of the sales call is spent solving the customer's problem, and only with active listening is there a suspension of the salesperson's own thoughts and feelings and complete attention to the prospect's. This means not thinking about what to say next but attempting to understand the prospect's needs, problems, and emotions. Which of the following responses by the salesperson illustrates active listening?

Prospect: What I really need is a way to reduce downtime due to equipment breakdowns. You can't imagine how many hours I've stayed late because of this.

Salesperson: Yeah, I can understand that. Let's see, uh, let me explain the third feature of our product, its ease of operation. (I wonder if I can still get lunch reservations at Le Bistro?)

or

"Could you tell me more about the sort of machine breakdowns you've had that caused excessive downtime? What sort of design changes would you want in a new machine?"

Prospects often are unaware or unsure of their needs. Without the aid of salespeople, how many life insurance buyers would be certain about their insurance needs? How many homeowners would know, without help from a salesperson, whether they needed a lawnmower with a rear bagger, electronic ignition, and mulcher? Through tentative listening and careful questioning, the sales representative can determine buyer needs, help buyers recognize those needs, and crystallize the needs so that both salesperson and prospect agree on them.

Different selling skills are emphasized in transaction (i.e., traditional) versus relationship selling. In the traditional approach, salespeople are expected to move and persuade the buyer. Hence, verbal skills are stressed. In the relationship approach, salespeople are problem-solvers; listening and analytical skills are preeminent.

4. Relationship selling is buyer-oriented. Interactive salespeople are people-oriented rather than product-oriented. They recognize that people do not buy the product for itself but for what it will do for them.

This means that the sales representative must translate product facts into people benefits. Witness the following two exchanges between parent and child, and see how the parent uses this principle in the second instance.

Exchange 1:

Parent: Johnny, take this medicine. It will help your cold!
Johnny: No!

Exchange 2:

Parent: Johnny, take this medicine so your cold will go away, and you'll be able to go back outside and play with your friends.
Johnny: Okay.

A buyer orientation implies that salespeople must be sensitive to buyer behavior. They must be able to recognize prospects' needs and demonstrate how the product resolves these needs or problems.

5. Relationship selling is empathetic. A story about Ben Duffy, the legendary life insurance salesperson, helps illustrate the meaning of empathy. As a young sales representative, Ben made an appointment at a large company to discuss its insurance needs. As might be imagined, Ben was apprehensive the night before the call, so he sat down and asked himself, "What questions would I have of any insurance agency before I hired them?" Responding to his own question, Ben proceeded to write down the questions he would ask if he were in the buyer's position. The next day, Ben explained to the prospect's president what he had done the previous evening. As it turned out, the president had prepared his own list, and, in comparing it with Ben's, the two men found few differences between the two lists. To make a long story short, the net result for Ben was a $12 million contract.

As with Ben, relationship selling requires that salespeople go beyond merely understanding customer needs and put themselves mentally in the customer's place. This projection will be evident in the salesperson's manner and words, something that cannot help but be noted by buyers, who will develop a feeling that the salesperson understands them and their problems and cares for their needs. To a great extent, people buy not so much because they understand the product but because they feel understood by the salesperson. Empathy is not without its costs to the salesperson, however. To develop empathy, salespeople must agree to themselves, "I will never sell customers a product or service they don't need." This might cost a few sales in the short run, but the salesperson will have more success in the long run and feel better about it. Sales representatives are often afraid to ask for an order because they feel they are deceiving the buyer. However, if they have contracted with themselves never to sell an unneeded product, then they won't experience this self-doubt.

A story helps to illustrate this point. Julie Yunowich, a paper tissues sales representative, called on a little grocery store in northern Michigan for the first time and explained a promotional offer on tissue. The buyer ordered twice as many rolls as Julie felt were needed, but rather than tell the buyer outright that he was wrong, Julie placed the order for only half as many rolls. When Julie made her second call, the buyer exclaimed, "I'm sure glad your company shipped short on me. I'd never have sold what I ordered." Julie then explained what had really happened. As a result, competitive salespeople don't receive the same treatment Julie does at that store—or the same amount of business!

6. Relationship selling requires maturity. Salespeople must understand and accept themselves. Whenever people become less concerned with themselves, they become more concerned with others. Our ability to perceive is in inverse proportion to how much we worry about ourselves. If we are unnecessarily afraid, worried, anxious, or concerned about ourselves, we have little time to perceive what is happening around us.

   A mature approach to selling further requires an uncritical approach by the salesperson. Most of us have a tendency to judge others from our point of view rather than to try to understand them from theirs. Often this leads to criticism, because from our perspective their decisions make little sense.

7. Likability is critical to the establishment of a relationship. This means being courteous and polite (not dominating, as recommended in much classic selling literature), making efficient use of the buyer's time, and ascertaining common ground. Research has demonstrated again and again that commonality of interests facilitates communication and friendship. Be personally interested in customers, not just as commodities or business partners. Find out their hobbies and interests. The more you take an interest in your customers, the more impressed they'll be by your selflessness and genuine caring. Advises one veteran sales rep:[16]

   > To encourage a lasting, profitable relationship, I always strive to learn more about my customers on a strictly personal level. With this in mind, I have found it tremendously effective to ensure that at least every third phone call to my accounts is not business related, but simply a call to see how the person—not the account—is doing. Encourage your customers to talk about their families, hobbies, and activities outside their office. Even the busiest buyer welcomes this brief social call, and we both enjoy discovering each other's outside interests. An unexpected benefit: a much greater percentage of my first phone calls are accepted, virtually eliminating unnecessary "phone tag."

   Individuals among the partners may obviously develop strong personal friendships that tend to hold the relationship together. Studies have demonstrated that buyers and sellers who have strong personal relationships are more committed to maintaining the relationship. *Social bonding* is defined as the degree of personal friendship and liking shared by buyer and seller.

   The professional relationship salesperson will recognize these factors crucial to a relationship and use them to select prospective partners, establish the relationship, build upon it, and enhance it. In the long term, relationship salespeople will satisfy themselves, both monetarily and personally, and their companies; transactional salespeople will find it difficult just to "run in place." They'll always find themselves frenetically prospecting for new accounts, engaged in threatening competition, and being stressed to meet the needs of ever more demanding accounts. To secure the benefits of long-term customer relationships, sales reps develop the relationship intelligently, making use of the critical relationship variables.

8. Deliver impeccable service and resolve problems quickly. Use problems as an opportunity to demonstrate your company's customer service talents. Problems separate good companies from great ones, not just by the infrequency of mistakes, but response time and attention to resolving problems to client satisfaction. Has your company set up systems to correct problem situations quickly?

   Ask for feedback on service. Let your customers tell you how your service measures up and where you need to improve. Oftentimes, your employer will do this; if not, make sure that you do.

   Go out of your way to provide good service. "It was a cold, icy, January morning when a customer called our office in a panic," recalls David Lubetkin, president of Industrial Edge USA, an apartment house supplier in Orange, New Jersey. "He urgently needed 60 pounds of rock salt to be delivered to one of the properties his company manages—100 miles away in Pennsylvania. We had a good supply of salt, but our trucks were already on the road. None were due back before 8 or 9 P.M." So Lubetkin and company CEO Stephen Weintraub rented a truck and made the delivery themselves. Averaging 20 miles per hour through the ice and snow, a typical 1½ hour drive turned into a 4½ hour icy crawl. They dropped off the salt and drove back for an even longer ride. The two executives left their office at 11:30 A.M., and didn't return until 10 P.M.[17]

9. Real relationship selling means delivering more than what's been promised; that is, value-added is part of that relationship. For Jeff Multz, director of sales and marketing at Firstwave Technologies, Inc., a web-based customer relationship management firm in Atlanta, hanging onto customers is simple, even in the notoriously saturated customer relationship management (CRM) market. "It's so basic, it's scary," he says. "We find out what our customers' needs and wants are, and then we overdeliver." At Firstwave, overdelivering on a deal typically means doing small but meaningful favors, such as issuing software upgrades to existing clients before they are requested or fulfilling orders earlier than expected. Multz also pushes salespeople to heavily research customer needs, document what they find, and use that information to manage a long-lasting relationship with the client. "Customers rarely see delivery in abundance because we all seem to live in a land of mediocrity," Multz says. "To keep our customers, they need to feel like they're getting a $1.50 back for every dollar they spend." For Multz's sales force, giving back more means going beyond expectations, like promising product delivery in a month and then sending it in a week, for example. "Our reps understand that they're not in sales—they're in service," he says. "They can't push to sell now. They have to create relationships instead."[18] At Toll Company in Minneapolis, Tony Litwinchuk oversees 12 salespeople who sell oxygen, nitrogen, and argon, the kinds of compressed gases that stock hospital intensive care units and power steel cutters. "If we go ahead and just sell our commodity, then the competition will come in with the lowest price and just eat us up," Litwinchuk says. That's why in addition to selling pressurized air, Litwinchuk's reps focus heavily on customer care, teaching clients about new applications for the products and sometimes referring customers to technical service agents when they have more complex problems.[19]

VIDEO

The points mentioned here describe the philosophy of interactive selling. Later, this philosophy will be described in more detail with suggestions for implementing it at each stage of the selling process.

6-5 Precall Preparation

In Chapter 1, "The Role of Personal Selling," we outlined the seven steps in the selling process: preparation, prospecting, approach, problem recognition, presentation, handling objections, and closing. Some might question making precall preparation the first step in selling, but the fact is that preparation is critical to communication. Interactive selling requires the salesperson to have some prior general understanding of the prospect's potential needs and problems. Otherwise, formulating questions to determine specific individual needs becomes very difficult. Precall preparation also assists in developing empathy. Effectively putting oneself in the customer's place requires in-depth knowledge about industry, company, product, and competition. Often salespeople are astonished when the prospect refuses to buy following what they consider to have been an outstanding presentation. If they were able to put themselves in the customer's position (which precall preparation helps them to do), they would better understand the reaction and be prepared to begin anew.

Precall preparation is important from another standpoint. It allows the sales representative to present a more credible image. We stated earlier that trust (which is the foundation of customer relationships) depends on the salesperson's candor, dependability, competence, customer-orientation, and likability. The last three of these especially relate to precall preparation. Demonstrating competence demands technical command of products and applications, much of which is learned before the call ever takes place. With today's increasingly technical products and services, sales reps are unlikely to pick up knowledge "on the fly." Sure, observing applications is important, but there is no substitute for disciplined study. Salespeople who are knowledgeable will always have the advantage, because they will be believed. The salesperson who fails to prepare will make few sales. For example, how do you feel about retail sales clerks who know little about the suit, shirt, or blouse they are trying to sell you? The conclusion is evident: There is no substitute for competent product knowledge. Another aspect of trust-building is customer-orientation. Again, precall preparation is essential here. Even with an identical product, application by industry and customer can be dramatically different. The manner in which a computer is used in manufacturing—forecasting, materials requirements planning, inventory control—is entirely different from its use in a financial institution—tracking checks, savings accounts, loans, or trust accounts. Even though he or she might know the equipment, the sales rep well versed in manufacturing would have a difficult, if not impossible, time conversing with a customer in a financial institution. As respects likability, an important aspect is commonality of interests, both business and nonbusiness. Harvey McKay, owner of McKay Envelope and author of *Swim with the Sharks Without Being Eaten Alive: Outsell, Outmanage, Outmotivate, and Outnegotiate Your Competition,* insists that his salespeople maintain 66 items of information on each client, including educational background, career history, family, special interests, and lifestyle (including vacation habits). Why is this important? To establish a relationship! To say, "We care!" For example, respecting vacation habits, what is going to be the reaction of the outdoors lover who receives a book of photographs of Yosemite by the famous photographer Ansel Adams?[20]

6-5a Know Your Industry

VIDEO

The more that salespeople know about the industry they serve, the better their position to serve customers. Customers view a good sales representative as a source of valuable sales information, because they are often too busy to keep abreast of changes themselves. Without pharmaceutical detail people, how would doctors find time to learn about new drugs and new techniques? Without the computer sales representative, how would users learn about the availability of new hardware and software? To accomplish this, salespeople must have an intensive knowledge of their industry. This requires knowledge of all the forces that may affect it—legal constraints, technology, customs, attitudes, and economic conditions and expectations. For example, knowing that the government requires automobiles to meet certain minimum mileage standards will help the aluminum salesperson convince auto manufacturers to use more aluminum than steel in the assembly process, because the weight saved will assist in meeting these standards. An understanding that supermarkets are losing business to fast-food chains will assist trade sales representatives seeking shelf space for their gourmet, microwaveable pasta dishes, ready to eat within minutes. As fast-food restaurants draw people away from cooking at home (and buying at the supermarket), smart salespeople will persuade grocery store managers that stocking such products will bring in traffic that might otherwise be lost to eating out. The greater their industry understanding, the more these sales representatives will be seen as consultants by customers.

Industry knowledge is valuable in another respect. Unless the sales representative works for a large company with a wide product line, it is usually impossible to be competitive with all customers. The needs of the mass market are so diverse that no one product or service will appeal to all parties. Seven Up does not try to do head-on battle with the leading cola brands; it seeks buyers among those who desire a noncola soft drink. Apple Computer does not attempt to compete for the Windows-based PC market; it concentrates on a graphics and multimedia niche. While such firms as Canon, Sharp, and Ricoh battle it out in the low-end fax machine market; Pitney-Bowes found a profitable niche among corporate clients for higher-end fax machines. In contrast to cheap faxes, Pitney-Bowes integrated fax equipment with other office technologies, such as computer networking and voice processing. Then it developed features that permit users to store up to 1,200 pages of text and 1,000 telephone numbers in the fax machine, giving customers the capability to send time-sensitive information whether it's short items, such as inventory and shipping data, or long text, such as technical reports.[21] The managers of ScrubaDub, a small family-owned chain of car washes in the Boston area, sought to determine its target market. Upon reflection, they decided their target market was upscale ($85,000 annual income), lived close to one of their outlets (within 3 miles), and owned new cars (3 years or newer). By redesigning their business to provide precisely what this target segment wanted—personalized service, guarantees, an attractive environment—ScrubaDub has grown to become one of the top 20 car-wash operations in the United States.[22] Smart sales representatives, like those for Pitney-Bowes, will take the time to sit down and analyze which of their potential customers are most likely to buy. There is no sense wasting time on prospects who have little interest in the salesperson's products. Professional salespeople will identify a target market or group of customers with a set of characteristics that makes them especially likely to buy the salesperson's product or service.

6-5b Know Your Company

When competing products and services are just about equal, often the salesperson with the most knowledge about his or her company is the one who gets the order. By knowing the special credit terms, shipping procedures, and merchandising assistance his or her company provides, this salesperson is able to offer a total package of greater value than that of a competitor with an essentially equivalent product.

It is also true that many times customers do not have the expertise to judge the quality of a product directly. In these instances, the reputation of the manufacturer may be the critical factor in the sale. In the financial industry, for example, comparing the quality of various funds may be so difficult that buyers base their ultimate decision on the vendor's reputation.

Company reputation is not the sole factor in every buying situation, but its importance is not to be ignored. Sales representatives should take care to study their company's history, finances, policies, and procedures.

Company History

Past performance is valuable in promoting a credible image of the company. If the company is the first to introduce a product or is the largest manufacturer in an industry, these facts should be presented to prospects because they indicate expertise and quality. Being able to present a long and stable company history is another way of demonstrating quality. Successful case histories are also important to relate. If a computer vendor has successfully designed and implemented a reservations system for a major airline, salespeople should be sure to point this out to prospects.

Company Finances

The financial strength of a company can be important to the buying decision. Organizations of questionable financial strength may fail, leaving their customers without a dependable source of supply. However, with financially strong companies—ones with a sound balance sheet and income statement or record of growth in the value of company stock—customers need not worry.

Company Management

One sales manager tells the story of how he lost a sale as a young sales representative by not knowing his company's top management. Calling on a large ball-bearing manufacturer, he was greeted by the company vice president, who asked, "What do you think about the news? Do you know Red at all?" Not wishing to appear ignorant, he feigned knowledge. Upon being pressed for additional information, however, he was finally forced to admit his ignorance of Red. As it turned out, Red, who was an old college buddy of the manufacturer, had recently been named president of the salesperson's company. Needless to say, no order was forthcoming. Although such a scenario is unlikely to transpire often, salespeople should be aware of the top executives in their organizations and the reasons for their having attained their success. An industry leader, a top research person, or a financial wizard can greatly impress a customer. A well-known company president like Bill Gates cannot help but impress potential Microsoft customers.

Company Size

The advantages enjoyed by a large manufacturer are fairly obvious—economies of scale, buying power, ability to work on a smaller margin, and so forth. In contrast, some customers may prefer to deal with smaller concerns, believing that their business will be unimportant to big companies. The salesperson can point out that a small company can bring more personal attention to each order and can specialize in areas where it is most expert. A. Schulman, Inc., a maker of plastics used in such diverse products as furniture, moldings, and auto dashboards, is small compared to industry leaders Dow Chemical, Monsanto, Quantum, and BASF. Yet, Schulman has made its smallness a virtue. For example, Schulman can still fill rush orders by scheduling special weekend production runs, something impossible for its giant rivals. By touting this feature as a unique benefit, the sales force avoids head-on conflicts with stronger competitors and competes on quality, not price. Schulman also aims at smaller organizations neglected by market leaders.[23]

Company Policies and Procedures

Hearing a salesperson admit ignorance of company policies and procedures is unlikely to build a customer's trust in the salesperson. It is an even greater sin for a salesperson to promise performance and delivery, only to discover later that the promise cannot be met. So salespeople are well advised to learn policies and procedures regarding prices, discounts, credit terms, delivery, and related matters.

The basis for most company price quotations is **list price**, the rate usually cited to customers. However, as with the sticker price on cars, buyers may not pay the list price.

In many instances, **discounts** and **allowances** reduce list prices. These deductions typically are offered when buyers have performed an activity of value to the seller. Discounts can be classified as cash, quantity, or trade discounts. **Cash discounts** are the reductions in price that are provided to buyers for early payment of their bills. Cash discounts usually specify a time period during which the discount can be obtained. A typical cash discount might be "2/10, net 30," indicating the buyer can subtract 2 percent from the bill for payment within 10 days. Otherwise, payment of the full amount is due within 30 days. If the list price was $500, for example, and the purchase was made October 1, then $490 would be due the seller at any time up to October 10. Payment any later would require a check for $500. **Trade discounts** are deductions from list price offered to members of the channel of distribution. Manufacturers, for example, may offer retailers a trade discount of 40 percent from the list price, and if they further wish to encourage activities by wholesalers, an additional discount of 10 percent may be granted. In the latter instance, wholesalers pass the 40 percent discount on to their customers (retailers) and keep the additional 10 percent as payment for services such as storage and transportation. The theory behind trade discounts is that they reward intermediaries for activities that otherwise would have to be performed by the manufacturer. **Quantity discounts** are reductions granted for purchasing in large amounts. They may be either noncumulative or cumulative. *Noncumulative quantity discounts* are one-time discounts offered for buying in volume. *Cumulative quantity discounts* are reductions offered over a longer period of time.

Allowances are similar to discounts in that they are deductions from the list price. Advertising allowances are provided by the manufacturer to encourage retailers to promote the manufacturer's goods through local advertising. The manufacturer designs the advertising program, establishes rules and controls, prepares the ads, and encourages retailers to use them. The typical arrangement for sharing costs of the advertising program is for manufacturer and retailer to split the costs equally. Proof of performance is required before payment; the proof commonly consists of a tear sheet of the retail advertisement showing the manufacturer's product, or a radio or television affidavit certifying the advertising was done.

list price
Rate usually cited to customers.

discounts
Reductions in list price for paying in cash, for services rendered as a member in the channel of distribution, or buying in quantity.

allowances
Similar to discounts in that they are deductions from the list price. For example, advertising allowances are provided by the manufacturer to encourage retailers to promote the manufacturer's goods through local advertising.

cash discounts
The reductions in price that are provided to buyers for early payment of their bills.

trade discounts
Deductions from list price offered to members of the channel of distribution.

quantity discounts
Reductions granted for purchasing in large amounts; may be either noncumulative or cumulative. Noncumulative quantity discounts are one-time discounts offered for buying in volume. Cumulative quantity discounts are reductions offered over a longer period of time.

F.O.B. plant (or **F.O.B. origin**)
The buyer must pay for all the freight charges.

The seller has several alternatives in handling transportation charges. *F.O.B. (free on board)* pricing is fairly common. **F.O.B. plant** (or **F.O.B. origin**) pricing means that the buyer must pay for all the freight charges. The seller pays only for costs associated with loading the shipment aboard the carrier selected by the buyer. Legal title and responsibility pass to the buyer once the goods are loaded on the carrier.

F.O.B. destination
The buyer pays no transportation charges whatsoever; the seller pays for everything.

F.O.B. destination means that the buyer pays no transportation charges whatsoever; the seller pays for everything. The seller permits the buyer to subtract transportation expenses from the bill. The amount credited the buyer varies with the freight charges. This method of handling transportation charges is sometimes called *freight absorption.*

C.O.D. (cash on delivery)
Probably the most common credit term.

C.W.O. (cash with order)
A credit term.

C.B.D. (cash before delivery)
A credit term.

E.O.M. (end of month)
Regardless of the time during the month when the purchase is made, the credit period under E.O.M. terms will not begin until the end of the month.

Credit terms vary widely by industry, by company, and by the financial condition of the buyer. Still, some common policies can be indicated. When a sales representative sells to a customer with questionable finances, certain terms may be quoted. **C.O.D. (cash on delivery)** is probably the most common, although **C.W.O. (cash with order)** and **C.B.D. (cash before delivery)** are sometimes required.

Dating programs are commonly employed to encourage business. They represent extensions of the time when payment is due and also the period when the cash discount is available. One common dating program is **E.O.M. (end of month)** terms. Regardless of the time during the month when the purchase is made, the credit period under E.O.M. terms will not begin until the end of the month. If the customer were to make purchases on October 9, 12, and 23, under "2/10, net 30, E.O.M." terms, the cash discount would be good until November 10 for all of October's purchases, and the net amount would not become due until November 30. In certain businesses, the extension of terms may stretch to several months. Orders placed in January may not be billed until May or June. Such terms help generate orders during seasons of slow demand.

Another area of company knowledge that pays dividends for the salesperson is order processing. The more that salespeople know about procedures here, the less likely they will be to promise something that cannot be delivered. They will be in a position to discuss realistically with the customer what can and cannot be done and why. In any situation, they will know what options and changes are possible.

6-5c Know Your Product

There is no substitute for product knowledge. Some salespeople reputedly have enough natural ability to sell an icebox to an Eskimo, though, in truth, most salespeople require product expertise to be successful. How can an insurance salesperson succeed without in-depth knowledge of term and whole life policies and various annuity plans? How can the pharmaceutical salesperson detail a drug to doctors without knowing what the drug will do, what it will not do, and any possible side effects?

Customers rely on salespeople to supply information for their buying decisions. If salespeople are unable to provide adequate information, customers will buy from the competition. Salespeople should set up their own training program, composed of the following steps:

1. Read all company product literature and attend all the company-sponsored training programs they can.
2. If they sell many products, pick one product each day to learn as much about as they can and try selling it.
3. When they have acquired a basic knowledge of their company's products, they should start comparing them with those of competitors. In most sales calls, reps need not only extensive knowledge of their own line but also enough knowledge to defend their line against the competition's.
4. Seek out accounts where their product (or even a competitor's) is used. Talk to users to gain insight into important features that they should emphasize in their sales calls.
5. Take a tour of their company's plant to see how the product is made. Reps typically will be surprised at how much care goes into the product's production, and their enthusiasm will carry over into sales calls.
6. If possible, they should use the product themselves or give it to a friend for trial. (Obviously, not all products lend themselves to this step.)

Product knowledge has additional benefits. Expertise manifests itself in the interview. The knowledgeable sales representative is perceived as believable, a person on whom the customer can rely on with few doubts. From the salesperson's standpoint, product knowledge inspires confidence and enthusiasm. If salespeople are convinced of the product's merits, they will be enthusiastic about it. Enthusiasm is infectious; if the sales representative has it, the customer is likely to catch it, too.

Product knowledge is not just a matter of being able to enumerate technical details. The sales representative must be able to relate product features to customer needs. Much criticism of salespeople centers around their failure to determine customers' needs and problems, when, after all, the real reason people buy is to fulfill a need and solve a problem.

feature
Any fact about a product or service that will be true, whether or not it is ever bought and used; may be tangible or intangible.

benefit
How the feature helps satisfy a need or problem for the customer; relates a benefit to the user.

It is critical that salespeople make a distinction between features and benefits. A **feature** of a product or service is any fact about it that will be true, whether or not that product or service is ever bought and used. The feature may be tangible, such as part of the physical makeup of the product itself. Important features of an automobile, for example, might include air-conditioning, front-wheel drive, and disc brakes. Features may also be intangible. Service, delivery, and price represent important intangible features. A **benefit** is how the feature helps satisfy a need or problem for the customer. A feature describes the product; a benefit relates it to the user. It tells the customer "What's in it for me?" Millions of paper clips will be sold this year, but people don't want to buy paper clips. What they want to do is hold paper together. Actually, they don't even want to hold paper together as much as they want to avoid the problems that would arise if they didn't hold papers together. The 15.1 cubic feet of trunk space in a new car means nothing unless that car salesperson translates this feature into the capacity for two 2-suiter suitcases, three garment bags, and a set of golf clubs. Unless features have been related to user needs, no benefit has been demonstrated. The customer isn't especially interested in the speed of a drill; he or she is interested in its ability to help build something, or as one salesperson put it, "The customer isn't interested in the drill; they want the hole it will make." Citing a bicycle's 10 speeds means little until it is explained that climbing a hill, going down a hill, or just pedaling on a flat road can be done with a minimum of effort and maximum safety. People don't buy life jackets; they buy safety. Professional salespeople don't sell diamonds; they sell love and romance.

A story told by a veteran salesperson about an event in his youth illustrates the important difference between features and benefits. Working in a department store, he was faced with selling a truckload of folding aluminum chairs with plastic webbing that no one seemed particularly interested in buying. While the young salesperson was marking down their price, his father happened by and remarked, "I've got a chair just like those. Makes a great seat when you're fishing from a muddy creek bank." Knowing the numbers of retired and semiretired people in town who fished, the salesperson, filled with inspiration, pulled more of the chairs from the warehouse, mass displayed them, and attached a sign: Fishing Chair—$6.95. In two days, they were sold out—at the regular undiscounted price.

Of course, determining benefits presumes that product features have already been identified. Although most companies provide much information, there is no guarantee that it will necessarily be complete or even relevant to each and every customer's needs. To identify relevant features, salespeople may wish to ask themselves the following questions:

1. What led to the development of the product? Knowing why the product was introduced will reveal much about important features. Automated teller machines (ATMs), for example, were developed because bank patrons wanted to complete their banking activities as quickly as possible. The sales representative should recognize this need for the product and concentrate on features that facilitate this overriding customer desire. The speed of the system and the ability to bank wherever the ATM sits (be it on bank premises or in a grocery store) are critical features. Knowing that jogging shoes were designed to minimize stress on the runner's feet tells much about significant product features. In this light, wide heels and extra padding in the soles become significant product features.
2. Of what is the product made? The materials composing a product may be critical to its sale. A common customer objection concerns price, but one way of handling the objection is to point out the quality of material present in the product. If a competitor is offering an office desk that is $50 cheaper but made of pressed wood, salespeople may emphasize to customers that their desk is made of thick-gauge steel that will last longer and resist dents. Pointing out that a certain type of contact lens is made of hard plastic that requires replacement only after 8 to 10 years demonstrates real customer value. Relating how a set of golf clubs has graphite shafts to increase distance and accuracy will make any golfer take note.
3. How is the product made? The care taken in the manufacturing process can be a significant feature. If the product is fashioned by hand rather than by machine, this should be pointed out to customers. Certain high-quality makes of motorcycles, for example, are handmade. Quality control is a significant part of the manufacturing process. A refrigerator's being opened and closed 100 times before it is released from production, ensuring it won't stick, is an important feature. If a product is built within very tight tolerances, this fact will be important to customers using the item to manufacture their own product.
4. What is there about the product itself that makes it stand out? Is it especially appealing? What about the styling? Are there any unique features? Product appearance may be critical to the sale. How many automobiles are sold primarily on the basis of appearance and styling? Unique features—those that make the product stand out from the competition—should be identified. Recently a couple purchased a new stove. The feature that clinched the sale was the incorporation of fold-down counters that could be placed over the burners when the stove was not in use. This one feature prompted the purchase, because the couple wanted more counter space in the kitchen and the fold-down counters could hide any dirt on the stove when unexpected guests stopped by.

5. What about product use? What will the product do? How can it be used? Convenience, flexibility in use, repair record, required operator skill, safety features, durability, and ease and speed of operation all represent significant product features. The multifunction computer peripherals that also send and receive faxes on plain paper, make copies, and scan in addition to printing exhibit value in their multiple usages. Not only is the Nokia 6630 imaging smartphone a 1.3 megapixel digital imaging device, but it's also a portable office and a modern rich-media machine. Email can be downloaded directly to the Nokia 6630 imaging smartphone. Plus, it has Quickoffice document viewer applications that allow viewing important documents in formats like Microsoft Word, PowerPoint, and Excel while away from the office. The smartphone can be plugged into the stylish Nokia Video Call Stand PT-8 (sold separately) for a video call.[24] Whatever the product, there should be some inherent advantages present, and the sales representative must recognize them.
6. What is the price? Is it cheaper than the competition? Is it more expensive? If so, can this be balanced against higher quality? Can the product more than pay for itself—with immediate or long-range savings, avoidance of obsolescence, greater protection against breakdowns, or reduced or eliminated upkeep or repair costs? An inkjet printer might cost less in the short run, but a laser printer will save over the long-term because of the fewer ink cartridges consumed and machine longevity. Can you offer special terms to buyers, such as delayed billing, leasing arrangements, or financing? What does your company offer that most competitors do not—guarantees, frequent deliveries, trade-ins?
7. Is service readily available? This is a crucial factor in many buying situations. Several mainframe computer vendors that have since failed were caught in a classic dilemma regarding service. To acquire additional business, they needed to establish more service facilities, but to do so before getting the accounts made the costs prohibitively high. Having to get service for a new system in Kansas City out of the Omaha branch wouldn't satisfy potential customers in Kansas City, who probably would buy from competitors instead. But if the vendor first builds and stocks a service center in Kansas City, it might mean that several years will pass before enough business can be generated to cover the costs of the center.

   In the computer industry, as with many others, service is critical. Often, competitive products are similar, so service (i.e., personnel, parts availability, and speed of delivery) determines the choice of supplier.
8. Is there recognition by outside authorities? Reports of product performance conducted by independent bodies, such as *Consumer Reports* or Underwriters Laboratories, should be related by sales representatives without fail. Case histories of satisfied customers are also valuable. In the sale of business machines, for example, the presence of successful installations in an area is a strong selling point. Another effective tactic is to supply potential customers with the names of satisfied accounts whom the prospect may subsequently call.
9. Is there breadth and depth to the product line? Product breadth—the number of different models, sizes, or capacities—and depth—styles, colors, etc.—are important. Satisfying customer need is easier with breadth and depth than in their absence. When selling automobiles, it helps if numerous colors,

interiors, engines, and additional features are available. Having to sell one basic model to all customers would be an arduous task for even the most accomplished salesperson. In selling tennis racquets, it helps if the customer has a choice among different grip sizes, string tensions, compositions (e.g., metal, ceramic, or graphite), and design (e.g., open versus narrow throat, head-heavy versus head-light). In an industrial setting, breadth and depth are important from another standpoint. If a company plans to grow, buying from a supplier with a limited line may be costly. When the time for upgrading arrives, the company may have to go to another vendor with all of the transitional problems that might occur—different parts, different power requirements, and differences in operator handling.

6-5d Know Your Competition

When identifying product features, sales representatives should be aware of the competition. They should determine which features are present in competitive products, which are absent, and which are superior in comparison with their own.

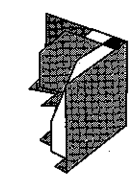
Where is competitive information available? To the enterprising sales rep, this is never a problem:

1. *Customers.* Talk to whomever you can: buyers, sales clerks, switchboard operators, office personnel, and production workers. Often, you can inspect competitive products in action at customers' offices. It is in the customer's best interests to make you competitive. Ask them what they like and dislike about competitive equipment, the strengths and weaknesses, inefficiencies, and so forth.
2. *Competitors.* Often you will find yourself in contact with competitive sales personnel, perhaps at a customer's office or a professional meeting. You don't have to come right out and ask for trade secrets, but who more than salespeople are likely to talk? One word leads to another; engage them in conversation.
3. *Newspapers and magazines.* The business press and especially trade journals are sources of all kinds of useful tips—news events, hirings, employment shifts, site preparation, acquisitions, and the like—that can be revealing.
4. *Advertising.* Although advertising concentrates on the good points of products, competitive advertising nevertheless provides useful information.
5. *Trade shows.* Trade shows are a rich source of information. Reps who are too well known to drop by a competitor's booth can ask a friend or lesser-known associate to do this.
6. *Internet.* Of course, the easiest route is to log onto the Internet and look at the competitor's website. There are numerous sites for business research, such as http://finance.yahoo.com, www.hoovers.com/free, and www.thomasregister.com.

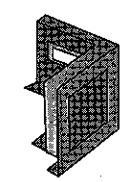
Once salespeople have obtained enough information, they will find it useful to write out a systematic comparison (perhaps on a spreadsheet) of their product with that of the competition. Table 6-3 represents one such analysis of competing manufacturers of steel buildings. Such analysis better prepares salespeople for the interview. They will not be caught by surprise, make a poor presentation, or be unable to answer consumer objections arising from comparisons. They also will have a better appreciation for the capabilities of their own product. Knowing a product feature is important; knowing that no competitive product has the same feature can be decisive.

Table 6-3 Sample Analysis of Competition in Steel Buildings

Porta-King Durasteel™ and PC Series Buildings	Competition	The Porta-King Advantage
FRAME AND BASE	FRAMEWORK AND WALLS	**FRAMEWORK AND WALLS**
Frame: 2" x 2" x 11 gauge structural steel tubing. **Base:** 12 gauge galvanized steel. **Walls, Int:** 16 gauge galvanized steel. **Walls, Ext:** 14 gauge galvanized steel.	**Frame:** 2" x 2" x 14 gauge. 2" x 2" x 15 gauge. 1" x 1" x 16 gauge. No frame provided.	**Frame:** Porta-King framing material ranges from 45% to 85% THICKER than the competition. One competitor uses NO vertical frames at all, relying solely on welded panels for strength.
Insulation: *Durasteel-* R-10 walls and R-19 ceiling.	**Base:** 14 and 13 gauge galvanized steel.	**Base:** Porta-King base frame ranges from 16% to 38% THICKER than the competition.
Durasteel-PC- R-9 walls and R-17 ceiling.	**Walls, Interior:** 16 and 18 gauge steel.	**Walls, Interior:** Porta-King wall material ranges up to 23% THICKER than the competition.
	Walls, Exterior: 14 and 16 gauge steel.	**Walls, Exterior:** Porta-King wall material ranges up to 23% THICKER than the competition.
	Insulation (Walls and Ceiling): R-0 walls and R-0 ceiling. R-4.3 walls and R-17.4 ceiling. R-10 walls and R-0 ceiling.	**Insulation (Walls and Ceiling):** If you don't ask the competition for insulation, in many cases you won't get it. With Porta-King, insulation is always standard.



Durasteel



Durasteel PC

Source: From Porta-King Building Systems.

6-6 Target Market Analysis

VIDEO

The culmination of intensive preparation regarding industry, company, product, and competition is the specification of a target market—those potential customers with the greatest probability for buying the salesperson's offerings.

Such a specification greatly aids salespeople in prospecting, the next stage in the selling process. When prospecting, sales representatives must identify individual accounts that might have need for their services, especially those with whom the sales rep can establish a profitable long-term relationship. It's a lot easier selling to existing customers than all new ones. Calling on those with little need is a waste of the salesperson's precious time. Specification of a target market helps reduce such waste, and it provides further assistance at subsequent stages of the selling process, particularly the preapproach, approach, and presentation. A profile of the target customer helps the salesperson initiate a discussion. An absence of knowledge about potential customers impedes the relationship selling process of asking questions and listening. Without at least a general understanding of customer needs and likely responses, it's difficult to formulate questions.

How does one go about the process of identifying a target market? The answer is by thoroughly studying industry, company, product, and competition. Then, and only then, is the salesperson prepared. After studying those areas, salespeople should sit down and analyze the total business environment for their products and services in the following sequence:

1. List all the features and benefits associated with the product or service. No product feature, no matter how seemingly small, should be ignored. It is surprising sometimes how minute distinctions between products can make

the difference between success and failure. Besides, it is the customer's estimation of differences, not the salesperson's, that is critical; to customers, the differences may be large. Rank the importance of these benefits from the viewpoint of customers.

2. Enumerate your company's strengths and weaknesses. Is the company financially strong? Does it have a strong reputation? Is it known for its service and quality control? Are its plants close to customers? Are credit terms favorable? Are discounts substantial?
3. What are competitors' strengths and weaknesses, especially respecting the ranking of benefits completed in step 1? Are they major or minor? Which features and benefits do they concern? Is the competition large or small? If large, what are the chinks in their armor? It is usually difficult to attack the leader head-on. If the competition is weaker, how have they managed to survive? Have they selected a particular market segment for special attention? Can this market be satisfied better, or is it wiser to concede it for another niche?
4. Describe the typical customer in the industry with regard to all major characteristics. Remember, not all customers are created equal. Some are profitable and some are not. The first step is to analyze one's existing customers and answer the following questions: Who are my current customers (e.g., location, size, SIC code, etc.)? How are they segmented on such factors as purchase behavior? Volume? Growth rate? Relationship duration? Profitably? Often, the results of such analysis are surprising. Frequently, the 80/20 rule operates: 20 percent of your customers account for 80 percent of your sales volume and profits.
5. Are there certain groups, not currently being marketed to, who could use the product or service? Be prepared to challenge the status quo here. When fellow Xerox sales reps advised Tonya Turner that banks didn't buy facsimile machines, she opted to ignore them. She was determined to find a problem that fax machines could solve for the potentially lucrative banking market. After poring over newspapers and annual reports, Turner discovered that banks were having difficulty processing large numbers of new loan applications because it took so long to mail the information to the central processing sites. Turner reasoned that the information could be faxed, allowing the transfer to transpire in one hour instead of several days. Now her earnings are in the 6-figure category.
6. Given product features and benefits and their ranking in importance, company strengths and weaknesses, and the nature of the competition, which customer subclass or classes does the salesperson's product or service best fit? Illinois Tool Works (ITW) is a $10 billion company based in Glenview, Illinois. It is an organization that has turned the use of the 80/20 rule into a science. ITW does an 80/20 analysis of everything to determine where to get the biggest bang for the buck. As a result, ITW is an incredibly lean and efficient organization. CEO W. James Farrell stated recently in a *Business Week* interview, "Intellectually it's easy (80/20) to understand, but it's very difficult to put into practice. You will hear people in the organization say that you can't get rid of products because you need a complete product line to sell. Others will argue that the volume is needed to absorb fixed costs." Mr. Farrell claims that ITW's costs are lower than those of 75 percent of comparable companies as a result of using the 80/20 principle as a decision-making tool. At ITW, lean isn't a recent fad or program-of-the-month—it is a way of life. *Business Week* proclaimed ITW as "the Dean of Lean" with respect to manufacturing organizations.[25]

To illustrate how a salesperson might undertake a target market analysis, let's follow the activities of Ron Friendly, sales representative for the Superior Hospital Uniform Company. Ron has just received samples of a new uniform to be used by doctors and nurses in hospital operating rooms. In contrast to prior uniforms, this new garment has a number of advantages, primarily stemming from the incorporation of a polyester-cotton blend in its manufacture. Older uniforms were made of 100 percent cotton. Such uniforms had a number of disadvantages: They required ironing in hospital laundries, they wore out much faster than a blended garment, and their appearance left much to be desired in comparison with a blended uniform. However, until the introduction of Superior's new polyester blend, only 100 percent cotton uniforms had been allowed in operating rooms because of problems with static electricity. Cotton uniforms absorb body moisture, providing a path for the electric charge to be conducted and eventually grounded. Polyester, however, does not absorb moisture, and a buildup of static electricity might cause an explosion in the atmosphere of operating rooms, which often are filled with flammable anesthetics. Superior solved this problem, however, by weaving stainless-steel thread throughout the uniform, providing a conductive path for the static electricity. The uniform presents only one problem to a Superior sales representative like Ron Friendly: It costs about 50 percent more than competing cotton garments.

From his product analysis, his knowledge of hospitals' use of operating room uniforms, and his knowledge of his own company's strengths, Ron identifies the following factors that will affect his ability to sell the new Superior uniforms:

1. Ron believes that larger hospitals should be approached first, because smaller ones usually do not have the resources to spend on a more expensive uniform.
2. Ron also targets his market to the larger hospitals because they usually have extensive laundry facilities with higher labor costs. A blended uniform that needs no ironing will be attractive as a means of cutting labor expenditures.
3. Ron believes that hospitals where the decisions are made by the functional department, rather than by purchasing, will make the best customers. Those hospitals where the purchasing department tightly controls the purse strings are not as likely to buy a more expensive uniform, regardless of the technical advantages. A hospital where the operating room administrators make their own buying decisions without interference from the purchasing department will be best.
4. Hospitals that are less concerned with speedy service represent better potential buyers. Ron's major competitor is based in his geographic sales territory, enabling them to provide faster delivery. Superior's factory and warehouse are on the East Coast, contributing to a lengthier delivery time.
5. The Superior Hospital Uniform Company has a reputation for producing high-quality uniforms. This should assist Ron's sales calls, especially with current customers. Additionally, the uniform has received a good evaluation from an independent rating firm, which should further facilitate sales.

Another good example of identifying a target market is presented by David Mercer in his book, *High-Level Selling*.[26] While Mercer was working for the IBM Biomedical Group, it became clear to him very early on that IBM's blood-processing machines would be bought by hematologists (doctors who specialize in blood disorders). After a while, it became clear to Mercer that within this overall group the main buyers were those who saw themselves as "clinical" hematologists—that is, hematologists who are concerned with not just analysis but also treatment. Furthermore, the hottest prospects were young (typically under the age of 30), and they tended to have trained in just a handful of teaching hospitals. This allowed Mercer to concentrate on only a limited number of prospects; it also allowed him to concentrate special effort on penetrating those relatively few teaching hospitals, which he also could use as powerful references.

6-7 After-Marketing

after-marketing
Applies marketing principles to customers after they've made a purchase.

Retaining customers requires marketers to exhibit care and concern for them *after* they've made a purchase. This is part of **after-marketing,** which applies marketing principles to customers after they've purchased a company's goods or services. The rationale for after-marketing is firmly grounded in psychology. Following purchases, many buyers experience *cognitive dissonance*—the mental recognition that one has purchased something that may not have been the smartest, most rational alternative. The customer's need for reassurance does not go unnoticed by smart salespeople. They are wise in reassuring customers that they have made a good purchase decision and are getting their money's worth. There is a second psychological principle that reinforces the importance of postpurchase feedback. Learning theory suggests that the increased likelihood of repeating behavior is associated with reward. Unfortunately, with all too many products or services, consumers don't overtly experience any direct or immediate reward. Marketers often naively assume that consumers will automatically recognize the benefits inherent in their products or services. They would be well advised to actively direct their customers toward discovering reward through active after-marketing.[27]

After-marketing includes the following elements:

- Participating in activities and making efforts to keep customers satisfied after the purchase
- Doing everything possible to increase the likelihood that current customers will buy a company's product or brand on future occasions
- Increasing the likelihood that current customers will buy the same company's complementary products rather than a competitor's
- Repeatedly measuring customer satisfaction

Moreover, if one needed further confirmation of the importance of after-marketing activities, there are these staggering statistics. Studies of customer dissatisfaction show that customers are dissatisfied with their purchases about 25 percent of the time. How often do they complain? The surprising finding is that is that only 5 percent complain. The other 95 percent either feel that it is not worth the effort to complain or they don't know how or to whom to complain.

Of the 5 percent who do complain, only about 50 percent report a satisfactory problem resolution. Yet, satisfactory resolution is essential, because a satisfied customer tells on average three people about a good product experience; the dissatisfied one tells 11 people. If each of them, in turn, tells others, the number of people exposed to bad word of mouth grows exponentially. In contrast, customers whose complaints are resolved to their satisfaction often become more loyal than customers who never complained. About 34 percent of customers who register major complaints will buy again from the company with complaint resolution, and this rises to 52 percent with minor complaints. If the complaint is handled quickly, between 52 percent (for major complaints) and 95 percent (minor complaints) will buy again from the company.[28]

6-7a The Five Components of Service Quality

Of course, to ensure good service, it is important to know its components. These attributes are presented in order of importance as rated by consumers (allocating 100 points):[29]

1. **Reliability:** The ability to perform promised service dependably and accurately (32 points)
2. **Responsiveness:** The willingness to help customers and to provide prompt service (22 points)
3. **Assurance:** The knowledge and courtesy of employees and their ability to convey trust and confidence (19 points)
4. **Empathy:** The provision of caring, individualized attention to customers (16 points)
5. **Tangibles:** The appearance of physical facilities, equipment, personnel, and communication materials (11 points)

reliability
The ability to perform promised service dependably and accurately.

assurance
The knowledge and courtesy of employees and their ability to convey trust and confidence.

empathy
The provision of caring, individualized attention to customers.

tangibles
Regarding service quality, the appearance of physical facilities, equipment, personnel, and communication materials.

As shown here, reliability is the most important aspect, approximately three times as important as tangibles, the least important of the five. The definitions of quality service are repeated and expanded in Table 6-4, along with examples of each element.

Table 6-4 Definitions of Quality Service Elements

Element	Definition	Examples
Reliability	The ability to perform the promised service dependably and accurately	Is the credit card statement free of errors? Is the washing machine repaired right the first time?
Responsiveness	Willingness to help customers and provide prompt service	Does the company answer letters or phone calls? Is the stockbroker willing to answer my questions?
Assurance		
Competence	Possession of the required skills and knowledge to perform the service	Does the repairperson appear to know what he is doing?
Courtesy	Politeness, respect, consideration, and friendliness of contact personnel	Does the bank teller have a pleasant demeanor?
Credibility	Trustworthiness, believability, honesty of the service provider	Does the bank have a good reputation?
Security	Freedom from danger, risk, or doubt	Is the credit card protected from unauthorized use?
Empathy		
Access	Approachability and ease of contact	Does the company have a 24-hour toll-free telephone number?
Communication	Keeping the customers informed in language they can understand and listening to them	Can the customer service representative clearly explain the billing procedures?
Understanding the customer	Making the effort to know customers and their needs	Do communications from the company acknowledge the customer's unique needs?
Tangibles	Appearance of physical facilities, equipment, personnel, and communication materials	Are the bank's facilities attractive? Do the tools used by the repairperson look modern?

Source: Adapted with the permission of The Free Press, a Division of Simon & Schuster Adult Publishing Group, from *Delivering Quality Service: Balancing Customer Perceptions and Expectations* by Valarie A. Zeithaml, A. Parasuraman, Leonard L. Berry.

6-7b After-Marketing Activities

To ensure the implementation of these service components, certain activities are necessary. They are (1) building a database, (2) acknowledging customers, (3) maintaining contact with customers, (4) measuring customer satisfaction, and (5) reclaiming lost customers. Although several of these activities depend (to one degree or another) on the salesperson's employer, the smart rep is advised to make up for any corporate deficiencies with his or her own after-marketing endeavors.

Building the Database

Many companies have recognized the importance of computerizing customer profiles and providing this information to sales reps. If not, the power and availability of personal computers and "contact management" software allow the individual salesperson to do so with reasonable effort. Every other after-marketing activity becomes more efficient and more effective with automation; paradoxically, it also allows for greater personalization. The account-tracking and customer service software of Wells Fargo helps it to focus on the highly profitable but underserved small-business segment and to offer companies in it rapid credit approval, electronic loan repayment, and other special services that propelled the bank from 11th to first place in small-business-loan volume in only three years.

Acknowledging Customers

At a minimum, the buyer should receive thanks for an order—a handwritten note immediately following a purchase has immeasurably favorable reactions. Being onsite for installation and training is guaranteed to have a favorable impact. Beyond this, go through your contact file and jot a note, send a card, or make a note to call anyone you haven't seen in a long time. Keep up to date with newspapers and trade magazines. Send article clippings to clients who would be interested in the news. If a client was promoted or won an award, send a note of congratulations. If the event appears in the press, send the clipping along. Send a note or card for special occasions like birthdays; clients will be pleasantly surprised. Think of ideas you can pass along, like ways to merchandise products, save money, improve productivity, and, of course, new company products of special value to the client. Create user groups of clients to share ideas. Many companies send out newsletters to customers; if not, compose your own. As might be expected these days, technology can help. Joel Block may not be the world's most well-informed consultant, but to his clients he sure looks that way. Block, rep for Growth-Logic, a company based in Agoura Hills, California, uses software that scours the Internet and plucks out news items relating to his customers, which are typically midsize companies that need help expanding their businesses. That gives him an excuse to contact each one, boosting his chances of closing a deal. "The key is to be top-of-mind all the time," Block says. "If I call just to say, 'Hi, how are you?' it's not going to be long before we run out of things to talk about." Block uses software developed by Irvine, California–based Client Dynamics to track items of interest to his top 40 customers. All he had to do to set up the system was fill out a web-based profile and a series of search terms for each client. Now, each morning, the software searches 6,000 news sources and delivers a list of hits. Block can forward items to clients, call them, or drop them a quick note. He uses the software to keep track of it all.[30] "To be able to send an email to someone and say, 'Congratulations, you got some great press,' is a way of touching someone that's nonthreatening but very powerful," Block adds. "A lot of times we end up doing a deal."

Maintaining Contact

Not only should the salesperson initiate outbound communication, but he or she should also make it as easy as possible for customers to get a hold of them. Cellular phones, pagers, answering services, Internet addresses, 800 numbers, and the like, are essential. Note that accessibility is one of the critical service elements. Accessibility is vital to handling complaints. The longer the customer waits for a reply, the madder they get. Yet, properly handling the problem represents a significant opportunity for cementing the relationship. Thanks to the emergence of websites that allow customers to serve themselves, the Internet has great potential for improving customer service. Web-based customer service not only saves money but, by involving the customer in the process, it also often leads to greater customer satisfaction. Unlike a phone call, visiting a website can provide access to extensive database information. Websites also enable companies to learn more about their customers. It's possible to learn a user's preferences just by tracking where he or she goes on a site. Ultimately this information can be used automatically to develop a profile of the customer. Some companies see web technology as an opportunity to put certain aspects of customer service on a do-it-yourself basis. "Providing customer service online is our equivalent of the automated teller machine," says Doug Topken, managing director, electronic commerce services for Federal Express. "It lets people service themselves when it's most convenient." FedEx, an early adopter of the web, has created a variety of methods that not only let users track their packages electronically but also enable them to pass along data to recipients so they can track the shipment as well. Thus, a company using FedEx can enhance its customer service by automatically providing clients with peace of mind about their orders.

Handling customer inquiries at call centers is another task that can be improved by technologies found on the Internet. Rather than having an individual log in and retrieve the email messages, email response management systems (ERMSs) retrieve and route them into pools based on their address, subject, and content.[31] From there, agents answer them on a first-come, first-served basis. The system includes real-time monitors and reporting capabilities that help companies measure, track, and manage the flow of email. The value of ERMS evolves from efficiency—the staff can create a library of commonly used responses that frees them from having to type responses to frequently asked questions repeatedly; tracking—now that managers have the tools to measure email service levels, they can make critical decisions regarding staffing needs, analyzing how much time is being spent responding to email and evaluating the effectiveness of each individual or department; and customer satisfaction—companies are able to cut the turnaround time drastically on email and web-based inquiries. Commented one user of ERMS, "Previously, we had to dedicate valuable employees to sort through all the messages generated by forms or links on our website and forward them to the appropriate personnel. That added to the response time, costing us money and aggravating customers who were anxiously awaiting a reply." But with ERMS in place, the average response time has dropped from one or two *days* to a little less than two *hours*. Table 6-5 details additional techniques for delivering customer service.[32]

With such technology, a customer at Lands' End, for example, can receive a catalog by mail, investigate a purchase on the website, and either call the telephone center or activate a chat session to ask a question. The Lands' End customer service rep can push additional information to the customer immediately or open a web page they can cobrowse (i.e., browse together).

Table 6-5 Technology Facilitators for Customer Service

- Email: For customer service as well as promotions
- Telephone-information-driven call center technology
- Chat: Using instant-messaging technology to permit two-way dialogue between customers and reps
- VoIP (Voice over Internet Protocol): Telephone over the Internet or private intranet
- Push: Automatic delivery of content to a user's computer as part of a planned schedule of communications or triggered by an event
- Cobrowsing: Technology that allows a customer and a rep to view the same web page at the same time
- Embedded module: A chip embedded in a piece of equipment (from a copier to a refrigerator) that can send automatic notification of required service

Measuring Customer Satisfaction

Increasingly, many companies are systematically measuring customer satisfaction by sending out formal customer satisfaction surveys periodically. Tracking customers who have broken earlier patterns of consistent ordering are also indicative of possible satisfaction problems.

Reclaiming Lost Customers

Customers may defect for a number of reasons, not all of which are under the control of the marketer. The customer may have disconfirmed expectations, contacted a rude customer service rep, moved to another location, or received a perceived better deal from a competitor. Yet, curiously enough, it often is still more cost-effective to contact a former customer than a new prospect. Rarely have they totally negative images of their former vendor; they may no longer be devoted, but they are usually still accessible. They may even have some remnants of brand or vendor loyalty. It's also quite possible they aren't all that enamored of new vendors and are ready to return.

Chapter Summary

The chapter began with a definition of relationship marketing as a focus on maintaining long-term customers as partners. This contrasted to the traditional transaction-oriented view of marketing, wherein the emphasis is on getting the sale and deemphasizing the period thereafter. The reasons for this new emphasis upon relationships were explained in terms of reduced long-term costs, diminishing vendors, and just-in-time manufacturing systems.

This chapter integrated material presented in earlier chapters into a formal statement of the relationship selling philosophy. The principles of this philosophy follow:

1. Relationship selling is participative.
2. Active listening and questioning are encouraged.
3. Relationship selling is buyer-oriented.
4. Empathy is crucial.
5. Maturity is required of the salesperson.
6. Likability is critical.
7. Deliver impeccable service.
8. Value-added is important.

Precall preparation, the first step in interactive selling, includes learning about one's industry, company, product, and competition. Industry knowledge provides sales representatives with a better perspective of their customers and allows them to determine their strongest markets. Company knowledge, including its history, finance, and reputation, is important because the customer buys not only the product but also the company that stands behind it. Company policies and procedures (including cash discounts, trade discounts, quantity discounts, allowances, transportation charges, and credit policies) also influence sales. The importance of product knowledge to the salesperson was discussed, along with a delineation of the differences between a product's features and its benefits. Features are facts about the product or service that will be true whether or not it is ever bought and used. Benefits are the way features help satisfy a

buyer's specific needs or problems. Although a feature describes the product, a benefit relates it to the user. It tells the customer "What's in it for me." Some suggestions for identifying product features were offered. Completing the section on precall preparation was a discussion on ways to learn about and assess competitors.

The chapter described a salesperson conducting a target market analysis. This process represents a culmination of the precall preparation stage. By sitting down and systematically analyzing industry, company, product, and competition, salespeople are able to identify the general profile of customers who are most likely to buy their goods or services. Chapter 7, "Successful Prospecting," will explain methods for finding specific customers with this profile.

The chapter ended with a discussion of after-marketing, which applies marketing principles following the purchase. Important after-marketing activities are (1) building a database, (2) acknowledging customers, (3) maintaining ongoing contact with customers, (4) measuring customer satisfaction, and (5) reclaiming lost customers.

Discussion Questions

1. Define relationship marketing.
2. Draw distinctions between transactional and relationship marketing.
3. Describe a discrete transaction.
4. Why is "internal marketing" so important to furthering the relationship?
5. What are some ways of bringing value-added to the relationship?
6. How do transactional and relationship marketers differ in their measure of market satisfaction?
7. What trends have contributed to the growth of relationship marketing?
8. Why is it cheaper to do business with existing customers?
9. Explain ways of augmenting the product offering.
10. Why is it necessary to have a theory of selling?
11. Describe relationship selling. What is it? What are its principles?
12. What is the reason for precall preparation?
13. Of what value is preparation regarding the salesperson's industry?
14. How does company knowledge assist the efforts of salespeople?
15. Define the following terms: cash discounts, trade discounts, cumulative quantity discounts, noncumulative quantity discounts, advertising allowances, F.O.B. plant, F.O.B. destination, uniform delivered price, C.O.D., C.W.O., and E.O.M.
16. Explain the differences between features and benefits.
17. Indicate some ways for sales representatives to identify product features.
18. How does knowledge of the competition help the salesperson? How can one find out about the competition?
19. What is a target market analysis? How does it assist the salesperson?
20. The marketing club at your school, of which you are a member, has initiated a money-making project. The club plans to give out desk blotters to students and faculty at registration. The costs (and hopefully a profit) will be furnished by businesses that will pay for advertising space on the blotter. Who would you identify as the target market for the blotter? Who is the competition?
21. When should salespeople stress their company over the features of their product or service?
22. The list price for ladies' blouses is quoted at $20. Trade discounts of 30 and 20 percent are offered to retailers and wholesalers, respectively. If the blouses are ordered in quantities of a dozen or more, the cost per dozen is $18. Transportation charges are F.O.B. origin. A wholesaler in Little Rock orders 12 dozen blouses from the manufacturer's plant in St. Louis. What does the wholesaler pay?
23. Tom Jones works for his father, who owns Struensee Siding Company. Struensee specializes in aluminum siding for houses. Until now, Tom's father has concentrated on advertising to draw in business, but recently business has fallen off. Tom has suggested to his father that Tom act as an outside salesperson. What suggestions could you make to Tom before he begins selling? What are some identifiable features and benefits associated with the siding?
24. Define after-marketing.
25. Why is after-marketing important?
26. What are the five components of service quality?
27. Explain the essential activities of after-marketing.
28. Do research and identify some major corporate partnerships. What do the partners gain with their relationship?

Chapter Quiz

1. All of the following are strategic elements of relationship selling *except*
   a. timing is long-term.
   b. the dominant quality dimension is the quality of interactions.
   c. emphasis in selling process is problem recognition.
   d. price elasticity is higher.
2. The longer customers are retained by a company, the more profitable they become because of all of the following reasons *except*
   a. price discounts.
   b. increased purchases.
   c. reduced operating costs.
   d. referrals.
3. Acquiring new customers is more expensive than selling to an existing customer. In one survey, respondents reported that it took an average of _____calls to close a first sale, compared with only three calls to close a sale to an existing account.
   a. 12
   b. 10
   c. 7
   d. 5
4. In building relationships, trust is essential. When your presentations are balanced and fair (e.g., product limitations as well as advantages are discussed), you are building trust through
   a. demonstrating competence.
   b. your candor.
   c. offering dependability.
   d. using a customer-orientation.
5. Relationship selling involves all of the following principles *except*
   a. it encourages active listening and questioning.
   b. it is focused on closing the order.
   c. it is buyer-oriented.
   d. it is empathetic.
6. Deductions from the list price offered to members of the channel of distribution are called
   a. trade discounts.
   b. cash discounts.
   c. quantity discounts.
   d. allowances.
7. It is critical that salespeople make a distinction between features and benefits. Which of the following statements illustrates a benefit?
   a. This window air conditioner comes with a money-back guarantee.
   b. This window air conditioner is made from 98 percent aluminum alloy.
   c. This window air conditioner is rated as the most energy efficient by *Consumer Guide*.
   d. This window air conditioner is large enough to keep your office cool even during the hottest days of summer.
8. The process of identifying a target market involves thoroughly studying all of the following *except*
   a. industry.
   b. marketing.
   c. product.
   d. competition.
9. The ability of the salesperson to put himself or herself in the buyer's shoes and understand their viewpoint is
   a. empathy.
   b. reliability.
   c. assurance.
   d. responsiveness.
10. To ensure the implementation of quality service in the after-marketing activity stage, certain activities are necessary. They include all of the following *except*
    a. building a database.
    b. acknowledging customers.
    c. locating new customers.
    d. measuring customer satisfaction.

Profiles

Product Description for Role-Playing

Here are some product descriptions that your instructor may assign for videotaping or presentation before the class. In the exercise, students will have opportunities to play both salesperson and buyer (described at the end of Chapter 8, "The Approach"). In succeeding chapters, you will be assigned tasks to prepare for the experience (e.g., preparing questions to ask, composing a sales presentation, formulating responses to likely objections, and planning closes). By the end of Chapter 13, "The Art of Closing," you should be prepared to play a salesperson and sell to a student playing the part of one of the described customers. This student will have received additional instructions from the instructor on his or her own unique buying motives, objections to raise, and circumstances under which he or she should agree to purchase. Instructors should consult the *Instructor's Manual* for further information about this role-playing experience.

Radio Station WEAU

Radio station WEAU is a 250-watt radio station in Eau Claire, Wisconsin, reaching a broadcast area of approximately 15 miles. In contrast to several competitors in the city that appeal to teenagers and college students with a "top 40" format, WEAU seeks an adult audience of higher income and education. Its format strikes a balance between "middle of the road" and "good" music by playing show tunes, old standards, popular nonrock tunes, well-known vocalists, news and information programs, and semiclassical music, mostly instrumental. Though not as recognized an advertising medium as newspapers and television, radio has a number of distinct advantages to offer. First, it is a very selective medium; each station appeals to a relatively narrow audience, who tends to be more loyal than television viewers, who are continually switching channels. Radio is a low cost-of-entry medium, especially in comparison with television. The combination of selective appeal, listener loyalty, and low cost allows an advertiser to deliver an inexpensive message several times for the same cost as television and newspapers. Moreover, the latter appeal to, and charge for, a broader audience, both demographically and geographically, than a local retailer often desires. Radio is extremely mobile. It goes from room to room with listeners, to the beach, and in the car. Two of the highest times for radio listenership are during the morning and afternoon commuting times, when radio reaches working people like no other medium can. From 6 A.M. to 10 A.M. and from 3 P.M. to 7 P.M., captive commuters have little to do besides tune in, and nearly 90 percent of them listen at least once a week.

Radio is very personal; disc jockeys develop a great deal of rapport with their audiences by speaking their language. Advertisers take advantage by allowing radio personalities to deliver the advertising message in their own distinctive style. Or the advertiser may decide to deliver the message personally, adding believability and "folksiness." Radio commercials can be produced on very short notice. For commercials delivered live, the production process requires only preparation and delivery of a script. Even with recorded messages, production time is short. Commercials usually are produced in a recording studio, and audiocassettes are mailed to the station, requiring as few as one or two days. As might be expected, the cost of production is low. Live commercials have no production costs. For recorded commercials there are charges for recording studios, talent employed, and script writing, but some radio stations, like WEAU, will record messages for their stations with their own talent at no extra charge.

RADAR (radio's all-dimension audience research) studies, as well as other research, has provided some interesting information about how radio is used:

1. There are 5.7 radios per family in the United States, in both the home and the automobile.
2. During an average week, 96 percent of all persons 12 years old or older listen to radio. On an average day, more than four out of five adults listen to radio.
3. The average adult's listening time is 3 hours, 27 minutes per day, and this figure averages higher for key advertising targets—adults 18 to 49 years of age, upscale working women, and professional/managerial males.
4. Nearly 9 out of 10 consumers are reached by radio on a weekend, with individuals averaging 3 hours of listening every Saturday and Sunday.
5. Radio is a leader in morning and afternoon "drive times," and new research puts radio as the number one daytime medium between 10 A.M. and 3 P.M. This is because TV doesn't penetrate the workplace much, but millions of workers do keep the radio on at various times throughout the workday.

Yet for all its favorable aspects, radio does have its disadvantages. It lacks the visual impact of television, and its message is more fleeting than that of the newspaper; people cannot sit and absorb an advertisement at their leisure. Nor does radio lend itself to complex messages as print media does. From the standpoint of attention, people are often engaged in other activities while listening to the radio—preparing for work, eating breakfast, driving, eating dinner, and reading.

Copies of rate cards for both WEAU and the local newspaper, the *Eau Claire Northwestern*, follow, along with information on interpretation.

Radio: How to Interpret Rates

Standard Entry

The AM/FM commercial station entry typically includes the station's address, phone number, website, the program format (i.e., oldies, talk, classic rock), audience profile (i.e., persons 35–64 years of age), personnel contacts, network affiliation(s), special programming, facilities, and operating schedule. Program format and audience profile information are key for advertisers trying to reach their target customers.

Using Estimated Rates for Planning

Rates for radio advertising are subject to frequent fluctuation and are dependent on factors such as the time of day when an ad runs, the station's ratings, and the level of demand from advertisers for air time.

The time of day is segmented into "day parts," such as morning drive time (6 A.M.–10 A.M.), midday (10 A.M.–3 P.M.), afternoon drive (3 P.M.–7 P.M.), and evening (7 P.M.–12 A.M.).

As stated earlier, advertising costs are also contingent on a station's ratings. Basically, the higher the ratings, the higher the advertising costs. Thus, a station's price for advertising is listed as a cost-per-point (rating point) figure (i.e., $5 per rating point). A single rating point is equivalent to 1 percent of the target population.

The SPARC cost-per-point entry for WEAU contains the following information:

Cost-per-Point—Eau Claire

Day Part	4th Quarter 2006
AM	47 (e.g. $5 × 47 = 235)
Day	39
PM	46
Eve	50

(Cost is for 30-second commercial lengths. Day parts are AM, m-f, 6-10; Day, m-f, 10-3; PM, m-f, 3-7; Eve, m-f, 7-12.)

Newspapers: How to Interpret Rates

SAUs and "Inches"

Most newspapers use the standard advertising unit (SAU) system in selling advertising space. This system utilizes 56 fixed sizes for broadsheet newspapers participating in the system and 32 for tabloids.

The size of SAUs ranges from one column ($2\frac{1}{16}''$ wide) to six columns in width, and from 1″ to 21″ ("full depth") in depth. The following chart indicates the various sizes of SAUs for a broadsheet newspaper. For example, an SAU of dimensions 2 × 3 is two columns wide and 3″ in depth. Note that this chart indicates all 56 options for a broadsheet.

Rates

Some papers list their rates for each standard advertising unit. However, because advertisers often buy space in bulk, most papers list their rates in terms of column inches (which are labeled "inches") rather than in terms of SAUs. One "inch" actually equals one column ($2\frac{1}{16}''$ wide) by 1″ in depth.

There are about 132″ per page in a broadsheet newspaper.

Rates are usually quoted in dollars per inch (i.e., column inch). The basic rate is generally listed under the designation "SAU open, per inch." This is the rate you would pay if you bought one ad, one column inch in size, to run one time.

Discounts for Bulk Purchases

Often, advertisers commit themselves to buying a certain number of inches or pages over the course of a certain period of time (e.g., one month or a year). In such cases, the newspapers give a discount to the advertisers, and the dollar amount per inch decreases. Sometimes the percentage of the discount from the basic rate is indicated following the standard rates. The following example shows excerpts from the *Eau Claire Northwestern* sample calculation.

Figure 6-3 illustrates how the cost of radio and newspapers compare, as the number of ads increases.

S.A.U. Nomenclature

Width	1 Column ($2\frac{1}{16}$ in)	2 Columns ($4\frac{1}{4}$ in.	3 Columns ($6\frac{7}{16}$ in.)	4 Columns ($8\frac{5}{8}$ in.)	5 Columns ($10\frac{13}{16}$ in.)	6 Columns (13 in.)	Double Truck ($26\frac{3}{4}$ in.)
Depth in Inches							
1	1 × 1						
$1\frac{1}{2}$	1 × 1.5						
2	1 × 2	2 × 2					
3	1 × 3	2 × 3					
$3\frac{1}{2}$	1 × 3.5	2 × 3.5					
$5\frac{1}{4}$	1 × 5.25	2 × 5.25	3 × 5.25	4 × 5.25			
7	1 × 7	2 × 7	3 × 7	4 × 7	5 × 7	6 × 7	
$10\frac{1}{2}$	1 × 10.5	2 × 10.5	3 × 10.5*	4 × 10.5	5 × 10.5	6 × 10.5*	13 × 10.5
13	1 × 13	2 × 13	3 × 13	4 × 13	5 × 13		
14	1 × 14	2 × 14	3 × 14	4 × 14	5 × 14	6 × 14	13 × 14
$15\frac{3}{4}$	1 × 15.75	2 × 15.75	3 × 15.75	4 × 15.75	5 × 15.75		
18	1 × 18	2 × 18	3 × 18	4 × 18	5 × 18	× 18	× 18
21	1 × FD**	2 × FD**	3 × FD**	4 × FD**	5 × FD**	6 × FD**	13 × FD**

*An ad that fills one quarter of a page measures 3 × 10.5 or 31.5 standard column inches. A horizontal half page is 6 × 10.5 or 63 standard column inches.

**FD (Full Depth) can be 21″ or deeper. An ad that fills an entire page is 6 × FD (132 in.).

Total cost for a 1/2 page (or 63 column inches) in the Sunday *Northwestern* is $133.79 × 63 = $8,428.77.

Morning, Saturday and Sunday

Commission and Cash Discount

15 percent to agencies; no cash discount

Policy—All Classifications

30-day notice given of any rate revision.

Alcoholic beverage advertising accepted.

Advertising Rates

Effective January 1, 2006

Rates verified April 14, 2006

Black/White Rates

	Morn.	Sun.	
SAU open, per inch	100.74	133.79	← Basic rate, per column inch

Inches charged full depth: col.21; pg.126 dbl truck 273.

YEARLY CONTRACT

	Per inch Morn.	Sun.	
$\frac{1}{4}$ pg	100.74	133.79	
$\frac{1}{2}$ pg	100.74	133.79	
1 pg	95.93	127.69	← Contract rates, per column inch. Note that the rate decreases as space increases.
2 pgs	94.83	125.80	
4 pgs	92.74	123.98	
6 pgs	92.62	123.35	

Discounts

Multi-insertion discounts (pickup rates): 1st ad contract rate, 2nd ad 15% discount, 3rd ad and successive ads 25% discount. Discounts apply to ROP weekday ads only (color and black & white with no changes). When a Sunday/Holiday insertion is involved, it will count as part of the sequential schedule but will not be discounted. Discounts apply to full run or two-zone or more zone buys. For each ad series, at least one insertion shall be at regular nondiscounted rates.

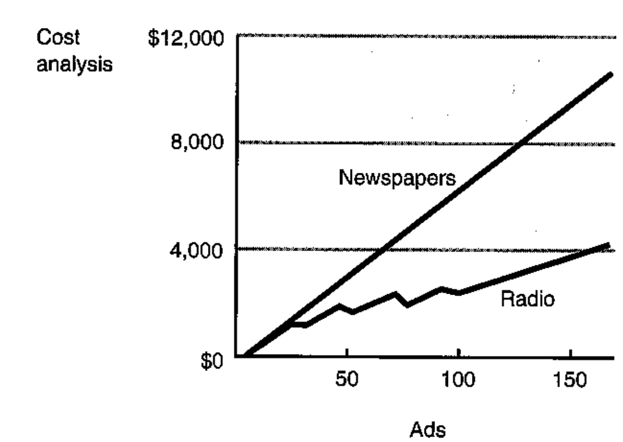


Figure 6-3
Contrasting Costs of Radio versus Newspapers As Ads Increase in Number

Ergo Futura Furniture

Ergo Futura is a technically advanced line of office chairs and desks designed to maximize the comfort of office workers and, hence, their productivity. Although scientific study has long been applied to the jobs of production workers, only recently have the same analytical techniques been transferred to the office environment. One surprising finding has been the dramatic effects on productivity of such seemingly mundane factors as lighting, ringing phones, inadequate ventilation, and, most of all, poorly designed desks and chairs that at best are uncomfortable and at worst contribute to bad backs, sore knees, and stiff necks. "By eliminating repetitive stress injuries, American companies could save $20 billion each year in workers' compensation," former U.S. Labor Secretary Robert B. Reich said. Musculoskeletal disorders are the country's most costly category of workplace injuries and illnesses. In addition to spending $20 billion annually on workers' compensation costs due to repetitive stress injuries, the United States spends another $100 billion on lost productivity, employee turnover, and other indirect expenses. One study by the National Institute of Occupational Safety and Health, a research arm of the federal government, found that a well-designed desk and chair added 25 percent to the productivity of data-entry clerks, who generally average $24,000 in salary and benefits. Moreover, in another study by HumanTech, a Toronto-based office design firm, absenteeism fell from 4 percent to 1 percent, error rates in documents were cut in half, and employees began using computers more often during the workday following the installation of ergonomic furniture. In a survey of working conditions, white-collar workers placed having a comfortable chair only second in importance to adequate lighting. Experts in office design estimate that a properly designed office can add an hour or more a day to worker output. Sitting is blamed for most of the lower back pain that strikes 90 percent of Americans sooner or later at an estimated cost of $70 billion a year. Deborah Kearney, a consultant in ergonomics, writes that pressures on spinal disks measure about 35 percent less while people stand than while they sit unsupported.

The Buckstaff Company of Brockton, Massachusetts, recently introduced a line of chairs and desks, Ergo Futura, that it markets for those who work with data terminals and PCs. The name for the line evolved from the science of ergonomics, which studies the relationships between people and machines. The word comes from the Latin *ergo* (work) and *nomics* (law or management) and includes determining where to locate controls on a dashboard or any other machine, how high to make a desktop, and where a chair's backrest should be to maximize support.

Studies indicate that bad backs are the second leading cause of absenteeism among office workers and, overall, afflict an estimated 50 to 80 percent of the general population. A Louis Harris poll conducted for Steel-Case, the largest U.S. manufacturer of furniture, found that 54 percent of surveyed workers felt that the comfort of their chairs affected their performance. States Niels Different, an industrial designer who has won awards for his chair designs, says, "Sitting is an athletic activity. Tasks such as typing put a 30 percent additional load on the spine." Most office chairs were never designed for use over long periods of time—certainly not a full 8-hour day. Besides contributing to back problems, a chair can restrict blood flow to the legs with an improperly designed cushion, put pressure on hip joints with too soft a seat, and fail to dissipate body heat with the wrong type of material, especially if workers are wearing blended polyester garments. Consequently, workers are continually getting up and stretching to relieve stiffness, further restricting productivity.

Aetna Insurance Company estimates that 45 percent of workplace injuries—and 63 percent of total injury-claim payments—are for cumulative trauma disorders such as carpal tendonitis and carpal tunnel syndrome (CTS), which strike people who do a lot of typing and other repetitive hand movements at the keyboard. "Repetitive stress injuries (RSIs) cost American businesses about $10.8 billion in 1995, or an average of $12,000 for every case of RSI," according to *CDT News*, May 1996. Symptoms of CTS include intermittent numbness, pain, or a tingling sensation in the thumb, index finger, or middle finger. According to the Bureau of Labor Statistics, repetitive stress injuries have nearly tripled in recent years.

In December 1990, San Francisco passed an ordinance requiring employers to provide office workers with adjustable desks and chairs. The penalties for noncompliance are up to $500 per day.

Through intensive analysis with the help of machines that measure blood flow through extremities, muscle contraction, and changes in the angles of body segments, Buckstaff engineers have designed the Ergo Futura chair with the following features:

1. A scroll edge, meaning that the front of the chair is rounded off.
2. Support at the base of the chair, helping the back to hold a slight forward arch.
3. A lightly padded seat cushion.
4. A backrest that hits the lower few inches of the shoulder blades, facilitating relaxation.
5. Adjustable seat height, allowing changes within a 6″–9″ range.
6. Accessory footrests that eliminate dangling feet for shorter people, who must raise their chairs to reach desktops.

Ergo Futura chairs begin at $300, and the highest-priced chair is just over $1,000. The latter top-of-the-line model is made of "Pellicle"—as opposed to the traditional foam-and-fabric office chair construction—allowing air to pass through it so body heat doesn't build up. Moreover, this chair tilts with the body as it moves, and armrests can be adjusted both vertically and laterally. This makes them approximately $100 to $150 more expensive than comparable conventional chairs. On its own, a properly designed chair can add as many as 40 productive minutes a day—21 productive days a year—for most office workers, according to E. R. Tichauer, a professor of human factors engineering at New York University.

In their research, Buckstaff engineers have found that desks also have great impact on the productivity of those working with data terminals. Machines that have the keyboard attached to the screen force users to adjust their posture to the machine, rather than the other way around. This is especially true for people with glasses—bifocals in particular—who read out of only a part of their glasses and must tilt their heads to read the screen. To avoid glare, workers often lean forward, backward, or sideways, wreaking havoc on backs, wrists, arms, and necks. Furthermore, eyestrain is likely if there is too much distance between the worker and the screen.

Ergo Futura desks have been designed for maximum flexibility. The desktop is split: one-half for the screen and the other half for the keyboard. Each half moves independently of the other and can be tilted either forward or backward. Movement is effected with cranks located under the desk; some models even have electric controls that move the desk up or down at the touch of a button. New enhancements included retractable keyboard trays and separate shelves for monitors, keyboards, and peripherals.

Ergo Futura desks begin at about $500 and can run as high as $2,000. This makes them approximately 1½ to 2 times as expensive as more conventional desks. Of course, Buckstaff believes that productivity gains will more than compensate for the extra cost, and these savings should be present for a long time, because both desks and chairs are built to last at least 20 years.

Buckstaff believes that the potential for its new line of office furniture is immense. In Sweden and certain other couutries, use of ergonomic desks and chairs is already required by law for workers who sit at computer terminals. Just recently, the Communications Workers of America (CWA) negotiated a deal with Wisconsin Bell to buy $350,000 worth of new chairs as part of CWA's employment contract negotiations with the telephone company.

Activity

1. Write down a list of features and benefits for Ergo Futura office furniture.

Pip Pop

After extensive research and development, the Peter and Greer Company of Cincinnati, Ohio, has created a unique new consumer product—a carbonated, powdered soft drink, sold in packets of six. All consumers need do is open a packet, pour the powder into a glass, and add water. Numerous blind taste tests have proved the inability of consumers to distinguish Pip Pop from traditional bottled soft drinks. Pip Pop comes in either regular or diet form and all the multitude of flavors of a typical bottled or canned soft drink. The product has a number of distinct advantages. It is vastly cheaper: $1 per 6-pack versus approximately three times as much for traditional carbonated soft drinks. For this reason alone, parents should find Pip Pop very appealing, and kids will be enthralled with the novelty of the product. Of further convenience, Pip Pop will do away with the need to return empty bottles or to dispose of cumbersome aluminum cans. The paper packet in which Pip Pop is sold is totally recyclable and ecologically sound, which should appeal to consumers increasingly concerned with maintaining the environment. Besides liking the product's consumer appeal, supermarkets and other mass merchandisers will be lured by the savings in storage space required by Pip Pop, and the extra profits it will generate per foot of shelf space over conventional soft drinks. Labor costs will also be less for Pip Pop. Supermarket personnel currently must sort out returned empty bottles to be picked up later by local bottlers.

Pip Pop has been introduced in test markets in Kansas City, Missouri and Green Bay, Wisconsin. In six months, it has done very well, capturing nearly 5 percent of the soft drink market. On a national basis this translates into millions of dollars of sales and profits.

Pip Pop represents the first foray of Peter and Greer into soft drinks, though they have a well-deserved reputation for merchandising excellence in other product categories. Their several brands of detergents, for example, control well over 50 percent of that category's sales. Their sales of disposable diapers represent a full 75 percent of all disposable diaper sales, and their toothpaste brands have captured approximately a 40 percent share. As with all of their other products, the Peter and Greer Company plans to support Pip Pop with all of its considerable marketing expertise and resources. On "rolling out" the product for national distribution, Peter and Greer will invest a million dollars in network television ads. Targeted for Saturday mornings and from 4 P.M. to 6 P.M. weekdays, prime youth-viewing times, 30-second commercials will feature prominent sports personalities drinking Pip Pop and kids having fun making the drink. In one of the ads, Michael Jordan, the popular basketball player, is shown preparing glasses of Pip Pop for several of the children in his neighborhood. Concurrent with media advertising, coupons will be offered in local newspapers, mailed directly to homes and enclosed in each package of Pip Pop. The coupon, worth 20 cents off each 6-pack, will be in effect for 90 days. Special dealer offerings will become effective following the initial consumer couponing program and will last for 90 days. Supermarkets and other retailers can take advantage of a 20 percent reduction in the price of each case and of free-standing displays made available by Peter and Greer. As with all other Peter and Greer products, there will be the normal allowances for coop advertising—50 cents off per case when the retailer meets requirements for local newspaper advertising.

The profit margin for Pip Pop is comparable to that of conventional soft drinks. Although its lower price will mean less profit to retailers per sale, the unique savings of the product versus conventional soft drinks should more than compensate.

Activity

1. Write down a list of features and benefits for Pip Pop.

Multicard, the All-Purpose Credit Card

Multicard is an all-purpose credit card with a worldwide circulation. By presenting the card to merchants, holders can gain immediate credit. The advantages of the card to retailers are varied and significant. It expands their customer base beyond those consumers who carry just the retailer's own card or charge account, which significantly increases the number of potential customers. One of the more telling arguments in favor of Multicard, given its large customer base, is that surveys show retailers losing sales if they fail to display signs showing they accept certain cards. These studies show that many consumers are too embarrassed to ask if their card can be used to make a purchase. Shoppers simply leave the store without buying anything at all. It is also true that those who have Multicard tend to be younger, upscale consumers who have a college education and are employed in professional or business work. Multicard assumes the cost for collecting any unpaid accounts, which total some 5 to 7 percent of accounts receivable for the typical store, eliminating the costs for retailers of maintaining their own credit and collection departments. Sales clerks are able to take advantage of Multicard's sophisticated computer system by dialing directly into the system to verify customer credit. Because of the nearly instantaneous reply, customers are saved lengthy embarrassing waits until their credit is approved, which usually requires phoning the local credit bureau and waiting for a clerk to look up the customer's record. Because retailers receive immediate credit for the amount of sale as soon as they deposit Multicard slips, their cash flow is improved; they need not wait for customers to pay their bills. Of course, this frees retailers of the overhead of keeping track of payments, printing bills, and mailing them out, tasks typically calling for some sort of data-processing system. Because Multicard advertises in local newspapers, on television, and on radio, promoting the use of the card along with the names of stores where it is honored, retailers profit from free advertising. Consumers themselves like the idea of needing only one universal credit card rather than keeping track of numerous single-purpose cards. For all of these benefits, Multicard deducts 2 percent from the face amount of purchases made with the card. That is, if the customer's bill totals $100, Multicard immediately credits the merchant's account for $98.

Besides the convenience and additional credit it offers, Multicard also attracts consumers with other incentives. Multicard offers a 5 percent rebate on airline tickets and a 10 percent rebate on hotel charges. The cardholder, his or her spouse, and other members of the family receive up to $500,000 in airline/common carrier insurance when each fare is charged. If a customer's auto-insurance policy doesn't cover rental cars, Multicard will, saving approximately $10 a day in extra fees. Multicard offers discounts toward merchandise purchases from its own biannual catalog. Multicard will double (up to one year) the free repair period offered by manufacturers' warranties for purchases made on its card and registered at the time of purchase in its Buyer's Assurance Protection Plan. Through another program, Purchase Protection, it also insures retail purchases against theft, fire, damage, or loss for 90 days from the date of purchase, up to $50,000 per cardholder.

A new Multicard feature is its price protection feature. If customers buy a product with the card, then find it elsewhere at a cheaper price, Multicard will refund the difference. The customer, though, must provide proof within 60 days that the lower price was advertised in print.

Activity

1. Write down a list of features and benefits for Multicard.

Falcon King Air

Many companies have grown dissatisfied with the cost and especially the inconvenience of commercial air travel. Executives must reserve trips in advance of flying on commercial flights; they cannot leave on short notice as with a corporate plane. Commercial trips often involve time lost waiting for flights (even greater with delays), switching planes to make connections, and commuting from airports far from city centers. Costs rise even further if employees are forced to stay overnight because air service is limited. All this is compounded by ensuing ruined schedules, delayed meetings, and even deals blown in today's fast-paced business world. Moreover, all this presumes that the final destination has an airport. Airline trunk routes serve only 250 airports nationwide. Since 1984, major carriers have clipped 65 airports off their schedules, and regional airlines even more. Since "9/11" this trend has accelerated.

Business aircraft can often avoid the airline hub airports and use noncongested reliever airports. The fact that business aircraft have many choices of airport locations at many destinations represents a major factor in the time-saving capability of business aircraft. Note in the map of Atlanta (see Figure 6-4) the large number of landing-site choices for the traveler with a business aircraft over Hartsfield International. Clearly, reaching an airport from one's residence or office and returning from the airport generally are more convenient for the traveler using business aircraft than for the traveler restricted to flying on a commercial airline.

When one looks more closely, the difference in trip time becomes more apparent for four reasons: (1) commercial air carrier schedules may not be compatible with business appointments; in contrast, with a company aircraft, little notice is necessary before taking off; (2) intermediate en route stopovers may be at distant hub cities conveniently located for the airlines, not the executive; (3) large, regional air terminals may be hours away from one's business destination; and (4) airlines would like passengers to check in 90 minutes before an international flight and 30 minutes before a domestic flight.

The impact of these four factors on overall trip time is compounded on multiple-leg trips. If one calculates the average value of a top executive's time, assuming 1,500 productive hours of work per year, the savings can be significant.

As stated, the most directly measurable tangible benefit from business aircraft is time savings. It is generally recognized that the value of an individual's time is greater per hour than just the direct salary he or she receives. Such values have long been recognized and appraised in the insurance industry in the offering and underwriting of "key man" insurance policies for business. A key person may be thought of as a valuable asset who is insured by his or her firm against possible loss in the same way that a building is insured against physical damage. To estimate total employment costs from salaries or wages, businesses usually use a multiplier to account for additional compensation and fringes. Several methods of analysis are used to determine multiplier values. The most accepted of these would conclude that a multiplier of 5.72 is appropriate for a senior corporate executive and 3.76 for middle-management and professional personnel. For example, a senior executive with a salary of $200,000 per year (approximately $100 per hour) has a time value to his or her company of approximately $572 per hour. The respective figure for middle managers and professionals (at a $100,000 annual salary) is $163 per hour. Savings for managers can be considerable, then, since it is estimated that on the average trip three extra hours are spent on commercial air flights versus the comparable flight on a corporate aircraft. If one knows, then, how many company executives (upper- and middle-level) fly during the year, the number of flights they make, and the average airfare, one can calculate the savings of buying a company plane.

Moreover, for most corporate travelers, time spent traveling is time lost—incredibly expensive executive time. Time spent getting to the airport, waiting at boarding areas, sitting on crowded planes, waiting at luggage counters, and leaving the airport, is all valuable time lost in the shuffle.

But for some lucky travelers, the time spent traveling is just the opposite. It's markedly more productive. These are people traveling in company aircraft. They go straight from their office on the ground to their office in the air—on schedule. On board, they can discuss, plan, prepare, and rehearse in complete privacy. With an optional airborne telephone, they can stay in touch with subordinates on the

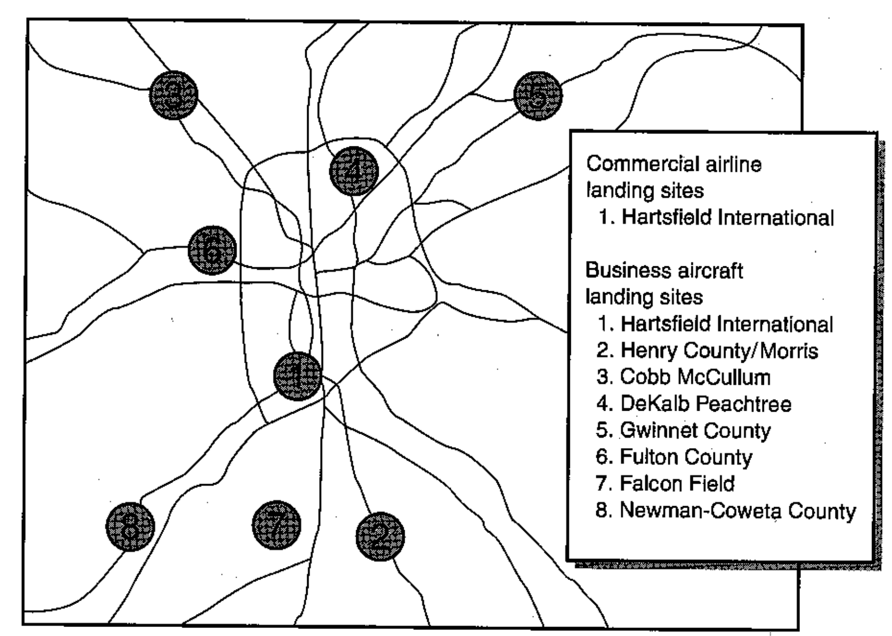


Figure 6-4
Map of Atlanta Landing Sites

ground. Comments James D. Robinson, CEO for American Express, "I can do some of my preparation work for my next appointment on the airplane. The onboard office is quiet and there are few interruptions. If we need to have meetings or conferences on board, we have room for that. We are always prepared when we land. As they say, wherever we go, we hit the ground running."

Companies also get strategic and operational trip results from owning their own aircraft. Recently, AT&T acquired McCaw, requiring senior AT&T executives to sit down with institutional investors and large financial houses worldwide to describe the value in AT&T stock for their pension plans, mutual funds, trust funds, and so forth. "Our teams made presentations in two or three cities each day," related AT&T's CEO. "This went on for a week. Not only did they have grueling presentation schedules, but they also had to travel and show up fresh for each meeting. They did it using their own aircraft. They could not possibly have done it on the airlines."

To handle the needs of companies understandably desiring their own planes, the Falcon Company of Wichita, Kansas, has developed the King Air, an economical two-engined turbo-prop aircraft. The King Air has 607 cubic feet of cabin space, some 37 percent more than its direct competition—enough room for up to six passengers and their baggage. This extra cabin space also allows amenities not often found in smaller business aircraft, such as a pressurized, accessible baggage compartment, a galley, a private lavatory, a couch, conference/dining tables, and a television. The range of the aircraft with a full load is up to 1,407 nautical miles; the comparable figure for a jet is 1,528 miles. The plane cruises at 350 mph, competitive with all other turboprop business aircraft. At this speed, you could schedule a 9 A.M. meeting 350 miles away (say, Chicago to Minneapolis) and still get a good night's sleep, because flight time would be only one hour. The commercial airliner between Chicago and Minneapolis is scheduled for an hour and ten minutes, to allow time for taxiing, climbing to altitude, time in flight pattern, and so on. On longer trips, of course, the higher speed of the jet will work to advantage, but studies show that the length of the average business trip is only about 350 miles. On such a trip, the most closely priced, comparably sized private jet competitor would get you there 11 minutes sooner, while consuming 67 gallons more fuel and offering a much smaller cabin. In fact, the King Air delivers more passenger miles per pound of fuel than any other airplane of its size, propjet or jet. It's no wonder that more than two-thirds of all business airplanes are King Airs. The King Air can help passengers reach customers or plants that more expensive executive aircraft cannot. It lands and takes off in under 3,000 feet, meaning it can land on 94 percent of the airstrips in the world, including unpaved strips. Often this capability allows it to land closer to the site of the passengers' business trip than with the typical regional airport.

The King Air has been designed for maximum safety; it can safely fly and land with just one engine. Every King Air is flight tested for 12 hours. Every airframe, every wing, and every system is tested and retested. All metal parts have been thoroughly protected against corrosion with an 11-step polyamide epoxy process. Moreover, controls for the aircraft are simply designed and easily learned by any qualified pilot within a short period of time, even those without commercial airline experience. The King Air has a warranty of 12 months or 150,000 miles, whichever comes first, and many components have their own special longer warranties. Additional Gold Card warranty protection on the entire plane can be purchased for two more years. The Falcon Company maintains a training school in Wichita for flying and ground personnel. The school is open virtually the entire year. The King Air possesses such a strong record of durability and safety that it qualifies for the most favorable rates on hull insurance. The cost of the plane is $4.2 million, approximately $250,000 more than direct competitors but considerably less than jet aircraft, which, while faster and less noisy, typically cost at least $0.5 million more. Moreover, the King Air uses about one-third less fuel than the average comparably sized business jet. In three years, a jet uses as much fuel as the King Air does in four, so, in comparison, the King Air flies every fourth year free. Although the King Air is slightly noisier than jets, everything has been designed to make it the quietest turboprop on the market. This is the result of four steps:

1. The engines have been moved nearly half a foot forward.
2. Four-blade propellers turn more quietly.
3. The inner shell of the cabin is shock-mounted to dampen sound and vibration.
4. The inner shell is wrapped in both thermal and acoustical insulation.

Another choice available from private leasing and maintenance companies is "fractional ownership." In simplified terms, a company can buy a share of a professionally operated and maintained aircraft and leave the "driving and hassles to them." Table 6-6 enumerates prices for fractional ownership.

Activity

1. Write down a list of features and benefits for the Falcon King Air.

Financial Services Exercise

Your task here is more unstructured than for the products and services just profiled. You are to assume that you have been employed by a large financial services company (one of your choice) to sell financial plans to the Swanson family, who will be described in Chapter 8, "The Approach."

Table 6-6 Prices of Fractional Airplane Ownership

Share Level	1/16	1/8	3/16	1/4	5/16	3/8	7/16	1/2
Purchase price	$264,000	$528,000	$792,500	$1,056,000	$1,320,000	$1,584,000	$1,848,000	$2,112,000
Operating costs								
Monthly management fee	$3,975	$5,790	$8,685	$11,580	$14,475	$17,370	$20,265	$23,160
Occupied hourly fee	$725	$725	$725	$725	$725	$725	$725	$725
Allocated hours per year	50	100	150	200	250	300	350	400
Five-year utilization	250	500	750	1,000	1,250	1,500	1,750	2,000

Your first endeavor should be researching a financial services company and learning its product line. Any brokerage house, insurance organization, or other financial specialist is a legitimate choice. Among the companies you might research are Aetna Casualty & Life, IDS/American Express, Merrill Lynch, Prudential/Bache Securities, the Sears Financial Network, Shearson/Lehman Brothers, and E. F. Hutton.

Web Exercise

Go to http://finance.yahoo.com, www.hoovers.com/free, or www.thomasregister.com and look up business information for three companies whose products you use weekly: your cell phone company, Coca-Cola, your favorite frozen pizza brand, sports equipment, or computer equipment. What kind of information is provided? How in-depth is the information about the companies? What kinds of things did you find out that would be of use to you if you were selling to these companies?

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