Rich: Well, one last thing. You know winter lasts awhile up here, and beer is a seasonal item. So maybe Green Mountain can think of something to help us during the cold months.

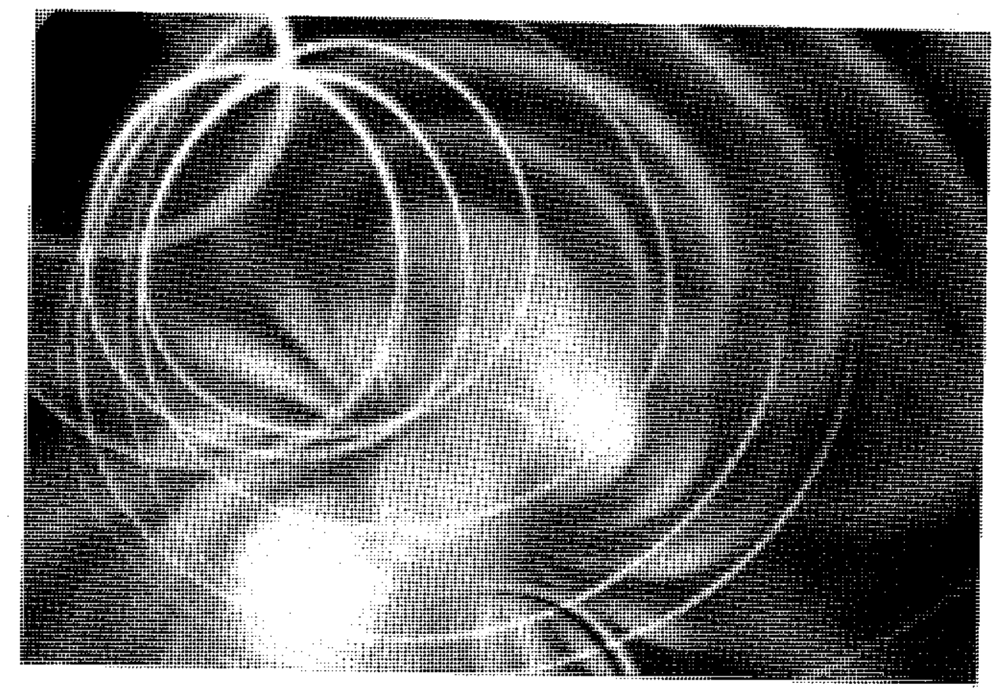
Dave: Okay. Thanks, Rich. I'll see you again next month, when I get back in Braintree again.

Question

1. If you were in Dave's position, what recommendations would you make to your manager?

Chapter 7

Successful Prospecting



Key Terms

centers of influence
cold-calling
contact management software
endless chain
inactive ("orphan") accounts
inbound telemarketing
outbound telemarketing
preapproach
tickler file

Outline

Learning Objectives

Learning Objectives

After studying Chapter 7, you will understand:

- The critical role of prospecting in sales success
- How to qualify prospects with regard to need, ability, and authority
- The major techniques of prospecting
- The importance of the preapproach
- How to set up and maintain prospect files
- How to plan for successful prospecting
- How technology has dramatically impacted prospecting

Bob Harris has just completed two months of training with the Everlive Insurance Company, learning the ins and outs of selling term, whole life, and property insurance. It is Monday morning, and Bob has just arrived at the office to begin his new career. After clearing his desk and filing his notes from training school, Bob decides to contact some people who might be interested in buying insurance. However, Bob is at a loss about how to begin. Whom should he contact? By what means? How will he know if the people he contacts are eligible to buy—and, moreover, if they are likely to buy?

7-1 What Is Prospecting?

The answer to this question and the answers to other questions come from knowledge of effective prospecting techniques. In personal selling, *prospecting* is the process of identifying potential buyers who have:

1. A need for the product or service
2. The ability to pay for it
3. The authority to buy it

Quite often, salespeople can put together a list of potential prospects, or names of individuals who might buy. However, for every 10 prospects, two may not have a need, three may not have enough money, and two may not have the authority to buy. It's no wonder that by some estimates fully 65 percent of all sales calls are made on the wrong person.

Before beginning the arduous task of prospecting, it is important to consider these numbers from Figure 7-1:[1]

- 2 percent of salespeople close the sale on the first call.
- 3 percent close on the second call.
- 4 percent close on the third call.
- 10 percent close on the fourth call.
- 81 percent close the sale on the fifth call.

Obviously, salespeople must not give up easily, but they should also be careful in choosing their prospects. Moreover, the reality is that it is three times as expensive to sell to a new account as it is to sell to an existing one.[2] Not only does it require more calls (3 versus 7, on average) but the list price is usually discounted dramatically, also. Of course, this is an academic question to the new sales rep just entering a territory with few, if any, accounts, or the new business salesperson who must continually prospect for much new business. Yet, it does imply that the smart

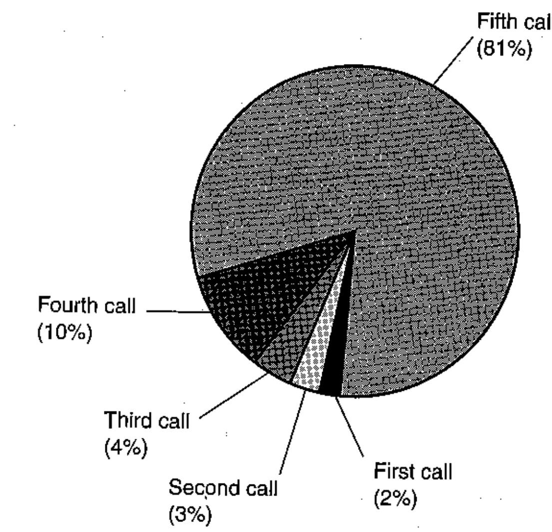


Figure 7-1
Calling and Closing
Most closes aren't made until later calls.

salesperson will search for those prospects with whom he or she can establish a long-term relationship rather than merely engage in a one-time transaction.

Unfortunately, most salespeople want to "ready, fire, aim," rather than the inverse. It is far better to do some work up front, determining those prospects with lasting power—the ones with whom a relationship can be established. Fortunately, there are numerous resources available to help the sales rep get the inside line on prospects—many costing nothing more than a little time and effort. Most of the sources that follow are readily available on the Internet, examples of which can be found in Box 7-1. Michael Shanley, outside salesperson for Liebovich Bros., Inc., in Rockford, adds that although his business customers use the Internet to purchase, he also uses it to determine prime sales prospects. "A salesman spends a lot of time qualifying customers, or figuring out whether a business manufactures products that would entail the use of our products. We used to have to look in manufacturers' directories. Now, you can easily pull this kind of information off the Internet, and you can do it quickly."[3]

7-1a Does a Need Exist?

Obviously, it is useless to call on people with little need for the product or service. However, salespeople waste much time with the wrong prospects, which is no laughing matter. The sales representative's overall efficiency and income are very much affected by the ability to assess prospect need.

One way of determining prospect need is to compare a prospect with the salesperson's previously determined description of a target market. If there is great dissimilarity, the prospect is unlikely to have need. Remember Ron Friendly in Chapter 6, "Beginning the Relationship Selling Process,"—the sales representative for Superior Hospital Uniform Company? Ron is trying to find out whether Mercy Hospital has a need for Superior's polyester-blend surgical uniform. Mercy is a large hospital (500 beds) with extensive laundry facilities and 12 operating rooms. Surgical personnel are knowledgeable and are likely to appreciate the technical advantages of the new uniform. In the past, Mercy Hospital has placed many orders with Superior and has been satisfied with the quality of the garments. Mercy has ordered little from Superior's major competitor, despite that firm's ability to deliver sooner. On the basis of this target market comparison, Ron decides that Mercy is likely to have a need for Superior's new surgical uniforms.

Box 7-1

Resources for Sales Reps

Here is a brief list of online sources.

General Company, Industry, and Geographic Information

Hoover's Online: www.hoovers.com:
Timely and detailed information on more than 50,000 public and private companies.

Galileo Internet Resources:
www.galileo.usg.edu/cgi-bin/homepage.cgi?_cc=1&_id=42315782-1120302296-0115
A listing of company directories and other competitive analysis sites on the Internet.

Michigan State University's MSU-CIBER:
http://ciber.msu.edu/busres.htm:
U.S. and international news and periodicals, statistical data and information resources, international trade information, company directories, and much more.

Corporate Information:
www.corporateinformation.com
Provides U.S. and international company information, including research reports, company profiles, earnings information, and analyst reports.

Public Record Databases:
www.searchsystems.net
Private company resources, compiled by Pacific Information Resources, Inc.

Investigative Resources International:
www.factfind.com/database.htm
Links to searchable databases and research sites, including newspapers, journals, NGOs, privacy and security information, open-source records, public agencies, legal information, and more.

U.S. Census Bureau: www.census.gov:
A wealth of information on everything from state demographics to average sales of businesses in your community to stats compiled in the 1997 economic census.

Federal Statistics: www.fedstats.gov:
The gateway to statistics from over 100 U.S. federal agencies.

Corporate Annual Reports and Financial Information

Barron's Annual Report Service:
http//barronsonline.ar.wilink.com/asp/BAR5_search_eng.asp
A service that gives you access to annual reports, for select companies, provided by World Investor Link and Barron's Online.

SEC's Edgar Database: www.sec.gov:
A database of annual and quarterly reports of all publicly traded companies.

State-Specific Data

State Data Center Program:
www.census.gov/sdc/www
A cooperative program between the states and the Census Bureau. The Business and Industry Data Center Program, also found here, is intended to meet the needs of local business communities for economic data.

Whatever the product or service, the salesperson should spend time assessing prospect need. The automobile salesperson should find out about prospects' current cars—make, year, model, and what they like and don't like about them. The salesperson might also ask about the size of prospects' families and whether they use their cars for both recreation and work. Answers to these questions will help salespeople decide which of their models will best satisfy prospect need. One sales representative for the Institutional Division of Economics Laboratory, Inc. (EL), has a unique method of determining prospect need. He calls it his "back door" method. Whenever he makes an appointment for selling one of his dishwashers to a restaurant or hotel, he enters through the back door. By going through the back, he can look at the setup in the kitchen area, examine some glasses and silverware for cleanliness and spots, and see which competitor's dishwasher is currently installed. In this manner, he can decide if need is present and, if so, show through tests how EL's equipment will solve these problems.

7-1b Can They Pay for It?

There is not much point in spending time with prospects who cannot pay for the product or service. The automobile salesperson might ask about clients' occupations and the amount of their current car payments. Showing them a $45,000 car they cannot afford makes little sense. They might want the car desperately, but they aren't legitimate prospects. All too many salespeople evaluate clients by their expressed desire rather than by their ability to pay.

When selling to the industrial market, sales representatives will find it worthwhile to check with credit rating services such as Dun and Bradstreet, the Better Business Bureau, chambers of commerce, banks, or other sources.

7-1c Do They Have the Authority to Buy?

The salesperson must be sure to call on prospects who have the authority to buy. Often, this is not easy. When selling e-learning via the Internet (MIS or "soft skills" training), salespeople may have problems determining who is the primary decision maker. In larger companies, decision-making power may lie with the vice president of corporate training, the human resources manager, or both. Very rarely does the chief executive officer become involved—they may not even use PCs. In some instances, especially small and medium-size companies, the decision often rests with the owner of the company. Now, there is the additional problem of outsourcing, in which companies hand over broad swaths of activities, such as their finance, human resources, and IT departments, to outside companies. Software vendors, for example, might call on who they think would be a prime customer for their product, only to find out that it has been outsourced to a company handling IT services for a number of organizations. It then becomes problematic to identify and contact these buyers, who are in a position to negotiate and buy in volume at large discounts.[4]

Some advise beginning at the top of the organization, even the CEO, because it is far easier to move down the hierarchy than up it. If you're dealing with a mid-level manager, how do you say, "I need to talk with your superior, because I have learned that you really don't have final authority"? The answer, of course, is that instead you can tactfully ask, "Is there anyone else I need to talk with about this purchasing decision?" However, there is no guarantee that the mid-level manager will do so, or even realize or admit that he or she does not have full authority. It is easier, though easier said than done, to start at the top, firmly identify the decision maker, and use his or her referral for an appointment. Is an underling going to refuse a request for an appointment suggested by a superior?

To return to the example of Ron Friendly, Ron will have to determine Mercy Hospital's balance of power between surgical personnel and the purchasing department. If the former have the most power, Ron can concentrate on demonstrating the technical advantages of his uniforms. On the other hand, if purchasing has more control over the decision, Ron will face a difficult task. Price, not quality, will influence the purchasing people.

Unfortunately, there are no definite ways to identify the key decision maker consistently. If one is able to call on the president, for example, identifying the decision makers should not be a problem. Oftentimes, users of the product or service can identify who is a decision maker, if not themselves. 3M's popular Post-its® made no headway with executives until 3M began promoting the product to secretaries. If the salesperson is still unsure, sometimes a candid, direct approach is best. An industrial machinery sales representative might ask, "Mr. White, will you be the one making the decision, or will others be involved?" Or, "Who do you report to?" "What budget do you have responsibility for?" "Who else is responsible for that budget?" It is quite possible that Mr. White is not the major decision maker, and the salesperson needs to get to who is.

7-2 The Importance of Prospecting

Selling works by the law of averages. Good salespeople know that a given number of calls will result in a certain number of orders. They plan accordingly and feel confident that the law of averages will eventually produce the desired results.

The law of averages, however, works only when there are enough qualified prospects for the salesperson to contact. Accordingly, the salesperson must prospect continuously and persistently. Neglecting this area is dangerous, even though the consequences may not be immediate. When current prospects are exhausted, the salesperson is left in the unhappy position of starting all over again. The first step in successful selling, then, is to make prospecting an automatic daily activity. That way, a steady flow of qualified prospects will be maintained.

Although persistence will bring results, salespeople can increase their success even further by improving the quality of their prospecting. Let's take a look at the numbers to demonstrate this. Suppose we have a salesperson who has collected the names of 20 potential prospects. Of these, 10 turn out to be qualified prospects. Three interview appointments are made, from which one sale of $500 results. This is illustrated in Figure 7-2.

Now suppose that the same salesperson improves the quality of the prospecting effort. As depicted in Figure 7-2, from another body of 20 potential prospects, 15 turn out to be truly qualified as to need, authority, and ability to pay (in fact, they are able to pay more). From these 15, 5 interviews are made, and 2 sales of $1,000 each result. In this instance, the salesperson has increased dollar sales some 400 percent through better prospecting. Even without an improvement in persuasive ability, the salesperson has dramatically increased sales volume.

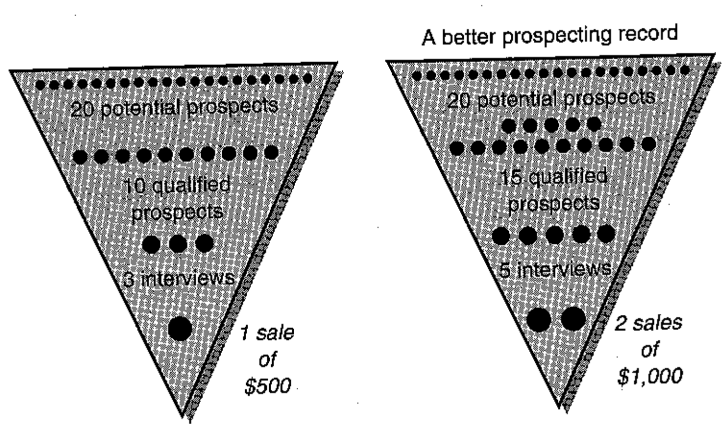


Figure 7-2
Prospecting Records

7-3 The New Technology of Prospecting

Before discussing specific methods of prospecting, it is important to first indicate how dramatically technology has transformed sales and marketing, especially prospecting. The relatively low cost of Internet services, telemarketing, and of sales and marketing automation makes it possible for any company to compete at a significant savings in time and money. Accordingly, sales organizations will require fewer high-paid "closers."

Obviously, the more salespeople prospect, the more business eventually comes in. However, most salespeople dislike the forbidding task of finding the names of decision makers, writing letters, and following up with telephone calls, not to mention being rejected eight times out of ten. The more senior the salesperson, the less willing he or she is to prospect. The result: Most organizations don't do enough prospecting.[5]

One reason the new technology is so successful is that it divides responsibility for these five basic steps of the selling process: identifying a decision maker, making contact through letters or phone calls to get an appointment, making the presentation, closing the sale, and maintaining the customer. With traditional marketing, the same people perform all five tasks, but new marketing technology allows stratification of the sales force, often using part-time employees to do the basic job of identifying decision makers. In many cases, a junior salesperson follows up on sales letters and calls to get appointments. Making presentations and closing the sale, however, is generally reserved for high-level salespeople. Depending on the status of the account, postsale contact often is shared by junior and senior salespeople along with customer service representatives. For example, when Xerox rolled out DocuShare, its new web-based knowledge-sharing product, the amount of lead generation needed "outstripped our capacity," stated Mark Simmons, general manager of Xerox Corporation's Customer Care Center in Palo Alto, California.[6] So Xerox turned to Techmar Communications, which supplied outsourced salespeople who help prequalify leads and create prospect relationships via telephone. These telereps encouraged prospects to download a limited version of DocuShare from the web, enabling them to demo the product before making a decision. "By helping prospects try the product first, [the telereps were] making them more excited about it," Simmons explained. These expanded capabilities have paid off for Xerox, which is seeing a doubling of business [for DocuShare] on a quarter-by-quarter basis.

Sales automation software, whether "contact management" or more sophisticated customer relationship management (CRM) programs with database analysis capabilities, makes it easy and inexpensive to enable the sales force for automated prospect-tracking. The key processes to be automated include keeping track of potential prospects by source, buying qualifications, and timing; communicating with potential prospects at the right time by telephone or mail; and tracking what happens to each prospect over time.

With these programs, salespeople maintain prospect information on their laptop computers and regularly upload information into a central database. Every contact with a customer should be regarded as an opportunity to get more information to serve that end. Once the organization has the appropriate software and hardware, every contact with the prospective customer should be entered into the database. Analysis of the database allows identification of only those prospects with the highest likelihood of buying. Prospective customers are so barraged with information and have so little time, they show little interest in any marketing pitch unless they're in a buying mode. Under these circumstances, the new technology works well because it is dedicated to addressing the optimal prospective purchasers at just the right time.

CRM software collects and interprets customer-based data from internal (marketing, sales, customer support) and external (market research, competitive intelligence) sources. It allows for better customer service by giving every employee the complete history of a customer's needs, problems, and purchases and targets potential sales by identifying the most lucrative customers and designing products for them. Mercedes-Benz successfully implemented CRM across its European divisions. The main driver was to understand the customers and offer them an individualized experience of consistent quality and to shift from mass marketing to one-to-one marketing. Mercedes-Benz now has a database of 10 million European customers whom it can contact individually and has improved customer retention and loyalty through improved customer care and insight. Sales effectiveness and efficiency also improved. Loyalty rates across Mercedes-Benz's markets in Europe are expected to rise as a result.[7]

Moreover, once a sale is made, relationships can be built with these customers, who are more likely to buy again (if satisfied) with much lower costs than prospecting for new customers. Marketers that want to build genuine credibility use the following relationship-building strategies, varying their selection according to the economics of the product line and the number of potential customers: newsletters; special offers and promotions tied, if possible, to the level of loyalty; eligibility to participate in special sponsored events or "customer councils"; exclusive information services via the Internet; and access to advanced levels of education in the field. Improved technology has transfigured prospecting.

7-4 Prospecting Methods

Over the course of time, salespeople have developed numerous methods for generating prospects. The following discussion of methods is by no means complete; there are probably as many variations of prospecting methods as there are salespeople. But the discussion does include most of the major recognized prospecting techniques. These can be discarded, altered, or combined, depending on the needs of the individual salesperson. The type of selling position will greatly influence this choice. An insurance salesperson might be able to use almost every method, while a business machines representative would be much more restricted. Whatever the final choice, the sources of prospects discussed here are as follows:

1. Friends and acquaintances
2. The endless chain
3. Centers of influence
4. Noncompeting sales personnel
5. Cold-calling
6. Observation
7. Lists and directories
8. Direct mail
9. Advertising
10. Seminars
11. Telemarketing
12. High-tech prospecting
13. Inactive accounts
14. Trade shows

7-4a Friends and Acquaintances

Friends and acquaintances constitute a rich source of prospects. Much of the business written by beginning insurance agents and securities brokers comes from people they knew before they entered the business. Industrial salespeople are likely to develop acquaintances and friendships after selling for awhile, and these friends provide sources for leads. Bankers, trade association personnel, and members of organizations such as the chamber of commerce represent other valuable acquaintances for industrial sales representatives.

A helpful technique for building prospect lists from friends and acquaintances is for salespeople to ask themselves, "Whom do I know?" They may know people from:

1. A previous job
2. Schools and colleges attended
3. Hobbies and sports activities
4. Participating in public service organizations and charities
5. Their neighborhood
6. Their church or other religious organization
7. Organizations of which they are members

Once such a list is developed, it is important to update it periodically as the salesperson continues to meet new people.

7-4b Endless Chain

An especially valuable method of prospecting is the **endless chain.** After each interview, the salesperson asks the client for the names of other people who might be interested in the product or service. As Figure 7-3 depicts, it does not take long to develop a lengthy list of prospects. A first interview may provide the names of two other prospects; two more names may be obtained from each of them for a total of four; these yield eight, and so forth. When asking for leads, the sales representative does not necessarily have to have made a sale, although it certainly helps. Even if the prospect does not need the product or service, the salesperson can ask for the names of those who do.

endless chain
A method of prospecting in which the salesperson asks each client the names of other people who might be interested in the product or service.

The endless chain is especially valuable in the sale of intangibles such as insurance and securities, but it is also useful in industrial selling. Executives in the same type of business or with the same professional specialty are in a good position to know of other prospects with similar needs and problems.

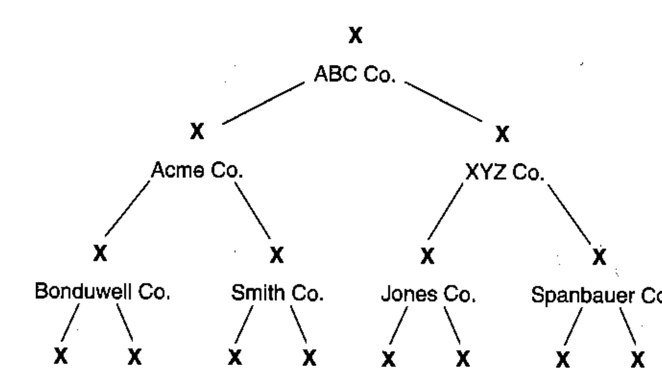


Figure 7-3
The Endless Chain

The endless chain method requires the use of referrals. That is, in making the next call, the salesperson can use a name from a previous interview. The referral will gain the salesperson more immediate acceptance from a prospect and diminish the chances of a quick refusal. Salespeople with referrals carry more credibility with them and feel more confident because they know more about the prospect and may already have been able to do some qualifying.

The prestige of a referral is not to be underestimated. Two sales representatives of equivalent expertise may call on the same prospect, but if one bears referrals from the prospect's acquaintances, this salesperson will have a greater chance for success. Prestige and credibility have a dramatic effect on the outcome of an interview, and a referral strengthens credibility. When a sales representative is recommended to a buyer, the salesperson can be assured that the interview will occur under favorable circumstances.

If possible, it helps if the salesperson can secure an introduction by email, letter, card, telephone, or luncheon meeting. A personal introduction, especially at a luncheon meeting, is perhaps the best means of referral, but it is difficult to set up. A telephone call may be easier to get and is probably as effective as a letter, because the caller's enthusiasm will be evident in his or her voice. Once you get the referral, it's not sufficient just to say "thank you" and leave. After calling the referral, report back to the person who gave it to you. Tell your referral source how things went, whether the person was interested, whether you closed a sale, or even whether there was no interest. Reporting back to the source of the referral keeps that person in the loop and increases the chances of receiving yet others from them.[8]

Using the endless chain method, salespeople may eventually build their own "nest" of prospects. *Nest prospecting* means prospecting and selling within a group until the salesperson is sufficiently well known in that group to be considered its own sales representative. An insurance salesperson, for example, might become known as the agent for all the dentists in a town. Nests may be composed of any people with a common set of interests: the employees of a store or plant; people in the same business (e.g., building contractors, store owners, and service station operators); people in the same profession (e.g., druggists, doctors, lawyers, teachers, and accountants); or members of the same social, civic, or religious group.

As might be expected with the rapid development of technology, "social networking" software exists for discovering referrals. A sales rep, for example, might struggle to get in the door at A-Plus Client, Inc., but every time he or she approaches them, all they get is a "Thanks, but no thanks." Then the rep discovers that Sally in accounting went to college with the CFO. Had this been known earlier, the deal might have been closed. "Selling through relationships is a thousand times more effective than cold-calling," according to Boston-based Contact Network Corporation, a maker of software that collects data about your company's "social network" to expand the salesperson's circle of potential customers. Contact Network's software does its job by scanning a firm's email logs, contact databases, and online resumes. When the name of a prospect is keyed into the software's search engine, a list of people who know someone at that company appears on the screen. The salesperson can then email colleagues to get the low-down and reference for the company before calling.[9]

centers of influence
People who, because of their position, responsibility, accomplishment, and personality, exercise more than ordinary influence and can direct salespeople to prospects.

7-4c Centers of Influence

Centers of influence are people who, because of their position, responsibility, accomplishment, and personality, exercise more than ordinary influence. They are opinion leaders, with their influence radiating in all directions like the spokes of a wheel. Research has demonstrated that the adoption of a product or service first requires trial by an innovative group of firms or individuals who relate their experiences to others. This has been found to be true for physicians in the adoption of new drugs and for farmers in trying new seed hybrids. In business, centers of influence are also important. It is critical to secure adoption by an innovative firm so that others may see the new product in operation. Once this occurs, rapid adoption usually follows.

Centers of influence may be found in four areas: the business, social, political, and religious realms. A few places to find these key people are trade association meetings, trade shows, or any business-related social event. They may be someone who is well respected because of financial expertise—a bank officer usually has prestige and contacts with businesspeople, borrowers, and depositors. An owner of a business employing many workers would also fall into this category. Prominent accountants, attorneys, and consultants constitute additional business centers of influence.

An office-furniture salesperson can use centers of influence by cultivating the managers of large office buildings, who tell the salesperson what firms are moving in or out. Chances are the firms will need new furniture. CPAs are centers of influence for financial sales reps. Calling them, rather than potential clients themselves, yields many more referrals. Centers evolving from social position include officers in the local country club; members of local school boards, hospitals, and charities; and people with old, respected family names. Those involved in church affairs—ministers, rabbis, priests, and presidents of church clubs—represent religious centers of influence. Politicians also are not to be ignored as centers of influence.

A referral from a center of influence is especially effective because of the authority it carries. The principle of a "power lead" operates here. When the name of the president of a company is employed in selling to a subordinate in the organization, leverage is obviously increased. Similarly, referral by the president of the local bar association is sure to carry much weight with a younger, less established attorney in the community.

Be sure to stay on their minds. If you find an article that a center of influence might enjoy, send it. Send them something every month as a reminder; a notepad with your name and picture on it that sits on their desk acts as a constant reminder. Send them leads. That way, reciprocity on their part is impelled. Send a handwritten thank-you note whenever you receive a lead from them, regardless of whether it ends in a sale.[10]

7-4d Noncompeting Sales Personnel

Salespeople for noncompeting products are an excellent source for getting prospect names. These sales representatives are likely to have information on new business openings, changes in personnel, and other kinds of valuable facts. Noncompeting sales personnel can strike agreements to exchange information, the operating principle being "you scratch my back, and I'll scratch yours." A computer salesperson, for example, can agree to exchange intelligence with a copying machine representative. A salesperson stocking detergent can learn much from salespeople stocking the panty hose display at the same supermarket. Even without a formal arrangement for exchanging information, the observant sales representative can learn much by listening to other salespeople waiting in the reception room of the purchasing agent's office. Whenever and wherever you meet a noncompeting sales representative, the opportunity for prospecting should not be lost.

7-4e Cold-Calling

cold-calling
Method of prospecting in which the salesperson goes door to door, office to office, or factory to factory searching for potential clients face-to-face.

At one large business machine company, beginning salespeople are given a small fax machine and told to go prospecting office to office. This describes the **cold-calling** method of prospecting. A sales representative identifies a geographic area where prospects are likely to be found and starts going door to door, office to office, or factory to factory.

Certainly cold-calling has worked effectively for the securities firm Edward D. Jones & Company. Jones forgoes big-city offices, instead choosing sites such as Spearfish, South Dakota; Whitefish, Montana; and Festus, Missouri. The firm assigns only one broker to an office, so he or she has to hustle hard to succeed. It also places its sales representatives in towns where they have not grown up, finding it easier for the rep to become known as a financial expert if he or she is not remembered there as a schoolchild. To ensure that the broker does not sit in an office waiting for business to come his or her way, Jones does not even give reps an office until they have made a thousand cold-calls on local residents.[11]

Quite often, however, the cold-call will result in an appointment at a later date. In this respect, the cold-call may be more effective than a phone call, because it is easier to turn down a salesperson over the phone than in person. As one sales rep for a commercial real estate firm indicates, you learn a lot by just chatting with the receptionist in person, rather than over the phone, such as how long the company has been in the office, how well the employees like the setup, whether there's talk of moving to new space because it's a tiny office where employees are tripping all over one another. Also, this sales rep comes away with the name of the decision maker and, when he calls on the phone, he's remembered because of his visit.[12] But there is no question that cold-calling is time-consuming; calling over the phone can cover a lot more ground than canvassing in the same amount of time. Considerable time may also be spent in qualifying, since the sales representative typically cold-calls with little if any information about prospects.

For maximum success, the salesperson should be selective in choosing areas for cold-calling. The insurance representative should select a subdivision with moderate to expensive homes, since calling in poorer areas is unlikely to result in many sales. The copier sales representative should call in an area with many business offices, especially large ones where multiple orders are likely. For salespeople with more specialized products, it may be advisable to secure a list first. A representative selling to air-conditioning contractors, for example, might look in the yellow pages to identify those to be canvassed.

At the end of a cold-call, the salesperson should be sure to leave a business card. The more cards that are given out, the more sales will result. Some people who are not interested during the cold-call might develop interest later. It is also important to ask for referrals when cold-calling, as this adds to the total number of leads generated.

Cold-calling is not effective in the sale of all products and services. It is valuable with tangible consumer items in general use (such as encyclopedias and cutlery) and in industrial selling for standard items such as copiers, calculators, and faxes. But for the sale of specialized products, cold-calling may be an inefficient use of time. A sales representative selling spindle-forming machinery to the woodworking industry, for example, will not find cold-calling very productive.

7-4f Observation

Prospecting by personal observation basically involves looking around for the type of prospects needed. A salesperson selling roofing, for example, can drive down the street looking for homes with missing shingles. A real estate agent can drive around looking for homes with "For Sale by Owner" signs in the front yard. Even when not intentionally looking for prospects, salespeople should be alert for any information they might overhear in conversations. An insurance salesperson, for example, should be alert to mentions of weddings, births, and other sales opportunities. To maximize the chances of obtaining such information, sales representatives can frequently change the places where they eat, shop, and have their hair cut.

One consultant has even added high tech to observation prospecting. Driving in his car, noticing substantial companies in office towers, he plugs his IBM notebook PC into his car's cigarette lighter and his cellular phone into the computer and starts faxing letters to the training department of each business he passes. He waits a few minutes and then follows up with a phone call. "I'm in my car next to your office," he says, "and I was wondering if I could stop by and introduce myself." In one instance, the training director walked downstairs to see the salesperson for himself. In most, he arouses enough curiosity to secure a subsequent appointment.

Some salespeople enlarge on the observation technique by using sales associates or "bird dogs," as they are sometimes called. An automobile salesperson might make arrangements with service station personnel or car insurance salespeople to provide leads in return for cash bonuses. Some companies even use junior sales representatives to cold-call areas and set up appointments for senior salespeople.

Because they are in a position to recognize when equipment needs replacement, company service personnel are excellent bird dogs. They will also be able to do some advance qualifying for the salesperson, because they will have a good idea of the customer's need and financial ability and may also know who in the organization should be contacted. One Des Moines office-supplies sales rep says, "My personal sales force is made up of about 20 people." This includes data-processing service engineers, office-machine repair personnel, and vending-machine service people. Smart salespeople take pains to be on good terms with service people.

7-4g Lists and Directories

When salespeople take over a territory, their company usually provides them with a list of customers. Although this represents a valuable starting point, the sales representative should be aware of other sources: newspapers, trade publications, and various commercial lists and directories.

Newspapers provide a wealth of leads. Just think of the features that regularly appear in local newspapers:

- Births
- Weddings and engagements
- Society news
- Changes in management and promotions
- New arrivals in town
- New businesses starting up
- Real estate information
- Building plans and permits issued
- Community events and participants

All of these may signal the need for products and services. The start of a new business provides opportunities for the sale of office equipment, fixtures, and furniture. A birth or wedding probably indicates a need for increased insurance. The award of building contracts provides leads for construction-equipment salespeople. The leads generated from the newspaper are limitless. Looking for such leads can be outsourced also. Robert Smith, the owner of Robert Smith and Associates, a publicity and venture-capital-raising firm in Rockford, Illinois, recently discovered a way to pinpoint customers who would need his services. He uses a media clippings service, CyberAlert.com, to receive emails of articles that contain his chosen key words: "IPO" and "raising capital funding." Smith takes those stories (about 45 a day), locates the company's CEO through a search engine, faxes an introductory letter, and often hears back the same day. "I have a letter that's headlined, 'Get up to $40 million in funding.' Then the first line says, 'I read about you in *X* publication.' And I offer a free consultation with the first letter. I've had calls back within 10 minutes of faxing a letter," Smith says. Since using this tactic, Smith's sales have shot up from one deal a quarter to two deals a month, averaging $50,000 apiece—all for a service that costs him $19.99 a month.[13]

Commercially available directories and lists, whether printed or on the Internet, represent yet another source of prospect information. The telephone directory, both regular and classified, furnishes many leads. Because it is organized by product or service, the classified section is particularly valuable to the salesperson. It also lends itself to creative use. For salespeople interested in new businesses, a comparison of two consecutive years' phone books reveals much. The city directory is valuable in providing a list of businesses and individuals by address on a street-by-street basis. A state industrial directory supplies a listing of industrial firms within a state by geographic area, by product or service, and in alphabetical order. Specialized lists are also available for purchase from commercial reporting organizations. In the paper industry, for instance, *Walden's Book of Manufacturers* lists all manufacturers of paper and flexible packaging.

It also is relatively easy and inexpensive to secure highly selective computer-generated lists. Donnelley Marketing in Oak Brook, Illinois, maintains one of the largest consumer databases in the country—85 million names, complete with extensive profiles on buying habits and more. An example of what can be accomplished with such lists is illustrated by a recent promotion sponsored by the Milwaukee division of Ford Motor Company. Ford mailed Taurus test-drive invitations to 10,000 area drivers, offering to deliver the cars to their front doors, if necessary, and pick them up later. The upscale invitees had to meet six qualifications: residency in the Milwaukee metropolitan area; 35 to 55 years of age; a minimum household income of $60,000; employment as a doctor, lawyer, high-level executive, or business owner; driver of a 2- to 4-year-old car; and married. R. L. Polk & Company of Taylor, Michigan, generated the list from its Totalist file, which profiles 90 million households nationwide.[14]

Donnelley will even take a file of 200 of a company's customer phone numbers and

- Analyze their customers.
- Tell how many new prospects there are in the geographic area of your choice.
- Generate a $99 report.

7-4h Direct Mail

Prospecting by direct mail can be an effective method. Prospects are mailed a letter inviting a reply if they are interested in the product or service described. Though response rates are typically low, direct mail can still be valuable. Even if only one or two sales are made for every hundred letters mailed, the costs are such that direct mail can be profitable, particularly for expensive products or services.

Response rates will never be high with direct mail, but several methods exist for improving the percentage of returns. When composing a letter or postcard, it is best to personalize it. Identifying the prospect by name is a good idea, because no one likes to receive mail addressed to "Resident" or "Occupant." Market research among personal computer buyers shows that between 60 and 80 percent of them will read a letter addressed to them by name (the range being due to how much the letter looks typed, at the top end, or obviously word-processed, at the lower end), whereas less than 40 percent will read one addressed to them by title, and only about 20 percent will read one addressed to the company. Personally signing the closing of the letter is helpful, and, if numbers permit, writing postcards by hand is desirable. Specializing the message for a particular type of recipient helps. When mailing to newlyweds (see Figure 7-4), for example, the letter might begin, "May we see you after you return from your honeymoon, please?" Note that immediately thereafter, the writer "fires the biggest gun first." That is, without delay the sales rep gets into the typical needs young clients might have about life insurance and its benefits.

It is a good idea to include a "P.S." at the end of the letter. That little addendum is the most frequently read part of a letter, according to several industry surveys. You should put your most important selling point or notice of a timed offer there. In fact, the time limit on any offer need not be mentioned anywhere else in the letter. A major

THE EVERLIVE INSURANCE COMPANY

John G. Smith, Special Agent
January 2, 2006

Mr. Mark Anderson
666 Main Street
Rockford, IL 66660

Dear Mr. Anderson:

I understand that you and Pamela Larsen recently became engaged.

Many young couples I've spoken with have told me that I was able to answer their questions about life insurance, questions such as: "Do we really need life insurance?," "How does it work?," "How much does it cost?," and "Will the money be refunded if I live beyond age 65?" I've also found that many couples hesitate to ask about life insurance for fear an agent will try to sell them something they don't understand, can't afford, or don't know if they want it.

Whenever I visit an engaged couple, I do four things: I show them how life insurance works; I answer any questions they may have; I explain how they can buy some life insurance now, if they're interested; and I explain how they can receive up to $5.00 or more at age 65 for each $1.00 invested.

When you do buy life insurance, Mr. Anderson, you'll be investing money you earned by hard work. Doesn't it make sense to find out as much as you can about insurance now, so that when you do decide to buy some you'll make a well-informed decision? I hope your answer is yes.

Fill out the enclosed card to receive a free appointment calendar for 2006 and schedule an appointment for us to meet and decide if I can be of any service to you and Ms. Larsen.

Sincerely,

John G. Smith

P.S. Rates are really attractive for those under 25. Now is the time to purchase insurance while it still is cheap!

Figure 7-4
Sample Prospecting Letter

purpose of a sales letter is to get the reader to do something, no matter how small a step it is. Some ask for an immediate order, but big-ticket and complex items often ask the reader to send for more information or to authorize a call by a sales representative.

Try to persuade the reader to take immediate action. Too often, people who read sales letters put them away so they can act on them later, and then they never get back to them. So you need to convince readers to act immediately. Guarantees of a delivery date, discounts for orders placed by a certain date, prizes or special offers to the first group to respond, a free trial, an unconditional guarantee, or a no-strings-attached request card have all proved successful.

A sample letter incorporating some of the preceding suggestions is presented here. Would you expect the techniques to increase the rate of return?

Repetition and follow-up procedures increase the rate of response. Some authorities recommend at least two mailings to each prospect. With the large amount of commercial mail received by most people, multiple mailings may be required before the message has an impact. Follow-up with other methods helps. A letter or postcard makes an excellent preconditioner for follow-up contact by telephone or in person.

contact management software Software that facilitates keeping track of potential and current customers, including their purchase history.

Of course, these days the direct mail process is easily automated with the ubiquitous **contact management software** available, such as *ACT!*, *Telemagic*, and *Goldmine*. (A demo for ACT software can be seen at www.act.com/products/2005/demo/?campaign=h_cta1.) Templates can be designed for each target market (and even personalized for individual customers) and addresses mail merged, so that letters are printed, including the envelopes, and mailed in quantities that would have taken days or months 20 years ago. It is also possible to substitute faxes for letters these days. In a fraction of the time it takes to mail out prospecting letters, contact management software allows the salesperson to transmit "broadcast" fax over computer modems. In composing the fax, all of the rules regarding writing a prospecting letter also applies. It is important to have the specific fax number of the desired prospect. The Telephone Consumer Protection Act of 1991 (TCPA) and Federal Communications Commission (FCC) rules prohibit sending unsolicited advertisements, also known as *junk faxes,* to a fax machine. This prohibition applies to fax machines at both businesses and residences. An *unsolicited advertisement* is defined as "any material advertising the commercial availability or quality of any property, goods, or services which is transmitted to any person without that person's prior express invitation or permission."[15]

7-4i Advertising

Many large companies make extensive use of advertising to develop prospects for their sales forces. A coupon may be provided at the bottom of a magazine ad for the reader to mail in and receive information. Industrial trade magazines usually include a section in the back where the reader can check a box to receive more information from the advertiser. The "bingo" card at the back of the magazine will often include a phone number instead of a return mail address. When the number is dialed, a user follows a series of voice prompts a voice mail system. The caller can select one or more documents or a complete catalogue to be mailed. A caller can also be prompted for his or her fax number and the requested document sent within minutes.

Although advertising can generate many leads, it may take considerable time for salespeople to qualify them. One example of a qualifying procedure is that of Micro Motion, a $200 million company based in Boulder, Colorado. Leads are generated from trade publication advertisements, direct mail campaigns aimed at purchasing managers, and trade shows in such target industries as chemicals, oil, and pharmaceuticals. These leads are followed up with a personalized letter from Micro Motion's director of marketing and a questionnaire asking for information on the respondent's purchasing authority, time frame, and budget. Letting people reply themselves proves their qualifications. If a prospect asked for information and was sent a questionnaire, but didn't return it, why would a salesperson be given that lead? Upon receiving the returned questionnaires, answers are categorized into leads by interest level. Prospects who are very interested in purchasing a Micro Motion product, or who request more information, are categorized as "hot." All hot leads are sent back and forwarded to the appropriate salesperson.[16] Last year the program spurred a 5 percent increase in sales, or about $180,000 in additional revenue.

7-4j Seminars

Long used in the sales of intangibles such as insurance and securities, seminars are used by more and more companies for prospecting. Without question, they have a number of advantages: They maximize time by presenting to more than just one prospect, there is a guaranteed amount of time for a presentation, there is the possibility of attracting some prospects who are difficult to see by personal appointment, and they come prequalified (i.e., if they come, they're interested). A seminar also can bring together prospects and satisfied customers.

The best site to choose to maximize attendance is usually a neutral one, such as a hotel, restaurant, or college. Having a seminar at a company's office, for example, will deter many prospects from attending. Also, offering the seminar on two consecutive days increases the number who will attend; those who are unable to attend one day might the next. The best way to get prospective customers to attend is by using a 3-step approach of direct mail, phone follow-up, and last-minute reminder:

1. Mail out written invitations, with postpaid return response cards enclosed.
2. After allowing sufficient time for response, follow up with telephone calls, asking if the invitations were received. To those who respond that they have not received the invitation, the phone call provides the salesperson with a chance to solicit their attendance with an explanation of the benefits of attending. If they say they aren't interested, the salesperson has one more chance to enumerate seminar benefits.
3. On the day before the seminar, the seminar holder can call prospects who have expressed an interest in attending and remind them of the date and time.

The sales presentation at the seminar should be professional, with high-quality audiovisual aids and eye-catching demonstrations. If there are no more than 15 to 20 people in attendance, asking each attendee what he or she wants to learn from the seminar will optimize attention by enabling the salesperson to present benefits from their viewpoint. Writing them down on a chalkboard or an overhead reinforces this. Inviting satisfied and enthusiastic customers to share their experiences at the seminar provides effective endorsement of the salesperson's product or service. Once the formal presentation is finished, refreshments can be served, giving the salesperson time to talk personally to as many attendees as possible.[17]

At this juncture, it is critical to get attendees' names and addresses. One way is to do a drawing for a free book, video, or cassette, asking attendees to simply submit their business cards. Another approach is to have everyone complete a brief questionnaire.

Some companies have brought high tech to the seminar idea with videoconferencing. Zimmer, Inc., a medical equipment manufacturer, recently demonstrated its new arthroscopic instruments in a delicate knee operation witnessed by 1,000 orthopedic surgeons at 26 videoconference sites throughout the country. In addition to broadcasting the surgery, Zimmer produced a 3-hour program on the latest advances in diagnosis and surgical techniques and conducted local workshops at each site.

7-4k Telemarketing

inbound telemarketing The prospect calls the company.

outbound telemarketing The company calls the prospect.

There are many forms and applications of telemarketing. The most inclusive categorization is to differentiate between **inbound telemarketing** and **outbound telemarketing.** As the terms imply, in inbound telemarketing the prospect calls the company; in outbound telemarketing, the salesperson contacts the prospect. There are many advantages to adding telemarketing to the marketing mix. On the business-to-business side, with the cost of a field sales call rising steadily, telemarketing can be a cost-effective alternative. In some cases, it can be used to replace face-to-face selling on smaller accounts. In others, telemarketers qualify leads before handing them off to field salespeople. In both business-to-business and direct-to-consumer marketing, a telephone call is more attention-getting than a direct mail piece. Also, it provides a faster response than the mail, and it is more certain: You not only know that the call was received, but you also know *when* it was received. Telemarketing can be used for many purposes. Among them are generating and qualifying leads, providing service to existing customers, managing and screening inquiries, setting appointments, announcing new products, cross-selling or upgrading existing customers, building a database, taking reservations, and making direct sales.[18]

For example, as a marketing agent for insurance companies, National Marketing Systems (NMS) has two functions. First, it recruits agents to sell insurance for the companies with which it is affiliated. Then, it supports those agents by giving them information about the insurance companies and their products plus names of prospects. NMS had been recruiting agents by using a combination of direct mail, ads in industry publications, and postcard decks. Recently, the company decided to experiment with telemarketing, and the results have been dramatic. "The cost-per-contact to communicate with agents is substantially less," says the president and CEO of the Albany, Georgia, company. Using telemarketing, the cost-per-agent-contact is about $6.50. That compares with about $20 per contact using direct mail, $30 per contact for ads in industry magazines, and $35 per contact with a postcard deck. With telemarketing, "the return is much better, and the quality of agents is higher."[19]

The key to successful inbound telemarketing is the use of mass media advertising, direct mail, and other promotional activities to stimulate calls from prospects and customers. By including a toll-free 800 number in its promotional material, a company encourages consumers and business prospects to call for added information or to place orders. If the order is not placed, sales leads can be followed up by either additional telemarketing sales personnel or field sales representatives.

There are many examples of companies that use inbound telemarketing effectively. The travel industry is replete with examples. Airlines, hotel and motel chains, rental car companies, and other travel services have used inbound telemarketing to stimulate reservations. Toll-free phone numbers are featured prominently in travel advertising, encouraging customers to call for information and to make reservations.

The second major use of inbound telemarketing is customer service. Buyers are encouraged to call with requests for product information, suggestions, and complaints. Not only will inbound telemarketing help a firm process customers' orders quickly and improve customer service but telemarketers can also take further advantage of a customer's call to cross-sell additional products and services. For example, when a customer calls one of AT&T's consumer market sales centers to obtain credit for a wrong number or to correct another problem, the customer service representative is able to examine the caller's records and suggest "Reach Out America" or some other service plan appropriate for that customer.

Outbound telemarketing is the other major approach used. This involves initially contacting customers through an outbound telephone call. Many successful direct marketers have combined two forms of communication. A direct mail piece, for example, sent prior to a telephone call increases the customer's receptivity to a follow-up phone call and provides a frame of reference for the call.

Salesnet, a service bureau that specializes in telemarketing, has mounted an extensive outbound telemarketing campaign for Avis. After first purchasing mailing lists and consulting with Avis to identify the profile of companies most likely to be interested in leasing, Salesnet puts together an effective sales approach. This accomplished, Salesnet telephone operators, using computer-dialed telephones, phone prospects and follow verbatim the sales approach that appears in front of them on their CRTs. The results have been very satisfactory. Not only has valuable sales force time been saved but more appointments have also been made with higher-echelon executives. Given leads for qualified prospects who are already sensitive to Avis offerings, Avis salespeople find that the time it takes to close a sale has been reduced by 30 days.[20] Avis's findings parallel those of other companies using sophisticated telemarketing systems. With a solid telemarketing program, all leads can be worked through the initial qualification and need-analysis stages at a fraction of the cost of field sales lead qualification. And *all* leads are followed up, not just the few intuitively appealing to the field sales rep.

MCI, the long-distance phone company, has taken telemarketing one step further by scheduling the field sales force's personal appointments. On a daily basis, regional field sales managers supply the telemarketing group with time availabilities when salespeople are not scheduled. When a telemarketer comes across a good business prospect in Chicago, for example, the computer matches the prospect's zip code with the correct salesperson's territory. The prospect is then told that the salesperson can stop by for a visit at, say, 10 A.M. next Thursday. When the salesperson checks the automated call schedule later, he or she finds the scheduled calls.

The most advanced forms of telemarketing are found in business-to-business applications that involve total account management. This form of telemarketing involves consultative selling in the same way as field sales. A number of large companies, such as A.B. Dick, IBM, 3M, Xerox, and Massey-Ferguson, provide full account services to small accounts through telemarketing. Massey-Ferguson, a giant producer of farm and industrial machinery, instituted telemarketing to serve 600 low-volume dealers. Sales analysis had revealed that these 600 dealers accounted for only 10 percent of Massey-Ferguson's sales, but the costs of servicing them were almost identical to those of a high-volume dealer. In addition to cost savings, Massey-Ferguson has been able to increase the number of contacts with its smaller dealers, to improve the quality of contacts, and to provide these dealers with faster responses to inquiries and requests.

Even in the absence of a systematic telemarketing operation on the part of their companies, salespeople should still make extensive use of the telephone in their prospecting. It has tremendous reach, saving much time and legwork. It is immediate; it gets the message across quickly; and, unlike direct mail, the sales representative can answer objections and set up appointments.

Perhaps the greatest advantage of the telephone in prospecting is the speed with which calls can be made. It is realistic, even in professional selling, to make 50 calls in a day (compared with perhaps 300 face-to-face cold-calls in a year). Moreover, as a means of making mass contacts, it is significantly more successful than mailings. The conventional wisdom is that the phone is 10 times more productive than mailings.[21] The biggest disadvantage of the telephone is that compared with a personal visit, it is more difficult to be persuasive with only your disembodied voice to work with. For this reason, many (perhaps most) sales professionals find using the phone awkward. Even the most experienced reps find it daunting to face a cold telephone and the need to make a half-dozen appointments.

The Internet makes call centers more important than ever. Customers expect a company's website to list a toll-free telephone number. And they expect a company that is sufficiently up-to-date technologically to have a website to have an equally up-to-date call center with well-trained telephone sales representatives. Voice over IP technology will allow reps to talk with prospects directly while both are online, forgoing text-based chat.

7-4l High-Tech Prospecting

Earlier, we alluded to how technology has transformed prospecting. CD-ROMs are helping marketers reduce the cost of personal sales while also making such calls more valuable. What makes CDs especially attractive to marketers is their ability to personalize—users can input data and receive a calculation, do competitive comparisons, cost justify, plan, or receive advisement on the spot if a modem is available to call the sender. Disks permit the customer to design the message through the use of simple menus. With a disk, customers choose the price, range, color, design, performance, and other special features they want to see, and they can often input data and receive calculations, plans, or advice back. Moreover, a demo that includes color, animation, and music is more memorable than a printed presentation. For example, a recent CD promotion mailed to 5,000 senior executives generated a 10 percent response rate. A subsequent survey of recipients indicated that 85 percent played the demo and 60 percent spent more than 5 minutes reviewing it. A demo CD has a greater impact than print; in addition, the cost of producing and distributing a demo CD is competitive. The cost of paper continues to rise, while that of CDs is falling. The postage for a demo disk is significantly less than that for sending a comparable amount of printed information. A significant further advantage of diskettes over print is the prospect's ability to order the product directly from the seller over the phone, using on-disk software and a modem.

Citicorp, in selling its *Global Report* to financial information users, cut the costs of generating leads 90 percent. Originally, it sent out a direct mail piece and followed it with presentations by salespeople; later, Citicorp replaced that method with a letter offering a preview CD. When a prospect asked for the CD, a telemarketer made an appointment for a phone interview by a salesperson. The salesperson walked the prospect through the demo disk, stressed certain advantages, pointed out features that might not be noticed, and answered questions. With the development of the Internet, especially with broadband connections becoming more prevalent, steaming video can substitute for a CD without the costs of CD duplication.

Another high-tech tool is email.[22] Over the last few years, targeted email promotions have grown enormously. An effective email promotion drives traffic and often generates sales. To be effective, email promotion needs to be targeted to a specific, well-defined group of prospects. Promotions for products and services with broad appeal, such as modems or Internet service providers (ISPs), are harder to execute profitably than those with a more focused market, such as small business inventory software or horror-movie posters.

The best email addresses come from existing prospects, customers, and web visitors. Those people are already qualified. They know your company and, if they volunteer to give you their email addresses, they want to hear more from you. Building an email list is the most effective way to get people to return to your site after they've visited it. It is also the cheapest. Just put a sign-up form in a prominent location on your site. Ask visitors to provide their email addresses if they'd like free news about additions to your site. Then send messages when you add or change your site or your products. In addition to building your own lists, you can rent them. Rented email lists can succeed for you if you watch for two key factors. Entries can be selected by employee size, sales volume, job title, one email per company or all emails per company, type of business, credit rating, and more. It is advisable to use only "opt-in" lists, those made up of people so interested in a topic that they have explicitly *asked* to receive email from strangers. Second, double-check the list topic to make sure that it matches your category of product or service exactly.

A high-tech prospecting opportunity causing a great deal of interest among businesses is the Internet. The Internet is the backbone of the information superhighway. The highway itself consists of mostly "land lines," telephone, cable, or fiber-optic wires. The information is virtually anything—voice messages, typed words, numbers, charts, catalogs, brochures, or even moving and talking pictures. One of the Internet's big advantages: Three fourths of all consumers and most businesses and nonprofits are already hooked up.

How can the Internet be useful to salespeople? Here's a short list of some of the ways being used right now:[23]

1. Targeting people searching for information about your product or service category for much less than traditional marketing. It allows users to get specific information on demand when they need it, any time, day or night.
2. Getting the names, addresses, and telephone numbers of qualified prospects.
3. Contacting these prospects.
4. Finding out something about the prospect's needs and plans. The Internet represents a low-cost way to build a database of people specifically interested in what your company sells. When your website works properly, people voluntarily provide your company with information about themselves in a format that's automatically added to your database for future communication. These are the people you really want to know: prospects or customers keenly interested in your company or in your product or service category. The truth is that some of the nation's most successful sites achieve excellent results with an annual investment of as little as $10,000.
5. Using the website as a relationship marketing tool by giving people such things as access to proprietary information or special pricing and services. Reward your best prospects for providing their names, addresses, and email addresses. After all, their willingness to reveal information about themselves can reduce your marketing costs. Scheduling conflicts can be minimized because the client can choose the time to go online and observe a presentation that employs the kind of multimedia techniques once reserved for elaborate dog-and-pony shows. A salesperson calling on a customer can tap into the company network for the latest information on products, applications, and prices.
6. Taking an order from the prospect and making sure it is filled promptly and correctly and at a lower cost. Office Depot, the largest office supply retailer on the Internet, has found that processing an order over the Internet costs less

than $1 per $100 of goods sold versus twice that for orders faxed into a customer service center. The cost impact of migrating customers to the web for service requests is even more dramatic. "The costs of an [800-number] service transaction is about ten dollars," says the chief technology officer for Traveler's Life and Annuity Insurance. "When this same transaction is processed over the web, it can be completed for about one-hundredth the cost."

Along with cost savings, the other benefit of shifting transactions to the web is freeing up sales reps from administrative tasks, like shipping catalogs or tracking orders, to concentrate on strategic selling activities. Dell Computer, for example, estimates that the introduction of its online Premier Pages for its corporate clients has reduced the average number of phone calls needed to complete a sale from three to one and a half. The focus on strategic selling also leads to a better customer experience as salespeople take a more consultative approach.[24]

7. Capability of live chat. Visit online superstore Technobrands.com, for example, and a coupon pops up offering an immediate discount. Click the coupon, and you're engaged in a live chat with a Technobrands sales rep. This kind of personal interaction pays off big, says Joel Skretvedt, the store's director of Internet operations. "Shoppers who chat are 13 percent more likely to buy something, and they spend an average of $60 more per transaction," he says. With Voice over Internet Protocol, telereps will be able to actually talk with customers, not just chat with text messages.[25]

As one example of optimal website usage, J. P. McHale Pest Management has as its goal to generate leads for metropolitan New York area business via a website. To make sure it attracted only those concerned about pests, the company created a pest-control information service and called it www.nopests.com. It hired editors and writers to create useful, authoritative articles on such topics as major pests in the region, how to combat them, and the use of integrated pest management. A "viewer" enables people to see four-color pictures of common household pests. The site includes an ask-the-expert section, a seasonal pest update, and details about a free home inspection. J. P. McHale mentions the site in its advertising and brochures and has registered it on major search engines. By following up with people who "asked the expert" or who requested a free inspection, the company made enough sales in four months to recover the $8,000 it spent to develop the site. Leads continue to come in at hardly any additional cost.[26]

7-4m Inactive Accounts

inactive ("orphan") accounts People who have bought from the vendor before, but currently do not have an assigned salesperson.

Inactive ("orphan") **accounts** are often a good source of leads, any preconceptions against them by salespeople notwithstanding. They do not represent just discontented former customers. There may be a number of reasons, not all bad, why the customers stopped ordering. Often it is nothing more than that the previous salesperson in the territory stopped calling on them. Perhaps a new buyer took over, a new product line created different requirements, or new production techniques required changes from suppliers. Inactive accounts may be ready to begin reordering if the salesperson takes the time to call on them. In the insurance business, for example, there may be "orphan" accounts consisting of policy buyers not currently assigned to a salesperson. Another rep might call them for "free needs analysis" to update current financial requirements. Because they have already bought from the company, they likely already have a favorable attitude and are more likely to buy than "cold" contacts.

7-4n Trade Shows

Many companies rely on exhibits at trade shows to generate prospects. For example, companies who sell to the hospital industry can exhibit their wares at the annual meeting of the American Hospital Association. Trade exhibits have a number of advantages. Companies (especially small and new ones) can gain instant recognition with the large numbers of prospects who visit their booths and spot their products for the first time. As one exhibitor commented, "A trade exhibit gets your name out there right away as opposed to some of your other marketing options."[27] Especially advantageous is the fact that potential buyers can actually see the equipment in operation, which may not be true if the sales rep is working out of his or her car and visiting the prospect's office. Because the booths are usually staffed by members of the sales force, prospects can meet them in a setting that is less intimidating than a personal call. When the sales reps call later for an appointment, there is less apprehension among prospects because they have already met the caller.

7-5 The Preapproach

preapproach All those activities that precede actual personal contact and that provide additional personal and business information about the prospect.

Formally, the **preapproach** includes all those activities that precede actual personal contact and that provide additional personal and business information about the prospect. It is difficult to distinguish when prospecting ends and the preapproach begins. Often they occur simultaneously. Basically, the preapproach seeks to obtain information in depth about prospects as individuals, as well as about their companies, along with any other factors likely to affect the sale. By completing a target market profile, the salesperson will have in mind a general picture of a prime prospect. From prospecting activities, the salesperson will gather still more facts. However, the picture may yet be incomplete, and this constitutes the need for the preapproach.

7-5a Preapproach to the Individual Customer

An important rule of communication is that the process is facilitated if both participants know something about one another. From your own experience, you know how difficult it is to meet people for the first time when you know absolutely nothing about them. It is not nearly so uncomfortable talking with a stranger if you know something beforehand about his or her occupation, friends, hobbies, and family. The preapproach is intended to facilitate communication for salespeople. The more they know about the prospect, the better off they are.

In a classic study, Franklin Evans demonstrated that similarity between an insurance salesperson and prospect increased the likelihood of a sale. Evans studied successful and unsuccessful sales calls and concluded that the successful ones were much more likely to be characterized by similarity between buyer and seller. The successful percentage is consistently higher for dyads, or pairs, with the same characteristics than for dyads with differences. This is true for height, age, income, religion, politics, and even smoking habits.[28]

The implications of Evans's study are straightforward. Salespeople should find out as much as possible about the buyer before the interview takes place. Salespeople should take care to avoid points of difference between themselves and buyers. Commonality leads to likability, a critical factor to building a relationship. If prospects do not smoke, salespeople should avoid lighting a cigarette. If prospects are political conservatives, liberal sales representatives should steer clear of political discussions. By the same token, sales representatives should be sure to emphasize points of similarity. Research has demonstrated that persuasion is augmented if points of agreement are established early in the interview.[29]

Harvey Mackay, author of the *New York Times* best seller *Swim with the Sharks without Being Eaten Alive* and CEO of Mackay Envelope, credits his company's success in the highly undifferentiated envelope business to just one factor: "salesmanship—inspired, energized, superior salesmanship." Mackay has his salespeople meticulously collect information on their customers, including seemingly trivial facts, such as their hobbies, lifestyles, and special interests. No matter how seemingly trivial, this establishes the salesperson as an effective listener, according to Mackay. Effective listeners remember order dates and quality specifications. They are easier to talk with when there's a problem with a shipment. In short, effective listeners sell to more customers . . . and keep them longer.

For 30 years at Mackay, salespeople have been required to collect this kind of information on a questionnaire popularly referred to as the "Mackay 66" (because it has 66 questions). Salespeople complete one form for every customer. It lists all vital statistics, such as the contact's educational background, career history, family, special interests, and lifestyle. It is updated continually and studied to death at Mackay. The company's overriding goal is to know more about its customers than they know about themselves. For example, question 48 asks about the customer's vacation habits. Vacation choices say a lot about people. Is he the outdoors type who loves to white-water raft on the Colorado River or does he prefer to travel Europe and Japan by bus? Is she a tennis enthusiast who plans her vacation around major professional tournaments? How would that lover of the outdoors react to a book of photographs by Ansel Adams? What would the sightseeing type say on receiving an array of hard-to-get brochures about unusual and exotic tours? Imagine the reaction of that tennis buff as she reads the previews of Wimbledon and the U.S. Open that a salesperson sent her a few weeks before the events.[30] Besides talking with acquaintances of the prospect, the salesperson can pick up much preapproach information by being observant and by researching companies on the Internet.

7-5b Preapproach to the Organizational Customer

Preapproaching the customer organization involves gathering information over and above that already available from prospecting. Among the facts that might be obtained are facts about company operations. Sales representatives will be in a much better position to sell if they can answer the following questions regarding the customer company's operations:

1. To what market does the company sell?
2. What does the company make or sell?
3. What are its future plans?
4. What problems does it face?
5. What is its sales volume?
6. What is the quality of its product or service?
7. What materials are used in manufacturing?
8. How are products manufactured?

The sales representative must also understand company buying practices. Here are some important considerations:

1. Does the company order only from a single vendor or does it prefer multiple vendors?
2. Who are its current suppliers? Is the company satisfied with them? If not, why?
3. In what volume does the company buy? How often?
4. What are the contract termination dates?
5. What are the prices paid?
6. What is the company's credit rating?
7. Does the company practice reciprocity?

7-6 Getting the Most from Prospecting

Successful selling requires planned and organized prospecting. Failure to prospect or halfhearted efforts to do so will inevitably have an adverse effect on sales performance. The salesperson should always take care to maintain an adequate pool of prospects. As sales are closed, the maintenance of production requires the availability of enough qualified prospects to call on next. This necessitates careful planning and the maintenance of useful records.

7-6a Establishing a Plan

Successful sales representatives establish specific prospecting objectives and then make plans for their execution. Table 7-1 shows one such plan. Notice that the salesperson has established prospecting goals for each day of the week and, further, that these goals have been specified by method: direct mail, telephone, cold-calls, and referrals. In this way, the salesperson can assess prospecting performance on a daily, weekly, and monthly basis. Additionally, the very act of writing down a plan improves the likelihood of its being carried out.

It is advisable to set aside a specific time every day for prospecting. Many successful salespeople do their prospecting early in the morning, leaving the afternoon for interviews, while others prefer the afternoon for prospecting. Whatever the preference, the important thing is that it be done. Prospecting is based on the law of averages. The more regularly it is performed, the more prospects are found, and the better the odds of success.

7-6b Maintaining Records

After a prospect is identified, a prospect card should be prepared and placed in a prospect file, one of the most important files in the salesperson's office. Prospect cards should contain information on individuals, their companies, and other facts that might be important. These cards will prove invaluable when reviewed before

Table 7-1 A Prospecting Plan

Daily Activities	Direct Mailings	Phone Calls (Cold)	Canvassing	Referrals (Follow-Up)
Quotas	Daily–20	Daily–10	Daily–5	Daily–2
Actual				
Monday	15	9	3	2
Tuesday	22	8	2	2
Wednesday	18	15	1	2
Thursday	19	10	6	2
Friday	21	10	4	1
Week's Total	95	52	16	9

each sales call. Imagine the prospect's reaction when the salesperson inquires about his or her spouse and children by name or when the salesperson refers to an incident that happened months ago. In both instances, the salesperson's image is likely to grow larger in the prospect's mind. For such facts, salespeople should not trust their memories. It is much easier to refer to a card such as the one illustrated in Figure 7-5.

tickler file
File maintained by week or month in which the sales rep can place the name of the prospect for follow-up activities.

A **tickler file** can help sales representatives remember when to approach customers. A small card file with 4″ × 6″ cards works well. There should be a section for each month, which should be divided into four weeks or by numbered tab (1 through 31). For each client or prospect there will be an index card on which the salesperson writes the client's name and contact date. As the salesperson plans contacts and follow-ups, he or she simply puts the card in the appropriate week or day. After talking with a customer, the salesperson writes notes on the prospect card and puts the tickler file card in the week of the next contact. There is a good reason to keep master files and tickler files separate. If a client calls, the salesperson has to quickly dig up information on the account. If that information is in alphabetical order in the master file, it is easy to locate. If it were attached to the tickler card and filed under a date somewhere in the future, it would be difficult to find unless the salesperson just happened to remember when he or she planned to talk to that person again.

A salesperson who has a personal computer can keep this information stored in one of the many software packages available to record prospect information. Among the capabilities of today's systems are providing easy access to customer and contact information; improving customer communications by automating letter-writing, faxing, emailing, and even dialing the telephone in telemarketing operations; rapidly generating many reports, including lead sources, closing ratios, and so forth; easily planning sales trips geographically; and keeping track of customer needs and buying schedules.[31] With contact management software, the sales rep can even set the tickler date and time to recontact a prospect, and the computer will automatically alert the sales rep to make the contact at the appropriate moment.

Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec

Name
Mr. ~~Miss~~
~~Mrs.~~ ~~Dr.~~ *William E. Jameson*

Date of Birth *9-10-75*

Home address *834 Briggs Dr.* Phone
Business address *Electro-Data Systems Lake Dr.* Phone

Position/Occupation *Programmer*

Source of Prospect *Referral - Dan Neilson*

Approximate Income *$4,000/mo*

Life needs

Last Exp.	Mtg. Rent.	Mthly. Inc.	Emergency	Education	Retirement
$10,000 OK	*$400*	*$4,000*	*$10,000 OK*	*$25,000*	*$1,000*

Family Date of Birth
Spouse *Becky* *6-7-76*
Children *John* *1-10-2001*

Health needs

Hosp. Surg.	Maj. Med.	Disab. Pay
Group	*Med*	*$500*

Causuality needs
Auto
Home
Personal

Equity needs

Figure 7-5
Sample Prospect Card

Among choices of software are *ACT!*, *Goldmine*, *Sharkware*, and *Telemagic*. The information contained on prospect cards or in the computer has an additional benefit: It eases the approach, the first occasion when salesperson and prospect make personal contact. During the approach, it is the sales representative's task to gain the attention and interest of the prospect. The information in prospect files provides material for formulating the approach.

VIDEO

Chapter Summary

Critical to successful selling, prospecting is the process of identifying potential buyers with the following:

1. A need for the product or service
2. The financial resources to pay for it
3. The authority to make a buying decision

In the absence of need, there is no point in calling on a prospect. Despite myths to the contrary, no salesperson is so skilled as to be able to sell something that a buyer does not need. Nor does it make sense to expend time on prospects who do not have the ability to pay for the product or service. Finally, sales interviews should be reserved for those who have the ability to make a buying decision or, at least, have an important influence on the final decision.

Prospecting must be performed persistently because of the law of averages. The painful reality for salespeople is that not everyone is going to buy their products. For every ten people, two may not have a need, three may not have enough money, and two may not be in a position to make a decision. So salespeople should do everything possible to maximize their chances of success. They should set aside some portion of each day for prospecting. They should seek out potential buyers with the greatest need and ability. And they should be sure to maintain accurate and complete prospecting records.

Given the wide variety of types of selling positions, there are literally thousands of prospecting methods, and technology has dramatically improved the effectiveness of all methods. Nonetheless, prospects are generally obtained from the following sources:

1. Acquaintances and friends
2. The endless chain
3. Centers of influence
4. Noncompeting sales personnel
5. Cold-calling
6. Observation
7. Lists and directories
8. Direct mail
9. Advertising
10. Seminars
11. Telemarketing
12. Inactive accounts
13. High-tech prospecting
14. Trade shows

Immediately following prospecting (or while prospecting is underway), the salesperson gathers preapproach information. Basically, the preapproach seeks to obtain in-depth information about prospects as individuals, about their company, and any other factors that can affect the sale. With regard to the individual, preapproach information can include facts about occupations, friends, hobbies, and families. Preapproach information about a company may include facts about company operations—e.g., markets, plans, and manufacturing processes—and buying practices—e.g., vendor relations, buying volume, and credit rating.

Chapter 7 concludes with a discussion of ways to get the most out of prospecting. This requires that the salesperson establish an organized plan for prospecting with numeric targets specified for each prospecting method. It also means that the salesperson should organize a filing system with useful information written on prospect cards or stored in the computer. This assists prospecting and also aids in the approach, the next step in the selling process.