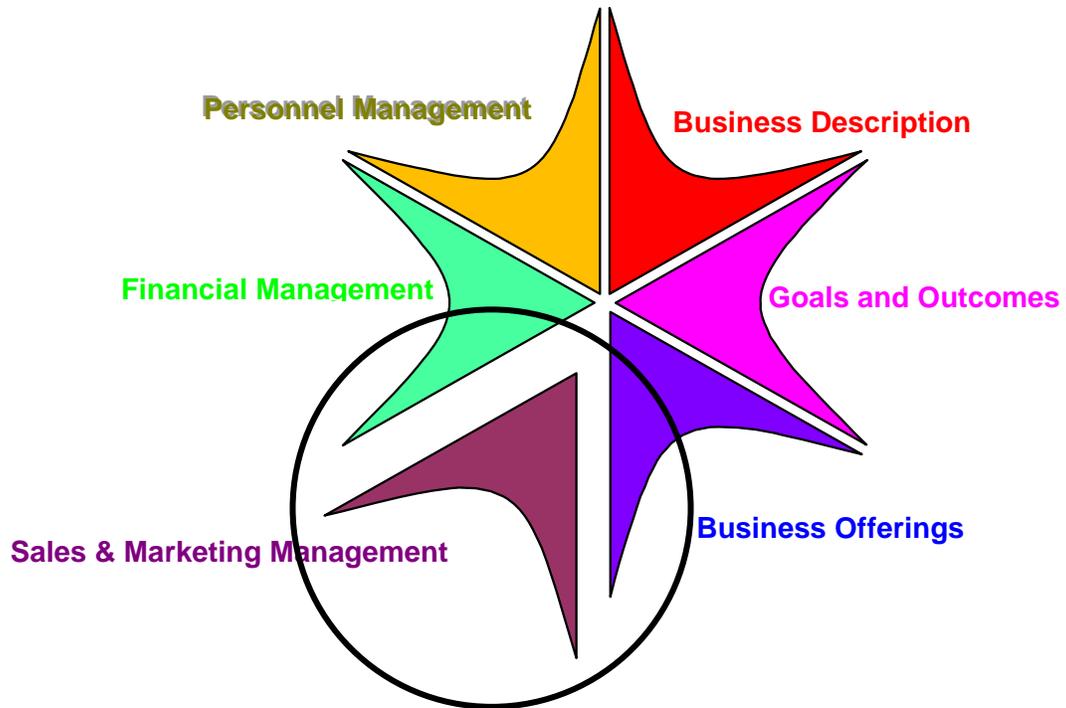


# Sales & Marketing Management



Learn Today... Profit Today

BIZBITE CONSULTING GROUP

## Sales & Marketing Management

---

We made every effort to ensure that these materials comply with the requirements of copyright clearances and appropriate credits. BizBite Consulting Group will attempt to incorporate in future printings any corrections communicated to it.

Copyright 2000, 2004  
BizBite Consulting Group  
A division of CorNu Enterprise  
1412-621 Discovery Street  
Victoria, BC V8W 2X2

All Rights Reserved  
Printed in Canada

# Table of Contents

|  |     |   |     |
|--|-----|---|-----|
| Introduction to Sales and Marketing .....    | 1   | 1. Sales Territory Management .....                 | 172 |
| A. Marketing Management.....                 | 7   | 2. Target Market .....                              | 176 |
| 1. Market Analysis .....                     | 9   | 3. Developing Market & Sales Force Potential .....  | 184 |
| 2. Marketing Questionnaire                   | 17  | 4. Maximizing Customer Sales & Staff Potential..... | 201 |
| 3. The Importance of Media Planning .....    | 36  | 5. Maximizing Sales Force Potential .....           | 212 |
| 4. Pricing Philosophies& Approaches .....    | 57  | 6. Personal Performance Outcomes (PPO).....         | 229 |
| 5. Pricing Policy.....                       | 64  | 7. Manager Assessment Tools                         | 244 |
| 6. The Effects of Discounting Prices .....   | 84  | 7.1 Staff Review Questionnaire .....                | 246 |
| 7. Store Merchandising.....                  | 91  | 7.2 Senior Staff Position Assessment.....           | 251 |
| Summary of Marketing Management .....        | 105 | 8. Management Styles & Leadership Skills.....       | 263 |
| B. Sales Staff Training.....                 | 107 | 9. The Use of Positive Reinforcement with Personnel | 280 |
| 1. The Art of Selling.....                   | 109 | 10. Commission Sales Agreement.....                 | 286 |
| 2. Qualifying & Serving Customer Needs ..... | 135 | Summary of Sales & Marketing Management .....       | 294 |
| 3. Telemarketing .....                       | 147 | Glossary of Terms .....                             | 297 |
| 4. Presentation Skills.....                  | 155 |   |     |
| 5. Preparing for a Sales Meeting.....        | 164 |   |     |
| Summary of Sales Staff Training .....        | 168 |   |     |
| C. Sales Staff Management ...                | 170 |   |     |



### **BizBite disclaimer**

Personal experience of the author is the bases of this material. BizBite Consulting Group (known as *BizBite*) makes no representations or warranties regarding the use of this material in whole or in part and assumes no liability for any claims, losses, or damages arising from the use of the material. Don't construe this material as taking professional advice from the author or *BizBite*

### **Protection of copyright**

This course is the intellectual property of *BizBite*, a partnership registered in the province of British Columbia, Canada. International copyright law protects it.

The purchasers of this material may only use it for their personal use or, as a training tool, within their business. It is illegal to copy, modify, or transfer this material, or *BizBite* may authorize any other *BizBite* materials or any documentation pertaining to them except as in advance.

BizBite materials, in whole or in part, prohibit any modification or merged portion of this, except as authorized in advance. If you transfer possession of any copy, modification, or merged portions of any *BizBite* materials without authorization, you may be liable for prosecution and *BizBite* may take legal action against you and/or your company.



## Credit Page

The founders of *BizBite Consulting Group* and developers of BizBite's dynamic approach to business education are Graeme Robertson and Dr. Shirley Chapman. The following people contributed to this document:

### Content Specialist

#### ***J. Graeme Robertson***

Graeme Robertson is a seasoned business management professional with over 30 years of experience. He has held senior positions in retail, wholesale, and distribution operations. Additionally, Mr. Robertson was Regional Manager for a national personnel-consulting firm and he has been actively engaged in business management consulting for over 20 years.

### Designer and Developer

#### ***Dr. Shirley Chapman***

B. Ed. M.Ed. Ph.D.

Dr. Shirley Chapman is a veteran educator with over 30 years of experience. She is an expert in course/program design and development. Her experience covers public schools, colleges, and universities. Shirley is experienced in designing and developing training specifically for delivery face-to-face, on-line (Internet), and manual for organizations, colleges, and businesses. She is responsible for the page layout and format as well as the graphics in any materials that she designs.

#### **Proofreader—Precision Proofreading—Deborah Wright**

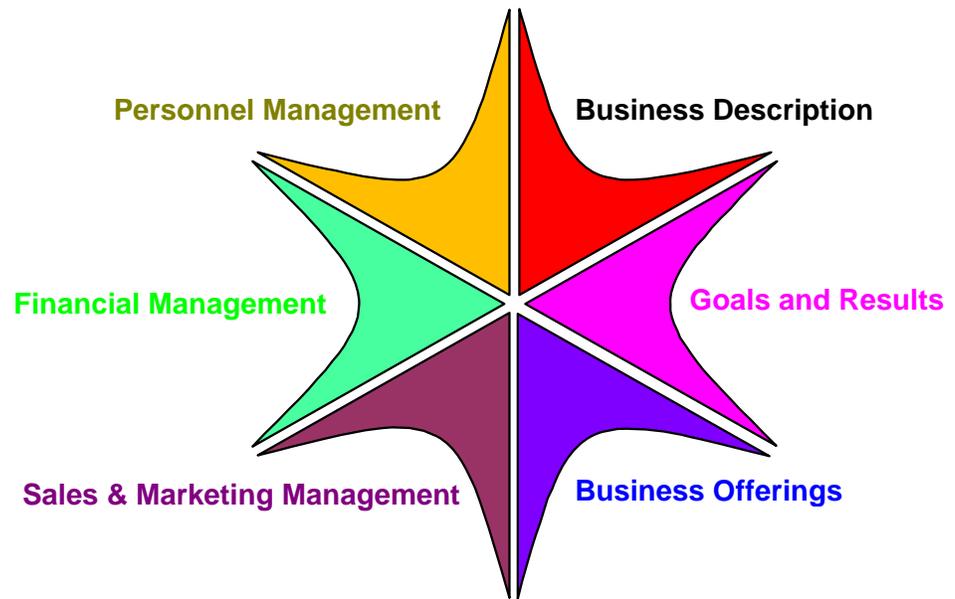
[edit@preproof.bc.ca](mailto:edit@preproof.bc.ca)

<http://www.preproof.bc.ca>

## Table of Contents

| Major Headings                | Subheadings  |
|-------------------------------|--|
|                               | Introduction to sales and marketing management   |
| <b>Marketing Management</b>   | Market analysis<br>Marketing questionnaire<br>The importance of media planning<br>Pricing philosophies and approaches<br>Pricing policy<br>Effects of discounting prices<br>Store merchandizing  |
| <b>Sales Staff Training</b>   | The art of selling<br>Qualifying & serving customer needs<br>Telemarketing<br>Presentation skills<br>Preparing a sales meeting   |
| <b>Sales Staff Management</b> | Sales territory management<br>Target market<br>Developing market and sales potential<br>Maximizing customer sales and staff potential<br>Maximizing sales force potential<br>Personal performance outcomes (PPO)<br>Staff review questionnaire—form<br>Senior staff position assessment—form<br>Management styles and leadership skills<br>The use of positive reinforcement with personnel<br>Commission sales agreement—form |

## Introduction to Sales and Marketing



### Glossary

Each term that is used in this section is defined in the Glossary.

You will notice that the first time it is used it is coloured green in ***Bold Italics***.

Just click on the Glossary in the Bookmarks or Thumbnails to find the definition. Alternatively, print the Glossary.

You can divide business into six major areas. They are:

1. Describing the business
2. Setting the goals and outcomes of the business
3. Determining the offerings of the business
4. Marketing the business and its offerings
5. Financial management of the business
6. Personnel management and motivation

We have represented these six areas as a six-pointed star. Each part of the star represents one part of the business. You will see this star used throughout our training packages. In this package, we will only be focusing on one point of the star—Sales and Marketing Management.

This star symbolizes how all of these elements work together and how each is equally important to the success of the business. If a business manager does a poor job of thinking through and developing one of the elements, it can have a serious effect on the success of the business.



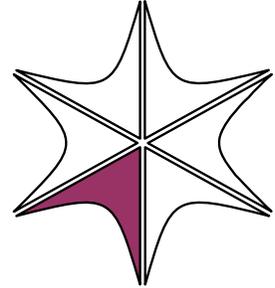
**Sales and Marketing Management is  
one component of a business**

### **How is sales and marketing management organized?**

We will divide Sales and Marketing Management into three major sections:

1. Marketing Management
2. Sales Staff Training
3. Sales Staff Management

We have divided each major section into several subsections. These subsections will be itemized in the appropriate introduction.



#### **For example:**

##### **Marketing Management has seven sub headings**

1. Market analysis
2. Marketing questionnaire
3. The importance of media planning
4. Pricing philosophies and approaches
5. Pricing policy
6. The effects of discounting pricing
7. Store merchandizing

Most of the subsections begin with an Introduction and a How to Use the Section and conclude with a Summary.

#### **Celebrate**

It is important that you recognize your achievement and celebrate each small step. Take a break and celebrate it. We will offer you opportunities to celebrate at the end of each major section and the subheadings.

Have fun with them. We had fun creating them for you!

### **Suggestions on how to use this learning package**

We have organized sales and marketing management so that you decide:

- \* \* In what order you want to access the various titles
- \* \* If you want to ignore any titles or sections
- \* \* How many times you want to revisit the material

You can move to any part of the program by clicking on any heading listed in the bookmarks to the right of this page. If you need a definition from the Glossary, just click on the bookmark Glossary and scroll down to the term. All terms listed in the Glossary are coloured green, bolded and italicized once in each section that they are used.

As you move through each section, compare the methods presented to the way you do things now. Use many of the questions posed in the examples to test your knowledge of your market, your customers, and your employees. When examples are given, try to think of similar situations you have experienced in your business.

We have included in this material two complete internal analyses and training tools that you may use directly in your business. They are (the):

1. **Marketing Questionnaire**—is a very effective business analysis tool that examines every aspect of your business from a marketing perspective. It is recommended that more than one key person do the questionnaire. You may be surprised at how the answers compare.

Please note that when you use this questionnaire that there are no spaces for answers.

2. **The Art of Selling**—is a complete sales training program that can effectively train both inside and outside sales people.
3. **Sales and Marketing Management**—provides business owners or managers with essential knowledge and skills they require managing their business from a sales and marketing perspective.

Users of this material can anticipate the immediate use or be to apply many of the ideas and methods.

These ideas and methods are universal in nature and really apply to the operation of any business.

The examples shown and the forms and questionnaires illustrated may need to be adapted to your business.

The success or failure of a business depends ultimately on the sale of its products or services. Generally, business calls these offerings. Planning implementing and managing the marketing strategy is the focus of **Sales and Marketing Management**.

**The Sales and Marketing manager must possess a complex mix of:**

|   |                        |
|---|------------------------|
| Analytical skills                       | Planning Skills        |
| Business management training            |                        |
| Prioritizing and time management skills |                        |
| People management skills                | Decision-making skills |

The Sales and Marketing manager brings all of these skills sets to bear on a daily basis as he or she responds to the ever changing conditions of the market.

The success or failure of a business and the ability of a business to grow in an orderly and profitable way will also depend on:

- \*\* The quality of the people hired
- \*\* How well staff are motivated
- \*\* How well staff are directed to achieve the goals of the business

This is particularly true of the sales and marketing management part of managing the company.

It takes well-directed and motivated people to implement the overall marketing plan and marketing strategies of a company.

It requires management who is constantly aware of changes that are occurring in the marketplace and is able to adapt the people and resources of the company to deal with the changes.



In every section of **Sales and Marketing Management**, you should frequently pause to consider how to apply the ideas in your business. This material would help you to fine-tune your sales and marketing management skills.

In small companies, the owner or general manager fulfills this role.

In medium size and larger companies, the role of sales and marketing manager may be split into two functions, sales manager and marketing manager.

In practice, there can be a lot of crossover in areas of responsibility and the duties will vary with the company.

**Sales and Marketing Management** will examine the responsibility of the Marketing manager.

It will examine typical problems encountered by sales managers and it will discuss solutions to these problems.

This material will give you grounding in sales and marketing management. You will be able to implement immediately many of the ideas presented in your business.

### ***Use of terms***

This package will be using several terms that may be different from the ones with which you are familiar:

**Customers/clients**—you may be most familiar with the term customers or you may prefer the term clients. We use both terms.

**Offerings**—for your business, you may be selling only a service, or you may be selling both products and services. In either case, you are marketing offerings to customers/clients. We will use all three terms.

## A. Marketing Management



### General overview of marketing management

In **Marketing Management**, we will discuss the analysis, planning, and decision making that a marketing manager must carry out to implement a marketing plan and a marketing strategy for a company.

The marketing manager should make decisions based on the market research that was prepared for the company's *business plan*.

Based on this research, the marketing manager will:

- \*\* Complete a thorough market analysis
- \*\* Analyzes the company's physical, financial and people resources
- \*\* Develop a marketing strategy that responds to market conditions and makes the best use of the company's resources

In **Market Management**, we will discuss how the marketing manager makes these decisions.

Marketing Management has seven sections:

- 
- A graphic consisting of a vertical bar on the left with a colorful, abstract pattern. To the right of the bar are two purple rectangular boxes. The first box contains the first three items of a numbered list, and the second box contains the remaining four items. The list items are:
1. **Market analysis**
  2. **Marketing questionnaire**
  3. **The importance of media planning**
  4. **Pricing philosophies & approaches**
  5. **Pricing policy**
  6. **The effects of discounting prices**
  7. **Store merchandising**

## 1. Market Analysis

### Introduction

Market analysis can be a very detailed process depending on:

- The nature and type of business
- The location of the business and the market it serves
- The nature of the offerings of the business
- The market to be targeted by the business
- The competition in the market
- The resources available to the company

All of these points are the subjects of scrutiny in the process of market analysis. Questions are asked of the data collected, data is analyzed, and conclusions are drawn. These conclusions are used in the formulation of the marketing strategy of the company.



There are three parts to market analysis:

1. Research
2. Analysis
3. Draw conclusions

Once the market research is finished and you have **analyzed** the research, you should draw some conclusions about your market.

This information will form part of an overall *marketing strategy*.

### How to use this information

Once the market research and analysis is completed, you should decide how the market conditions will affect your business-offering profile by revisiting the information gathered about your

**Customers**

**Competition**

**Suppliers**

If you need assistance in researching the above three topics, we have a complete set of instructions in **The Business Plan**.

### *Uses for the market analysis*

You make use of the market analysis when you are:

- Determining or reassessing your business's *offerings*
- Preparing a business plan
- Designing a marketing plan
- Writing a financial plan—forecasting, planning, and budgeting the future course of the business
- Writing the short-term goals and outcomes of the business for the next 12–18 months

### **Carrying out a market analysis**

The marketplace is constantly changing and a business must be constantly adapting to the changes or it will not remain in business for long. Researching the marketplace is important because it will indicate how developing or future changes in the market may affect any *market segments* within your business, or your business as a whole.

We use three heading for carrying out market analysis:

- A. Research
- B. Analysis
- C. Draw conclusions

#### **A. Research**

**Research is divided into three parts:**

1. Setting the perspective for your research
2. Locating the information for your research
3. Research questions

### 1. *Setting the perspective for your research*

Before commencing your research, you need to make some initial decisions. You need to decide how you will answer the research questions. What stance will you take? Your business will determine the stance.

If your business only provides services, then research the following questions from that stance (accounting, childcare, auctioning, golf lessons, or career planning).

If your business provides product and services, then research the following questions of the basis of the products, categories of products, or the product mix (health preparations, gardening supplies, desktop publishing, or waste collection).

If your business has several market segments then you should answer the questions for each of them.

You might want to use these questions to research your kind of business (hardware, coffeehouse, accounting firm, video store, tourism, or multi-level marketing).

### 2. *Locating the information for your research*

 Common sources for market research information are government, industry, and consumer publications.

 Local business organizations like the Chamber of Commerce are also good sources.

The following is a list of other research sources that can be helpful. All of these should be available at your local public library. (See **The Business Plan—Appendix** for other resources.)

|   |                                 |
|---|---------------------------------|
| Canadian Business Directory             | Scott's Directories             |
| Business Opportunities Sourcing System: | Contacts Target Marketing       |
| Made In Canada: BOSS                    | Market Research Handbook        |
| Canadian Trade Index                    | Financial Post Canadian Markets |
| Fraser's Canadian Trade Directory       | Compusearch Market and Social   |
| Consumer Reports                        | Research Ltd.                   |
| Sources Directory                       |                                 |

### 3. Research questions

#### Kinds of questions that can be used:

Describe the industry trends—local, regional, and national

Where is it going—what are the trends that are influencing the *market* currently?

What new developments have there been in the marketplace recently?

What is no longer being used or done?

Is the market growing, diversifying, niching, or shrinking? If so, at what rate and what is the change?

What are those in the industry saying the future will bring? (Research trade publication at the library)

Are there other questions that apply to your business?

### B. Analyze

Analyze your answers using a form that is meaningful to you (points, sentences, charts).

When you are analyzing, you are examining the research material in detail to discover its meaning or essential features.

You are looking for relationships in the market and to your business.

Finally, you are deciding on the value of this information to your business.

This information is important because it will indicate how developing or future changes in the market may affect any of your market segments within your business, or your business as a whole.

Because of the above analysis, there are four possible conclusions that can be drawn that can lead to further research of the market:

- a. Decline of business revenue
- b. Growing market
- c. Shrinking market
- d. An increasingly specialized market

Is there another possible conclusion; if so, record it.

The expansion of each of these possibilities is below. Each of them may require further research.

*a. Decline of business revenue*

If it is determined that certain products that account for a major portion of business revenue will probably decline in terms of revenue contribution over the next 3–5 years, then you should ask the following questions:

Why is the product revenue likely to decline?

Either the product becomes obsolete or there remains a niche or specialty market for the product.

What product or products will be taking its place?

What associated or accessory products might be affected?

Does the new product involve new or innovative technology?

What related products will be necessary to stock in order to support the new product?

How are consumer preferences changing?

Is the decline in the product an isolated thing or is it an indication of a larger shift in the market?

*b. Growing market*

If your research indicates that the market is growing, some questions to ask are:

How fast is the market growing?

In what way is it growing?

Will the demand grow for products of the same type or is the trend towards offering the customer more choices of

Quality performance                      Appearance                      Price

What will this mean to your business in terms of investment in inventory, trained staff, product support, store space, and marketing expense?

*c. Shrinking market*

If your research indicates that the market is shrinking some questions to ask are:

How fast is the market shrinking?

In what way is it shrinking?

Will there always be a demand for some of the products?

If so, which products will likely be retained, and how much investment will they require?

What will the return on investment be of handling the product? In other words, will it be worth keeping?

*d. An increasingly specialized market*

If your research indicates that, the market is becoming increasingly specialized in the marketing of the products to the consumer; then asks the following questions:

What is the rate of specialization?

What will be the major areas of specialization?

How big will each specialized market be in your business area?

Would you be able to sustain your business if you specialized?

What volume of sales would needed to be generated in the more specialized product assortment to break even and make a profit.

Would specialization make the business more vulnerable to changes in the market?

How many other businesses are also specializing in your market?

If everyone specializes, will that create a market for some businesses to remain generalists?

In that event, what is that market potential if specialists take a major part of the market?

### C. Draw conclusions

Draw conclusions about your market from the above analysis.

Use the conclusions to

Determine or reassess your business's *offerings*

Prepare a business plan

Design a marketing plan

Write a financial plan—forecasting, planning, and budget the future course of the business.

Write the short-term goals and outcomes of the business for the next 12–18 months.

You should retain this research, analysis, and conclusions for future use or review. Date the research and file it in a filing cabinet, or on the computer for future use.

### Summary

In market analysis, we have discussed the key components. As well, we have discussed:

The questions you must ask when conducting a market analysis

The four kinds of conclusions you may draw from the market analysis

How you may use the results of your analysis in your business



*Celebrate!!*

You have completed a step in this long  
process.  
So, take a moment and do something that  
relaxes you



## 2. Marketing Questionnaire

### Introduction

A marketing manager is responsible for presenting the business to the marketplace. It is very important that a business be consistent in the way it presents itself in the marketplace.

Being consistent means making sure that everything the company does to market its products or services is:



**The result of well-thought-out analysis of the business**

**Part of an integrated plan**

**Conveyed as a message about the company**

**Created as an impression of the company and its offerings**

This consistent approach is sometimes referred to as the *creative platform* of the company.

The marketing approach of many companies, new or well established often lacks consistency and, therefore, is not as cost effective as it could be.

For example, business cards, signs, newspaper Ads, or web pages may all look a little different because they don't flow from a well-thought-out creative platform.

To discover what the creative platform of your company should be requires a detailed internal analysis of the company. This can be a complex process and the analysis should cover:

**How the company relates to the marketplace now**

**How the company needs to relate to the marketplace in the future**

The viewpoint and attitudes of key people in the company towards these points is very important and they can be quite different. To be successful, key people in the company have to agree on the basic goals of the company and its presentation to the marketplace.

### How to use this information

To assist you in determining whether you have a consistent approach to presenting your business to the marketplace, we have developed a marketing questionnaire. This questionnaire provides you with a methodology for thinking about every aspect of your business as it relates to marketing the company and its offerings.

The questionnaire will help consolidate and focus your thoughts in arriving at the right creative platform for your business.

It is highly recommended that at least 2–3 key people within the company complete it. Ideally, they should come from different aspects or divisions of the company. The participants should not discuss or compare their answers until after the questionnaire is completed.

In addition, when you compare the answers, you may be surprised to see that different people have a different view or opinion about the business.

### General information

The marketing questionnaire is really an organizational tool that is designed to focus the thinking of an owner or manager of a business and to take them step by step through every aspect of their business as it relates to marketing.

Sometimes a question may be asked more than once but in a different context. There may even be questions posed that have never been asked about the business before.

An introspective exercise will likely answer many questions in your mind by simply asking the right question.

Some questions won't relate to your business but likely more than 75% of the questions will relate to any business.

Sometimes all that is necessary to make the question relevant is to substitute the appropriate description or term.

| For example:   |                                   |
|--|-----------------------------------|
| Here are some of the substitutions you should keep in mind when reading the questions: |                                   |
| If The Question Refers To  | Interpret As                      |
| Co-op advertising  | Cross promotions with clients     |
| Sales  | Revenue                           |
| Brands or lines  | Services or intellectual property |
| Product or merchandise   | Services or systems               |
| Store  | Place of business                 |
| Window display area  | Foyer or waiting room             |
| In-store display   | Finished projects                 |
| Having a sale  | Discounting services              |

These types of businesses have used this questionnaire effectively:



*There are a number of points to remember before starting.*

**The questionnaire will be as useful as you make it.**

**You will get out of it what you put into it.**

**It is a tool to help you examine critically your business from a marketing perspective.**

**Take your time and give each question your thoughtful consideration.**

**After you have finished, it is a good idea to wait a day or two and then review your answers to see if you would change any of your opinions.**

**You are the expert when it comes to your business.**

### **The marketing questionnaire**

The questionnaire is divided into eleven areas. You can decide in what order you want to work through these questions. You may need to return to some of the questions to add to your answers or to modify them.

#### **General information about your business**

**Products/services**  
**Trends/sales patterns**  
**Market research**  
**Market share**

#### **The competition**

**Customers**  
**Advertising/promotion**  
**Economic patterns**  
**Scope for growth**  
**Summary**



**A. General information about your business**

Legal name of the organization \_\_\_\_\_

1. Address \_\_\_\_\_ Phone \_\_\_\_\_ Fax \_\_\_\_\_
2. Web address \_\_\_\_\_ e-mail address \_\_\_\_\_
3. Other Locations \_\_\_\_\_ Phone \_\_\_\_\_
4. In business since \_\_\_\_\_
5. Please check off the business sector you are in:

|                 |             |
|-----------------|-------------|
| Retailer        | Dealer      |
| Service Company | Wholesaler  |
| Manufacturing   | Distributor |
| Other, Specify  |             |

6. Who participates in the decision-making group? \_\_\_\_\_

| Question   | Yes | No      |
|--|-----|---------|
| Do you have an organizational goal?              |     |         |
| Do you have a marketing goal for this year       |     |         |
| Do you have your own distinctive logo and label? |     | Specify |
| Do you set sales targets for the whole company?  |     | Maybe   |

7. How many staff members do you have? Full time \_\_\_\_Part time \_\_\_\_\_
8. How many square feet of 'customer interaction' area does your location have?
9. How would you answer the question, "What business are you in?"
10. Do you attempt to have any control over the dress of office personnel?
11. Do you plan to relocate within the next 24 months?
12. Do you act as agents or distributors for any lines, processes, or systems? If so, please provide details.

### **B. Products/Services**

Your products or services are the means you have to make money and realize profits. Take a minute to put down some information about them. This information will help you to decide what special advantages you have to offer your prospective customers. It will separate you from your competition.

Name your product or service below. If there are several, list them. If this is a long list, just name the main categories.

1. List the benefits that your product or service offers your customers. Use single words or short phrases.
2. Describe the single greatest advantage that your product or service has to offer your customer.
3. Do you have exclusive rights to provide services or systems?  
Yes \_\_\_ No \_\_\_
4. What products, services, or systems offer you the greatest turnover potential?
5. What products, services, or systems offer you the greatest profit potential?
6. What products, services, or systems do you supply on an exclusive basis?

7. Please identify each of the following months in order of importance to your total revenue volume: No. 1 is the most important revenue month and No. 12 is the least important.

|          |        |           |
|----------|--------|-----------|
| January  | May    | September |
| February | June   | October   |
| March    | July   | November  |
| April    | August | December  |

8. What days of the week are most important to you in terms of total weekly revenue?

|         |           |          |        |
|---------|-----------|----------|--------|
| Monday  | Wednesday | Friday   | Sunday |
| Tuesday | Thursday  | Saturday |        |

Please number each day using No. 1 as the most important day and No. 7 as the least important.

9. What are your office hours?
10. How is your staff involved in promoting company business?
11. What services do you offer now that you did not offer 12 months ago?
12. What percentage of your total gross revenue would they represent?
13. Of all the services you offer, what services are you most proud of and why?

14. What recourse do you offer to customers who, for some reason, are dissatisfied with their purchase from your business establishment?
15. What do you think your customers most appreciate about your business and its range of services?
16. Do you think your customers park with ease when coming to your business or do you think parking presents problems for customers?
17. If customers pay for parking, do you offer any form of compensation?  
If so, what do you offer?
18. Do you have any after sale or service follow-up procedure?  
Please specify.
19. Do you offer any complimentary coffee to customers?
20. Do you have clearly marked washroom facilities for customer use?
21. Do you offer any incentive for prospective customers to leave their names and addresses?

### C. Trends/Patterns

Look at your past revenue patterns to see when your revenue peaks and valleys occur. Mark your highs and lows on the calendar below. You don't have to mark each month—just enough to show the annual patterns. You can join them with a line if you prefer. If the pattern has changed recently, indicate the pattern in the last 12 months. (This example (to the right) is not complete.

| Volume        | Jan. | Feb. | March | April | May | June |
|---------------|------|------|-------|-------|-----|------|
| High sales    |      |      |       |       |     |      |
| Average sales |      |      |       |       |     |      |
| Low sales     |      |      |       |       |     |      |

1. Are your current revenues less than, same as or greater than they were this time last year?
2. How would you describe the marketplace for your range of services?  
What negative or positive factors do you think you will need to address in future advertising activities?
3. What do you consider your slowest time of the year?

4. What do you consider your busiest time of the year?

#### **D. Market research**

Show what you already know by checking off any of the areas below that you've looked into recently:

1. \_\_\_ Your prices compared with the competition
2. \_\_\_ Your quality compared with the competition
3. \_\_\_ Who your customers are
4. \_\_\_ What your potential customers are buying from the competition
5. \_\_\_ Advertising done by the competition
6. \_\_\_ The logos and labels used by the competition to identify themselves
7. \_\_\_ Whether or not your number of customers is starting to grow
8. \_\_\_ What is being said in the newspapers or trade magazines about your product or service

#### **E. Market share**

An important part of your market research tells you what is happening to the size of your potential market. If the diagram below is the **Pie** that you and your competitors are sharing, how much of the Pie are you getting?



1. Is the Pie shrinking, growing, or staying the same?

|                 |               |                        |
|-----------------|---------------|------------------------|
| Shrinking _____ | Growing _____ | Staying the same _____ |
|-----------------|---------------|------------------------|

2. What would you say would be the best way for you to grow?

|                                   |                             |                                |
|-----------------------------------|-----------------------------|--------------------------------|
| Getting a larger share of the Pie | Making the whole Pie expand | Starting to go after a new Pie |
|-----------------------------------|-----------------------------|--------------------------------|

3. What is your competitive position?

|        |              |         |
|--------|--------------|---------|
| Leader | Second place | Smaller |
|--------|--------------|---------|

4. Do you plan to expand in the near future? Yes \_\_\_ No \_\_\_ Maybe \_\_\_\_\_
5. What are the geographic boundaries of your market area?
6. What is the population of your market area? Number of people \_\_\_\_\_



7. What is your **main** market?

|               |            |            |
|---------------|------------|------------|
| Residential   | Commercial | Industrial |
| Other—specify |            |            |

8. List any factors beyond your control that will affect your growth, for example, legislation, permits, and licenses.

**F. The competition**

Just to be sure you are not surprised by an aggressive competitive move, jot down any moves you think the competition may be about to take.

1. Whom do you consider your major competitor(s)?
2. What makes your business superior to competitors?
3. Whose competitive advertising do you most respect and why?
4. Whose competitive advertising do you least respect and why?

**G. Customers**

Now look at the source of your income—your customers. The more we know about them, their needs, their suggestions and their lifestyles, the more effectively we can talk their language. We can then highlight benefits that they look for and reach them through channels that they read, listen to, and respect.

To simplify this, describe your typical customer. If your customers come from several different groups, describe your most common, typical customer first. Try to give them a descriptive name.



**Typical customer:**

Name: \_\_\_\_\_

Sex: \_\_\_\_\_ Age: \_\_\_\_\_

Occupational Group: \_\_\_\_\_

Income Group: \_\_\_\_\_

Use of your product or service \_\_\_\_\_

Anything else important about them: \_\_\_\_\_

**1. Second most typical group of customer:**

Name \_\_\_\_\_

Sex: \_\_\_\_\_ Age: \_\_\_\_\_

Occupational Group: \_\_\_\_\_

Income Group: \_\_\_\_\_

Use of your Product or Service: \_\_\_\_\_

Anything else important about them: \_\_\_\_\_

**2. Other typical group of customer:**

Name: \_\_\_\_\_

Sex: \_\_\_\_\_ Age: \_\_\_\_\_

Occupational Group: \_\_\_\_\_

Income Group: \_\_\_\_\_

Use of your Product or Service: \_\_\_\_\_

Anything else important about them: \_\_\_\_\_

**3. There are changes occurring in some markets. Consumers' needs, interests, products they use, ways they shop, reasons for their choices, are all changing. Do you think your market is in a state of change right now?**

Yes \_\_\_\_\_ No \_\_\_\_\_ Don't really know \_\_\_\_\_

**4. What percentage of your customers comes because someone recommended you? \_\_\_\_\_ %**

**5. How do most of your customers pay?**

Cash \_\_\_\_\_ Cheque \_\_\_\_\_ Credit Card \_\_\_\_\_ Specify Other \_\_\_\_\_

**6. Please circle the most appropriate word to finish the sentence and rank the words in order of importance your customers would give them.**



7. My customers shop here because they want:

|         |            |               |
|---------|------------|---------------|
| Quality | Style      | Price         |
| Service | Brand Name | Other—specify |

8. My customers want warranties/guarantees. Yes \_\_\_\_\_ No \_\_\_\_\_

9. List anything else that we should know about your customers.

10. Circle one of the following words that best describe your drive-by and walk-by traffic.

|           |      |            |      |          |
|-----------|------|------------|------|----------|
| Very busy | Busy | Unexciting | Slow | Terrible |
|-----------|------|------------|------|----------|

11. **Demographically**, how would you describe your average customer?

|               |                  |               |                     |
|---------------|------------------|---------------|---------------------|
| Married       | Single           | Upper income  | Residing in a house |
| With children | Without children | Middle income | In an apartment     |
| Renting       |                  | Lower income  | In a townhouse      |
| Owning        | Other factors    | Other factors | In a duplex         |

12. How many times per year are you likely to see a regular customer?

13. Do you keep a list of all customers? If so, do you also keep a record of what they have purchased from you as well as the applicable date(s)?

14. How many visits is a customer likely to make before making a purchase?

15. Are the majority of your customers male or female?

16. What is the average age range of your customers?

17. What percentage of your total annual revenue is due to referral?

### H. Advertising/promotion

1. Before we press ahead with new marketing, we will look at what you have been doing in your advertising. Please check any advertising media you have used or are using.

|                   |                          |                  |
|-------------------|--------------------------|------------------|
| Brochures         | Television               | Direct Mail      |
| Premises' Signs   | Technical/Trade Journals | Electronic Signs |
| In-store Displays | Coupons                  | Billboards       |
| Radio             | Internet                 | Magazines        |
| Yellow Pages      | TV Guides                | Other—specify    |

2. On the above list, what works best for you?
3. Write down any advertising media that you would like to discuss using but have not used.
4. What do you recall spending on advertising?

|           |           |                 |                |                |
|-----------|-----------|-----------------|----------------|----------------|
| This year | Last year | Three years ago | Four years ago | Five years ago |
|-----------|-----------|-----------------|----------------|----------------|

5. Do any of your suppliers offer to share in your advertising costs?  
Yes \_\_\_\_\_ No \_\_\_\_\_ Don't know \_\_\_\_\_
6. Do you currently have any media contacts or loyalties you should take into consideration? Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, please list the organizations:
7. In a sentence or two, what do you think is the **current image** of your business?
8. What image would you like 12 months from now?
9. Are you happy with your current graphics or logo design, or do you think it should be updated or revised?
10. Which advertising media do you feel is most important to you?
11. What method of advertising has been your most successful to date?
12. What has been your least successful advertising to date?
13. What makes your business different from other businesses offering the same or similar services?
14. How often do you change your foyer or waiting-room display?
15. Who is responsible for your foyer or waiting-room display?

16. Is the cost of your foyer or waiting room display currently included in your annual advertising budget or do you consider this a separate expense? (For example, charged to sales or administration.)
17. Do you have photographs of your various projects that could be utilized in future promotional material?
18. Do you consider your *point-of-sale areas* to be satisfactory or would it be worthwhile to make significant changes? (For example, traffic flow patterns, creating new product sections, creating, customer sit-down or comfort areas.)
19. Do you have co-op advertising support and, if so, on what financial basis?
20. Do you create any of your own customer take-home materials such as brochures, etc.?  
If so, please include samples.
21. Do any of your suppliers provide you with promotional material?  
If so, please provide samples.
22. Do you now, or have you at any time in the past, participated in any community program or activity designed to enhance your overall image within the community?  
If so, please provide details.
23. How often do you discount your services?
24. What portion of your total advertising budget is made up of co-op funds?  
If so, what times of the year do you receive such funds?  
In addition, what is the basis for the co-op participation?
25. What percentage of your gross revenue does your advertising budget represent?
26. What is the average customer purchase amount?
27. What do you think your advertising should do in the next 12 months that it has not done to date?
28. Do you currently have a press kit?
29. Would you be receptive to appearing on radio and TV programs with a view to being a spokesperson for your industry?
30. Do you currently have any organized program for editorial mention anywhere in your immediate retail market area?  
If so, give details.



31. Have you ever been on radio or TV promoting your business and/or your industry?

If so, please provide details.

32. Do you have any formalized corporate colours now?

If so, what are they?

33. What is the logic behind your present corporate colours?

34. What is the single most important reason for a customer to deal with your company rather than with a competitor?

35. Do you offer any handout reference material to customers concerning any of your services?

36. Are you satisfied with your exterior signage or do you think there is room for improvement? Yes \_\_\_\_\_ No \_\_\_\_\_

If you answered **yes**, what improvements do you think would be appropriate?

37. Have you ever participated in a regional direct mail program?

Is so, when, and with what results?

38. What has your advertising strategy been to date?

For example, price and item; image development; reminder advertising; short term, event advertising; soft sell; hard sell; humorous; or straightforward.

39. How important to you is Yellow Page advertising to your total annual revenue volume?

40. How much of your total annual advertising budget, as an approximate percentage, do you spend on:

|              |                     |
|--------------|---------------------|
| Yellow Pages | Regional Newspapers |
| Signage      | Other—specify       |

41. Have you ever been involved with *piggyback* advertising programs where you participate with a non-competitive advertiser for mutual benefit and cost savings?

If so, when, with whom, and with what results?

42. Would you be receptive to joint advertising or piggyback advertising with a non-competitive advertiser?

43. Have you ever written a regular newspaper article relating to your particular services? If so, when? Provide a sample if possible.

44. What do you think is your greatest reason for success to date?
45. What do you think is the single most important negative influence on your business to date?
46. Have you ever participated in a radio remote at one of your projects?  
If so, when, with whom, and with what results?
47. What regional newspaper do you think reaches the greatest number of your active and potential customers?
48. What regional magazine do you think reaches the greatest number of your active and potential customers?
49. How often do you review your advertising and promotional plan?
50. Do you think either that you should be advertising the same amount each month of the year or that you should be advertising only at designated prime periods of the year?
51. Is any portion of your advertising budget currently allocated towards any form of sustaining image development?  
If so, what?
52. What theme or creative platform have you used in the past to promote your business?  
For example central advertising themes like—*finger licking good*; let your fingers do the walking; etc.
53. Is any portion of your total advertising budget earmarked for use in a joint form with other businesses or with any association?  
If so, please outline the degree of financial or physical involvement.
54. Do you ever offer any form of customer incentives?  
If so, please provide details.
55. Apart from price or discounts, what other forms of customer incentive or promotional activity have you done?  
When was it done and with what results?
56. If given a **creative platform** or central theme from which all of your advertising in the future is based, what do you think it should try to say?
57. Have you ever purchased outdoor advertising such as bus boards, billboards, or bus shelters?  
If so, when, and with what results?

58. What are your current outstanding media obligations?  
List all outstanding contracts, rates, expiry dates, etc.
59. Have you ever created or offered a self-liquidating advertising vehicle such as T-shirts, baseball caps, etc. If so, what, when, and with what results?
60. How important is the Christmas selling season to you?
61. Do you think your business name is good or bad? Why?
62. Do you do any direct mail programs to potential large order or commercial customers such as condominium builders, commercial designers, display suites, home arrangers, etc.?
63. What do you think your advertising should sell the most?  
In general terms: \_\_\_\_\_ In specific terms: \_\_\_\_\_
64. Would you be receptive to providing services in exchange for on-air mentions or print media space, providing the received media value was equal or greater than the regular value of the services provided?
65. Do you have or have you ever had in the past, a jingle for use in your advertising?
66. Have you placed any advertising that will be heard or seen in the next few months? If so, where and when?
67. Have you ever conducted a seminar or work session for customers concerning any aspect of your company's services?
68. Are you proud of your business card, logo and stationery design or do you think there is room for improvement?
69. Have you ever sponsored a contest for customers and, if so, when and with what results?
70. Have you ever created a regular mailing piece designed to stay in touch with customers or prospective customers?  
If so, when, and what?
71. When was the last time you did a postal walk in your area?
72. Is your business exterior attractive or do you think it is in need of restoration?
73. What will your advertising budget be in the next 12 months?
74. Do you offer any staff incentive programs throughout the year?  
If so, what results and with what results?



### ***I. Economic patterns***

In order to chart some marketing goals and projections, it is important to be aware of your overall economic patterns.

Record the figures below and if they are not readily available, fill in your best estimate.

1. What is your fiscal year? From \_\_\_\_\_ to \_\_\_\_\_
2. Gross sales to date this year:                   \$ \_\_\_\_\_
3. Projected gross sales to year end:           \$ \_\_\_\_\_
4. Gross sales last year end:                   \$ \_\_\_\_\_

### ***J. Scope for growth***

Now before closing, it is worthwhile to document the directions that you can grow. This helps to determine the areas where growth is possible.

1. How close are you to capacity with your current staff, equipment, and premises? \_\_\_\_\_%
2. Specifically, how close are you to the maximum amount of time and effort that can be devoted to generating new business? \_\_\_\_\_%
3. As far as financial flexibility is concerned, what dollar figure is available to you for growth? \_\_\_\_\_%

**This questionnaire was completed by:**

**Name:** \_\_\_\_\_ **Title:** \_\_\_\_\_

**Business name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**City:** \_\_\_\_\_ **Postal code:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_

## Analyze and draw conclusions

Now you have some valuable information with which to work. Take some time to analyze the answers.

When you are analyzing, you are examining the research material in detail to discover its meaning or essential features.

You are looking for relationships in the market and to your business.

Finally, you are deciding on the value of this information to your business.

Analyze each section separately. Using point form, write one or several concluding statements for each section.

If more than one person completed the questionnaire, check for similar answers and if they are different, can you explain why there is a difference. What did you learn about your business and your staff's perceptions of the business?

### *Some factors that could influence questionnaire answers are:*

**Length of time in company**

**Position held within the company**

**Knowledge or awareness of the subject area in the questionnaire**

**Previous and current input into decisions affecting the subject area in the questionnaire**

What meaning can you draw from the similarities and differences in the questionnaires?

Analyze and draw some conclusions about this questionnaire's information and a previous marketing analysis.

Think about how you can use this information about your business to further it.

What messages is your business conveying to the marketplace? Are the messages consistent throughout company? What will you change or modify?

What will you emphasize what you are already doing? What will you add? How will you change or modify the messages?

What impressions are you sending to the marketplace? What will you change or modify? What will you continue to emphasize? What will you add? How will you add them to your business?



What is the creative platform of your business? Are you satisfied with it?  
What will you continue to do? What will you add? What will you modify?  
What will you change? How?

What did you learn from this experience? When will you carry out this  
process again? Who will be involved next time that you did not involve this  
time?

### Summary

It very useful for a business manager to use this detailed marketing  
questionnaire periodically as a way of:

**Examining every aspect of the business from a marketing perspective**

**Focusing key people on the way marketing has affected different  
aspects of the business**

**Identify changing attitudes of key people in the company towards the  
marketing of the company**

Comparing the results of questionnaires from one period to another, identifying  
the changes and determining the reason for the change can be one of the most  
important results of doing the questionnaire.

*Celebrate!!*

**Take another break**  
**Relax**



### 3. The Importance of Media Planning

#### Introduction

One important function of the marketing manager is media planning. The media events of a business shouldn't be prepared 'on the spur of the moment.' Rather, they should be an integrated part of the overall marketing activity of the business.

In addition, all of the marketing activity of a business needs to reflect the creative platform of the company.

To do that effectively, marketing activities need planning and coordinating. Doing so creates synergy between the marketing activities of the company.



Synergy means that by synchronizing activities more energy is created than if the activities were completed separately. By coordinating the marketing activities, the company will have a marketing program that is:

- \*\* More effective
- \*\* Economical
- \*\* More easily adjusted or adapted to market conditions
- \*\* Adaptable to the growing needs of the company

A good media plan is the result of the effective coordination of the company marketing activities.

In this section, we will discuss how a typical media plan is developed and implemented.

***Probably, in your marketing research you have:***

- Completed a detailed market analysis
  - \*Analyzed your customers and clients
  - \*Analyzed your competition
  - \*Analyzed your offerings
  - \*Determined how you will differentiate your business and its offerings in the market
  - Decided on your company's creative platform
  - \*Prepare a comprehensive marketing plan
- The above list with \*are discussed in *The Business Plan*

The media plan is a major part of the marketing activity of the business. The media plan is largely responsible for the image your customers have of your business and its offerings.

In this module, we will discuss what goes into preparing a media plan. What's more, we will discuss various forms of advertising and promotion and we will discuss how they are coordinated to form your Media plan.

### ***How to use this information***

As each media type is discussed, think about the media you presently use. Do you carefully consider how the media you choose is used and whether you are getting a good result for the money, you spend?

Consider how the media you use could be used more effectively. As well, consider how much more effective your advertising might be if Ads in different media were better timed to create a synergistic effect.

Finally, after you have studied this material, prepare a 12-month media calendar for your business. Prepare a budget by the month and for the year based on your 12-month media plan.

### **A media plan**

#### ***What is a media plan?***

A media plan is a detailed plan of all the outside advertising and promotional activities of the business for a defined period.

Usually the period is 12 months but it can be for longer periods. Sometimes the time is 18–24 months because of product sales cycles.

Planning for the next media plan should begin 3–6 months before the end of the existing plan in order to maintain continuity to advertising and promotional activity.

Media planning will ensure the most efficient use of your advertising dollar and allow you to accurately forecast and budget your advertising expenditures.

A comprehensive marketing plan includes every aspect of how the business will market itself and its offerings both internally and externally.

| <b>Some internal aspects of the plan would include visual presentation such as:</b>       | <b>Some external aspects of the plan would include details on:</b>   |
|---|--|
| Signage<br>Store display and layout<br>Style of merchandising<br>Use of corporate colours | Lines of distribution<br>Methods of distribution<br>Pricing policy and structure<br>A detailed and budgeted media plan |

### **Typical components of a media plan**

Typical components of any media plan are:

|                       |                              |
|-----------------------|------------------------------|
| Newspaper Ads         | Radio                        |
| Flyers                | Television                   |
| Handbills and coupons | Planned promotional events   |
| Magazine advertising  | Special promotional activity |

A book could be written about each of these media forms. They are all effective when suitably used in the context of a well-designed media plan. We will not do an exhaustive examination of each of these media forms. However, let's discuss each of media form briefly and how your business might use them.

### **Newspaper**

Almost every business uses newspaper advertising to some extent. Newspapers are a broadcast form of advertising that are unselective and will get your message to a large geographic area.

Newspapers tend to stay around the home for a day or two before customers throw them away so they likely will see your Ad 1–2 times.

*There are many different types of newspapers.*

There are national, regional, and community newspapers.

There are newspapers directed at specialized markets.

There are newspapers that may publish daily, twice daily, bi-weekly, weekly, monthly, or even quarterly.

Nevertheless, they almost all have one thing in common. **They all want your advertising dollar.**

You have to be very careful in your selection of a newspaper for your advertising.

Before placing an Ad, ask these questions:

1. What is the total area of distribution?
2. Does the area of distribution provide coverage of your market area?
3. Does the newspaper cover a much larger area than your market area and would you be paying for that?
4. Does the newspaper not provide adequate coverage for your market area?  
How would you support the Ads with other media forms?
5. Who are the readers of the newspaper?  
Do your customers read the newspaper?
6. What seems to be the focus of the newspaper?  
Would you describe it as having a national news focus or a community news focus?
7. Does the newspaper have a good image and reputation in the community?
8. What is the frequency of publication?
9. What Ad design and layout services does the newspaper provide?

10. What are the physical requirements of the newspaper for Ad copy?

Are colour Ads available and at what additional charge?

11. Will the newspaper provide some editorial promotion of local businesses?

Will the newspaper handle the preparation and insertion of flyers in the newspaper?

Will the Newspaper guarantee positioning and placement of your Ad.

What are the advertising rates? What contract incentives are available?

All media will claim to be able to reach your customers and they will support this with any number of demographic surveys, circulation studies, or viewer impression surveys. Unfortunately, this does not necessarily mean that they will get results. Before placing an Ad or committing to an Ad campaign, you should:

**Ask** many of your customers, what they think of the newspaper and if they read it regularly.

**Ask** what they like about the newspaper and what they dislike about it.

**Ask** other businesses in your market, what they think of the newspaper and if they get results from their advertising in it.

**Examine** a number of issues of the newspaper over some time to see whether your competition uses it for their advertising. If they don't use it, why not? What alternative advertising does your competition use?

### *Determining the type of Ad to use*

The type of Ad that you place depends on the audience you are trying to reach, the message you are trying to convey, and the size of your advertising budget. Each of these factors is equally important to the success of your Ad campaign.

#### *The type of Ad campaign may depend on whether it:*

- Is a new offering being introduced to the market?
- Has a significant improvement been made to an existing offering?
- Is there some singular competitive advantage that your company must convey quickly to the market?
- Do both the customers and competitors look forward to the Ad campaign as a seasonal event?
- Is your company embarking on a new pricing strategy?
- Are the Ads only a series of weekly 'price and item' Ads?

If your company is strong financially, you might be able to afford to present new products, improvements in products or changes in marketing strategy by first establishing an image-building advertising campaign.

#### *For example:*

- A new or improved product may be advertised heavily in newspapers and other media without emphasis on price.
- Rather, the Ads might focus on things like quality, performance, durability, style, or convenience.
- The point is to establish firmly the image of **value** in the mind of the customer.
- Then weeks or months later when the offering is advertised at a special price customer will perceive that they will be getting a bargain.
- Large, well-financed companies do this all of the time and it is a very effective strategy.
- However, an advertising campaign such as this can be very expensive and certainly not practical for many small companies.

A smaller company needs to be particularly creative in its advertising. It needs to get the most *bangs for the buck* and takes a more targeted approach to advertising.

You need to consider:

A full page Ad in a major metropolitan daily newspaper could easily cost between \$5,000 and \$10,000.

An Ad in this newspaper would certainly reach some of your customers but you are also paying for the many thousands of other readers that are not in your market area or have no interest in your offerings.

A major national company might think nothing of placing a series of full page Ads like this but many small businesses would spend the advertising budget for a year on one or two of these Ads.

1. Don't allow your personal bias to influence your choice of a newspaper or any other media for that matter. The media choice that will reach your customers may not be the media that you personally would like.

***For example:***

You may prefer to read a national newspaper that has a focus more on national and international news and issues.

Your market research and analysis has revealed that the customers in your target market tend to read a local community newspaper that focuses on community issues and events.

2. Having your Ad in the right position in the newspaper can make a big difference in the impact of your Ad.

Newspapers will want to charge you extra to guarantee to place your Ad in a specific location.

However, the newspaper salesperson will usually accommodate your request for positioning in an area of the newspaper without an extra charge particularly if you are a regular advertiser.

***For example:***

If your business were selling building materials, decorating products, furniture, or appliances, it would be a good idea to have your Ad located in the Home Living section of the newspaper rather than the business section.

If your business is selling financial, legal, accounting or consulting services your Ad might be better positioned in the Business section of the newspaper.

3. Sometimes in small community newspapers, a *masthead Ad* is relatively inexpensive if contracted for at least a six-month period.

A masthead Ad is a box in the top left or right corner of the title page of a newspaper section.

It is a great way to have continually your image in front of the customer and to be used to direct customers to your feature Ad in the newspaper.

4. Consistency in the design and look of all of your Ads will make your Ads stand out and be instantly recognizable and associated with your company.

Many small community newspapers provide inexpensive Ad layout and design assistance for small businesses.

**For example:**

The Ads of smart advertisers have a consistency in their look.

Think of some of the biggest advertisers in your market.

At a glance, you know it is their Ad before you even notice the content of the Ad.

The design, the way it is laid out, the style and colour of the border, the style, and sizes of printing, all of these factors are similar in each Ad.

5. Incorporating a human or animal figure in your Ads has proven a good way to attract your customer's attention.

**For example:**

If there were several Ads for property services such as plumbing, carpet cleaning, landscaping, etc., and one of the Ads had an image of a worker or tradesperson, which one do you think you would notice first? It doesn't have to be a photograph. A cartoon or caricature is equally effective.

6. Using smaller sized Ads but higher frequency is often a better way to raise customer awareness of your company and it will make your advertising dollar go farther.

**For example:**

The size of the Ad is not always important

What counts is how often your customers will see the Ad.

7. For many small businesses, smaller Ads allow more advertising to be bought. Then, well-designed, properly positioned Ads mean more recognition of your company by your customers.
8. It is sometimes a very good idea to include helpful tips in your Ads along with the advertising of products or services. In doing this, you create an image of being more than a peddler.

A financial services company might have a regular space in their Ad devoted to helpful information about RRSP's, IRA's, or perhaps Estate Planning.

**For example:**

A garage might include a space on the Ad for helpful tips. The Ad this week may be advertising a *lube 'n oil* special and in the Car Care Tip space there would be information on the recommended frequency of changing oil.

If you were planning an advertising campaign that covers areas outside your local market area, it is highly recommended that you use the CARD (Canadian Advertising Rates & Data) catalogue.

CARD is a McLean Hunter publication and should be available at any public library. Similar publications should be available in other countries at public libraries.

The CARD catalogue provides complete contact and specification information for all your media components. It even includes information on outdoor advertising such as billboards, bus benches, truck advertising, etc. It also has a complete listing of advertising agencies.

For further information on all the services CARD provides, visit their web site at [www.cardmedia.com](http://www.cardmedia.com).

## **Flyers**

Flyers are newsprint pages, which are completely devoted to the advertising of a company. They may be in black and white or colour but nowadays they are usually in colour.

There are generally two types of flyers:

1. Inserts
2. Run of Paper (ROP)

**Inserts** are produced separately from the newspaper.

You will find many printing companies in your area specializing in flyer production and often at much cheaper rates than a newspaper would charge.

Many of them will also provide graphic design and Ad layout services. The flyers are then inserted in a newspaper (as the name implies) or distributed to homes via private distribution companies.

You will incur an additional charge to have inserts put into the newspapers but inserts do also have the advantage of target distribution to areas not serviced by the newspaper.

**ROP** (Run of Paper) flyers are simply flyers that are produced in the regular production of the newspaper as part of the paper.

Some newspapers will periodically have specials on ROP flyers to compete with private producers.

They may also sometimes offer contract rates to regular advertisers that make the cost more competitive.

An advantage of ROP flyers is they may have other news on back pages and therefore tend to stay with the paper rather than thrown out as *junk advertising* by some customers.

Therefore, like the rest of the newspaper, there is a greater opportunity of your Ad staying in the home and seen several times before being thrown away.

### Handbills and coupons

Handbills and coupons are letter size or smaller sheets of paper that are often printed on both sides.

Advertising distribution companies will combine a number of small-size handbills in booklets of coupons.

This does reduce the distribution costs of your handbill but there is a danger you will get lost among all of the other advertisers included in the booklet.

Often, letter-size handbills are inserted into newspapers like flyers but this is often too costly for small businesses. More often, target handbills to residential areas and delivered privately by distribution companies.

Handbills are truly a *shotgun* approach to getting your message across. It is typical for a business to get a ½% return on the number of flyers distributed.

If 5,000 flyers were distributed, 25 customers might respond to the Ad. Of those 25, all of them would not necessarily buy.

Targeting only those potential customers that would be interested in your offerings can significantly increase the success ratio of handbills.

Lists of target market groups are available from companies specializing in compiling such lists.

A selected list like this is sometimes referred to as a *massaged* list of customers. Using a massaged list of customers can frequently increase response to a handbill mailing from ½% to 5% or more.

Depending on the offerings you are marketing, it may well be worth the cost of a massaged list, which can be several thousand dollars.

#### Example:

A men's clothing store specializing in *high-end* products such as sport jackets that would retail for \$2,000 or more might very well pay for a 'massaged' list of customers. This list might include people in higher earning professions such as:

|              |                                   |
|--------------|-----------------------------------|
| Doctors      | CEO's and presidents of companies |
| Lawyers      | Senior executives                 |
| Dentists     | Some high-earning sales fields    |
| Stockbrokers |                                   |

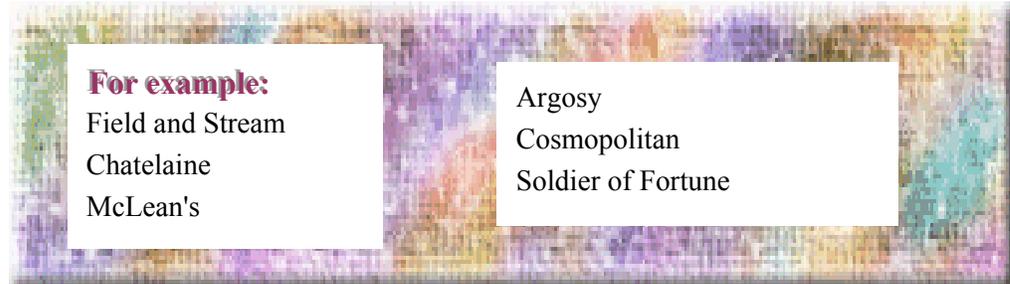
In this example, if a massaged list of 1,000 was used, suppose that only 50 responded and of those 50 people, 25 bought a \$2,000 jacket.

The store could possibly have generated \$50,000 in sales for an expenditure of less than 10% of the selling price including the production cost of a high-quality mailing piece.

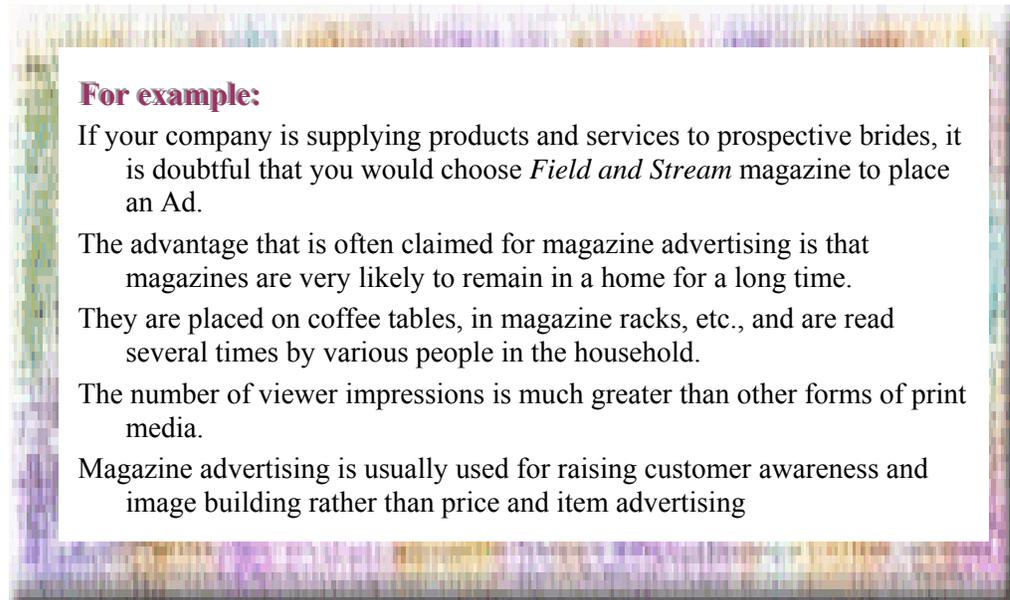
### **Magazine advertising**

Magazine advertising is generally a much-targeted form of advertising. It is also usually much more expensive than newspapers, flyers, or handbills.

Magazines have specific readerships.

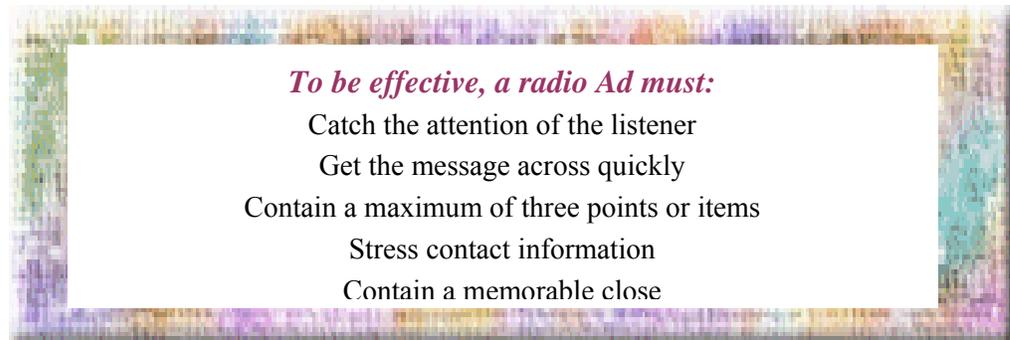


All of these magazines have a specific group of readers. While there will be some products and services that you will see advertised in almost any magazine, most companies will select a magazine that is likely to have readers that are receptive to its offerings.



## Radio

Radio can be a very effective medium but mainly in support of other elements of the media plan. Today many people are listening to radio while they are doing something else. Listeners are driving, working in the home, or working at the office. Therefore, their attention is divided.



To accomplish this, radio Ads use sound effects, special voice effects, and theme music that is identified with the business. The reason for only including three points or items in an Ad is that it has been proven that any more than that and the listener will not remember it. As most radio Ads are either 30 sec. or 60 sec. in length, it can be a challenge to design an effective radio Ad.

Thus, don't try to say too much.

Use radio to enhance the effect of your other advertising by announcing the *special event* you are holding on the weekend or the super special price on a particular offering at the event.

Production costs per radio Ad are usually quite reasonable when spread over a radio campaign of several weeks. Radio stations are highly competitive in most markets and frequently will include normal production costs in the cost of the Ad for a campaign of a few weeks' duration.

Before making decisions about radio Ads, you need to think about the following ideas:

1. Determine who your listeners are and when they are likely to be listening.

If your target audience is construction workers then you may want your Ads to run from 5:30 to 7:30 a.m. and from 4:30 to 6:30 p.m. when they are driving to and from work.

2. Radio Ads must have a high frequency to be effective. Run clusters of Ads to maximize the chance of your target audience hearing the Ad.

Therefore, with the construction workers, at least 3–4 radio Ads in each two-hour time interval would be effective.

3. If you use radio advertising in support of a special event, then increase their frequency as the date of the event approaches.

Consequently, with the construction workers, some additional radio Ads would run during noon hour lunch breaks, mid morning, and mid afternoon coffee breaks.

Gain additional impact by broadcasting a *radio remote broadcast* from your business location. Some customers will stop by your business to see the additional activity and see the radio personality in action.

4. Placing one or two radio spots a week is a waste of money and will have little effect.

Even placing a radio spot each day will have little effect. The radio salesperson will be happy to sell you these spots and even convince you that they will be effective.

However, in doing this they are really just filling in the available time slots left from other more coordinated radio campaigns.

5. The only time that lower Ad frequency may be considered is:

**If** your Ad is a regular feature sponsor of the major news broadcasts of the day

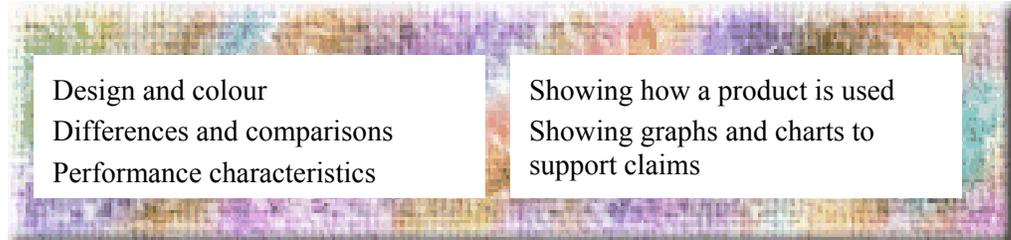
**If** your Ads are a feature sponsor of a radio show hosted by a well-listened-to radio personality in your market.

In both these cases, you will be paying a substantial premium for securing this advertising time for your Ads.

## Television

Television is a powerful advertising medium that is equally effective for image-building advertising and price and item advertising.

It is particularly effective for illustrating features and benefits of offerings like:



Being able to show people's expression and their reactions is also a powerful way of enhancing credibility of your offering.

However, television isn't for everyone. It may be too expensive, relative to other media, in most markets for many small businesses.

It also may not be the right medium to reach the target market for your offering.

Production costs for television Ads are also much higher in relation to production costs in other media.

Run television Ads (like radio Ads) in clusters to get the most effect.

They are a powerful way of building company image and that is fine if your company has the financial resources to support a television image building campaign.

On the other hand, for most small businesses, buying television advertising in conjunction with other media advertising for a specific event.

As with radio, beware of television Ad salespersons offering Ads at times that will be unlikely seen by your customers.

Television Ads may be cheap for 3 a.m. but are a waste of money if your target audience is people who must get up in the morning at 6 a.m.

### *Planned promotional events*

Planned promotional events are a good way of stimulating customer interest. Some typical examples of special promotional events are:

|  |  |
|--|--|
| Grand openings                         | Seasonal holidays such as Christmas, Thanksgiving, or Easter |
| Anniversary sales                      | Seasonal period events like spring, summer, fall and winter  |
| Inventory clearance or reduction       | New product introduction events                              |
| Special demonstrations of products     |  |
| Special charitable fund raising events |  |

The list is endless and only subject to your imagination. Nevertheless, all of these events have something in common.

They require detailed planning, preparation, and media coordination to be effective.

Some elements of media planning for a typical event are:

|   |   |
|---|---|
| Advance press releases announcing the upcoming event  | Newspaper Ads starting two weeks in advance announcing major features of the event such as celebrity attendance, special demonstrations, etc. |
| Newspaper Ads placed several weeks in advance of the event to raise awareness   | The week of the event, detailed newspaper Ads would run just before the event advertising items and prices featured at the event              |
| Any special banners, signage, or printing of handout materials would be prepared at least 2-3 weeks in advance of the event | The week of the event, a series of radio or television Ads might be run in support of the event and reinforcing the other media advertising.  |

Of course, details will be different for every business and will vary for every event.

It takes quite an effort to put on a promotional event.

Too often, a business will not do the best job of planning and executing an event and then wonder why customers did not flock to the door.

If possible, you should delegate a person or a team of people in your business to coordinate all of the necessary details to make the event successful.

If this is not possible, and the budget permits, hire a special event coordinator to do it for you. You may find that it is money well spent.

### ***Special promotional activity***

Special promotional activity covers literally anything and everything that falls outside of regular media activity.

| <i>Some examples are:</i>   | <i>Other examples involving more expense are:</i>   |
|---|---|
| Press releases  | Sponsorship of sports teams   |
| Free publicity in editorials or business columns  | Sponsorship of cultural events  |
| Free publicity in connection with and support of community events                               | Production of brochures, data sheets, product manuals, and other company literature   |
| Free publicity obtained by volunteering the use of the business to support a charitable purpose | Goodwill giveaway items for general use or for special customers such as pens, memo cubes, key chains, T-shirts, or jackets |
|   | Telemarketing   |

All of these examples of special promotional activity can be effective.

However, they all should be part of a coordinated media plan.

Many businesses do some or all of the items mentioned above in an uncoordinated way and they lose much of the desired effect.

### **Media planning**

In media planning, mathematics is different from you learned in school.



This is to illustrate that when you use more than one media type in an Ad campaign it has a multiplying effect. On the other hand, the effect you get is usually greater than if you only used one of the media types.

***For example:***

You might implement a newspaper Ad campaign two weeks before a special event.

In the last week before the event, you would run radio Ads with increasing frequency as you approach the date of the event.

A customer seeing the newspaper Ad will have the impression of that message about your event reinforced by the radio Ad message.

It makes the message more memorable. Combining the use of the media has a synergistic effect.

We cannot stress too much the importance of planning and coordinating all your media activities. At the beginning of this section, we talked about preparing 12-month and even 18–24 month media plans.

### How to prepare a 12-month media plan

The chart shown below shows a simple way to organize your thoughts to plan a 12-month media campaign. For longer campaigns, you would just add additional sheets to cover the extended time.

Across the top of the chart, are columns titled with the particular type of media event.

Down the side of the chart, are the names of the month for each planned activity.

In each box, you will note the name of the event or advertising activity and the dates that it will run.

The advantage of creating a visual representation of your media activity is that you can get a visual sense of coordinating and integrating your use of various media in a given period. You can also readily identify conflicts.

In the illustrated chart, we have shown how a few months of planning might look on the chart. You should note particularly how:

- \* A press release or charitable event participation is timed to precede the start of a business promotion.
- \*\* The initiation of the radio or TV Ads overlaps at the appropriate time with the print media used.

After the media plan chart is completed, a budget is prepared. Each month is listed and the media activity listed, priced, and extended to arrive at a total for the month and, ultimately, for the year.

Another advantage of this media planning process is the ability to make changes without harming the overall plan.

Business conditions could change after a few months.

With a plan (such as we have illustrated to the right), you can visualize where changes are made while keeping essential elements of the plan and maintaining continuity.

|       | Newspaper Ads | Flyers | Handbills | Magazines | Radio | TV | Promotional Event | Other |
|-------|---------------|--------|-----------|-----------|-------|----|-------------------|-------|
| Jan.  |               |        |           |           |       |    |                   |       |
| Feb.  |               |        |           |           |       |    |                   |       |
| Mar.  |               |        |           |           |       |    |                   |       |
| April |               |        |           |           |       |    |                   |       |
| May   |               |        |           |           |       |    |                   |       |

## Summary

In **The Importance of Media planning**, we have discussed how the media plan is the expression of the marketing strategy of a company.

You have learned something about the various media forms. In addition, you have learned how important it is to coordinate the use of the various media forms in order to obtain the best return for your advertising dollar.



Paying close attention to your media plan will certainly save on advertising costs and it will pay big dividends in the results achieved.

*Celebrate!!*

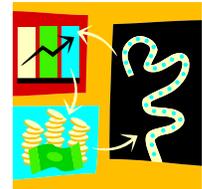
**That was a long one  
So, relax and let go before  
starting the next one**



## 4. Pricing Philosophies & Approaches

### Introduction

The pricing philosophy and approach of a company is closely linked to the creative platform of a company. As much as the creative platform of a company is the basic expression of how the company sees itself and wants to express and position itself in the market, the pricing philosophy is a key component of that expression.



There are numerous pricing philosophies and approaches that a company can choose. Many pricing philosophies are closely linked to the merchandising of a store and the style of doing business.

The term **merchandising** refers to the type of products that are offered and the way in which those products are displayed and advertised in the store.

In **Pricing Philosophies and Approaches**, we will discuss a number of common pricing philosophies and link them to several common business styles and merchandising approaches.

Visual presentation and display techniques are another important consideration and their relationship to the pricing philosophy and merchandising.

There are so many variations and combinations that this section will not address them all.

### *How to use this information*

#### **As you study this material, think about:**

What is the business style of your business?

Do you have a pricing philosophy and, if so, what is it?

Why did you choose the business style and pricing philosophy for your business?

Does your business style and pricing philosophy suit your market? If not how will you, change it?

## Common business styles

**There are many business styles, but here are eight common ones:**

1. High-quality, high-end (high-priced) products, and broad selection
2. High-quality, high-end (high-priced) products, limited or select selection
3. Brand name products, full range of quality, price, and selection
4. Brand name products, limited range of quality, price, and selection
5. Medium-quality, medium-priced products, and broad selection
6. Medium-quality, medium-priced products, and limited selection
7. Low-end quality, low-priced products, and broad selection
8. Low-end quality, low-priced products, and limited selection

The company and the sales and marketing manager will choose an approach—a style of doing business that, in their view, positions the company most favourably in the market versus their competitors.

They will make this decision based on the extensive market research completed in the preparation of the company's business plan.

Business style is more than the quality of the products and their price. It can relate to other factors as well.

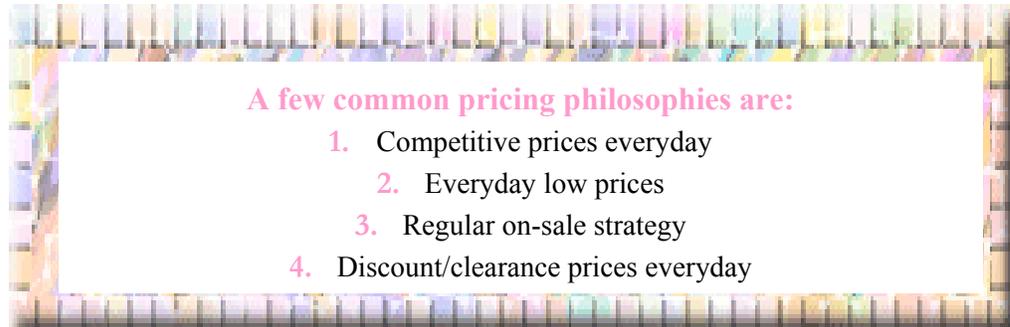
**For example:**

- Location of the business
- The way customers access the business
- The way in which customers are served (or not served)
- The range of services provided (or not provided)
- The appearance and deportment of staff

You can see how complex the variations can become when you apply these few options to the business styles we listed.

## Common Pricing Philosophies

There are as many variations in pricing philosophies, as there are business styles and approaches to the market. Proclaiming pricing philosophies in the advertising of the company can be an important part of establishing the image of the business in the mind of the customer.



At times, many businesses combine these philosophies but let us briefly examine each philosophy.

### **1. Competitive prices everyday**

The competitive prices everyday philosophy tells consumers that they will be offered products at a competitive price, or similar to the price at other businesses.

It doesn't mean that the products are any better than those obtained elsewhere are.

A business taking this approach is telling customers that they are charging a fair price.

### **2. Everyday low price**

The everyday low price philosophy states that the consumer are offered products at a price that is usually lower than the price offered by other businesses having the same product.

Whether this is consistently the case may be another matter.

However, if the company does not live up to its stated philosophy, it will not be long before its well known in the marketplace.

Once images are established, they can be hard to change.

### 3. *Regular on-sale strategy*

With the regular on-sale strategy philosophy, the consumers are told that most days throughout the year products are sold at competitive prices.

However, at regular intervals, there are lower or discount prices on merchandise. Some of the reasons for the lower prices may be:

- \* \* The products are seasonal such as snow shovels, garden products, or summer fashions
- \* \* To clear out remaining seasonal products before the next season
- \* \* To clear out damaged merchandise

Sales of this nature are very predictable and, consequently, some consumers will wait for the sale and never buy at the regular price.

For that reason, it is important to control the timing and length of these sales in order to obtain the desired result but maintain an overall *gross margin*.

### 4. *Discount/clearance prices everyday*

The discount/clearance prices everyday pricing philosophy tells the consumer that the lowest prices are available everyday on products sold at the business.

A business taking this approach must sell large volumes of merchandise to compensate for the low gross margins on the goods sold.

However, some businesses may be acquiring low-quality goods or perhaps low-priced inventory from bankruptcy sales, thus may enjoy normal gross margins even at the apparently low prices.

This pricing philosophy attracts the *bargain hunter* rather than a loyal customer who responds to quality and service.

There are very good reasons for a business to discount merchandise periodically, but think out the effect that discounting price will have on the business before you do it.

We will discuss the effects of discounting in more detail in *Pricing Policy*.

### Combinations and variations

With the eight business styles (discussed above) and four common pricing philosophies, there are a huge number of combinations and variations. There are far too many to cover here. However, by way of illustration, here are several examples that relates to you.

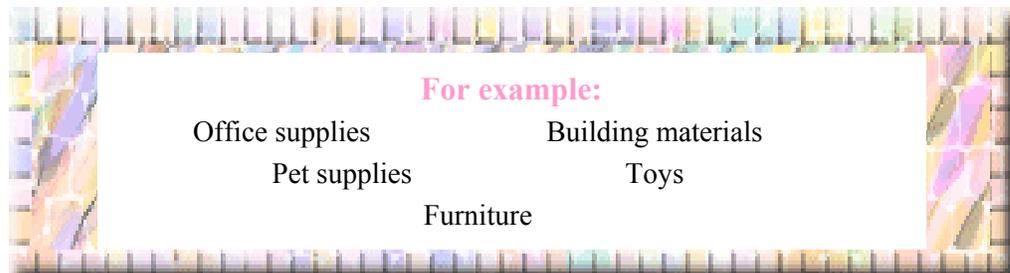
In every marketplace, there are independent and chain stores that combine:

|   |  |
|---|--|
| <b>Business style</b>   | Medium-quality, medium-priced products, broad selection<br>Low-end quality, low-priced products, broad selection |
| <b>Pricing philosophy</b>   | Everyday low price   |
| For example: K-Mart, Zellers, Woolworths, Wal-Mart, Dollar Stores |  |

1. A number of very large chain stores purport to sell at wholesale prices but require a membership before purchasing. Some combine:

|                              |  |
|------------------------------|--|
| <b>Business style</b>        | Brand name products, limited range of quality, price and selection |
| <b>Pricing philosophy of</b> | Everyday low price   |
| For example: Costco          |  |

2. There are independent and chain stores that specialize in certain product areas.



These kinds of businesses will combine:

|   |  |
|---|--|
| <b>Business style</b>                                     | Brand name products, full range of quality, price, selection |
| <b>With a pricing philosophy of</b>                       | Competitive prices everyday<br>Regular on-sale strategy      |
| For example, Home Depot, Office Depot, Staples, Toys R Us |  |

As you can see, the combinations and variations are almost endless.

### Summary

We have discussed common pricing philosophies and their link to several common business styles and merchandising approaches.

**Examine your business and ask yourself:**

How would you describe your business style?

How would you describe your pricing philosophy?

Does your business style and pricing philosophy take advantage of the competitive environment in your market?

What changes would you make to your business style and pricing philosophy to take better advantage of the competitive environment in your market?

*Celebrate!!*



## 5. Pricing Policy

### Introduction

Pricing policy is a very visible and key part of a company's marketing strategy and a marketing plan. A company's pricing policy is the final expression of its marketing strategy.

In the end, no business transaction takes place unless everything else you do in your marketing plan culminates in a sale. The selling price must be justified, or is the result of the total marketing approach.



Companies adopt their pricing policy for a number of reasons. In this section, we will discuss some of those reasons. We will discuss the key role of suppliers and the effect they have on pricing policy.

If you have **The Business Plan**, you will recognize some of the same material in **Product and Sources of Supply Parts 1 & 2**.

On the other hand, it may be worthwhile to refresh yourself on the key points reviewed in the context of setting pricing policy.



### *How to use this information*

This material will assist you in developing a pricing policy for your business. We will be examining the various factors that can influence the development of a pricing policy.

As you move through this material, think of how your market research and analysis, pricing philosophy and business style are influenced by the factors discussed in this section to arrive at **your business pricing policy**.

## Key components of a pricing policy

After completing the detailed research and analysis (discussed previously), you will have reached conclusions in regard to:

- \*\* Who your customers are
- \*\* What the needs of your customers are
- \*\* What product suppliers have the best product lines and programs to help you satisfy those needs

As part of your marketing plan, you have to implement a strategy that fits your budget and takes advantage of the support programs offered by your suppliers.

Thirteen key areas to consider when developing a product pricing policy are:



1. Instant Customer Recognition
2. Co-operative advertising programs
3. To handle a name brand or not
4. Product mix
5. Distribution structure
6. Local competition and product abundance
7. Dealer program policy
8. Product quality and selection
9. Pricing structure and policy (of suppliers)
10. Advertising programs and support-nationally and locally
11. Warranty policy and guarantee procedure
12. Shipping policy, freight policy and returns
13. Payment terms

All thirteen of these topics will affect the pricing of your offerings. Take all of them into account so that whatever additional costs are involved, or supplier programs that alter **gross margins (GM)**, your business will be able to maintain and control its profitability.

Let us discuss each of the thirteen topics in some detail.

### 1. *Instant customer recognition*

Nationally known and well-advertised products will often have instant customer recognition. You could say that the products would sell themselves because the customer already accepts the products and the standard of quality or performance they represent.

Describe the instant customer recognition programs of the various manufacturers of your product lines.

If there is a choice of manufacturers for your product line, which one will you choose? Why will you choose them?

How will their instant customer recognition programs assist you in your business?

How will your customers benefit from these programs?

### 2. *Co-operative advertising programs*

Large national companies usually have good co-operative advertising programs to support dealer costs of local advertising to tie in with the national advertising programs.

This may sound good to the new business or small existing business, but the negative side of this is that often consumers see products promoted in this way as commodities. Such products are highly price sensitive.

In addition, the *gross margin* (GM) realized on the regular selling price is usually low and is controlled by the manufacturer.

When the manufacturer launches a national promotion, *gross profit margins* may be driven even lower in spite of special promotional, pre-sale offerings from the manufacturer.

Furthermore, the business may feel forced to participate in the promotions whether they want to or not.

There is no exclusivity with this type of product. There may be dozens, if not hundreds, of businesses in your market handling the products.

Describe the various manufacturers' co-operative advertising programs.

If there is a choice of manufacturers for your product line, which one will you choose?

Why will you choose them?

How will the co-operative advertising program assist you in your business?

How will your customers benefit from these programs?

### 3. To handle a name brand or not

Your business may decide to handle product lines that are not major nationally advertised brands.

These products may have unique features of quality and performance.

They may not be generally available in the business's chosen market area.

The manufacturer may offer some territorial exclusive to its dealers.

A business may not enjoy the same volume of sales handling this type of product line; however, the gross margin on the selling price is usually higher.

There are advantages and disadvantages to handling *name brand* and national advertised products. They are sometimes seen (to coin a business phrase) as *high volume, low gross* products. This means that they tend to attract sales volume, but they yield a low gross margin on selling price.

Handling this type of product can raise the profile of your business and attract customers. In addition, if the products allow the business to generate enough gross margin to offset a substantial portion of the business operating expense—it may be worth sacrificing control over the marketing of the product.



Here are some questions that can help you in your research and decision-making.

1. Do any of the manufacturers offer a territorial exclusive to its dealers?
2. What are the advantages and disadvantages of carrying name brand or nationally advertised products?
3. What are the advantages and disadvantages of carrying non-national advertised products?
4. Which route will your business use? Why have you made this choice?
5. How will your decision benefit your business?
6. How will your decision benefit your customers?

#### 4. Product mix

In many businesses, the product mix is a very important consideration. It is usually not a particular product or product line that results in a business being profitable. Rather, it is the way all of the product lines carried by the business and the product mix complement one another that result in a profitable business.



##### **For example:**

The nationally advertised brand name product may have brought the customer in the door. However, by offering the customer a choice of the brand name product and other competitive products with different or specialized features, the sales of all products are enhanced.

Offering products at different price points and complementary or accessory products is often as important or even more important to the profit of a business. These products often yield much higher gross margins compared to the high-profile *brand name* product.

**In the case of a tool or a machine**, some accessory sales might be:

|  |                   |
|--|-------------------|
| Attachments                            | Protective covers |
| Adapters to interface with other tools | Lubricants        |
| Replacement parts                      | Cleaners          |

**In the case of a clothing item**, like a suit, accessory sales might be:

|                     |         |                |
|---------------------|---------|----------------|
| Co-ordinated shirts | Belts   |                |
| Ties                | Topcoat | Matching socks |

In these two examples, the machine or the suit is sold at a very low gross margin to meet advertised competition. Having a good selection of complementary accessory products and a salesperson who can effectively present these options to the customer is very important. It will often determine whether the business is profitable.

The point of the foregoing discussion is to emphasize how important the product mix is and how important suppliers of complementary or accessory products are to the success of the business. Every business and the market it serves will be different. The product mix is so important to business success that it should be regularly reviewed.



1. What is your product mix? Alternatively, what will your product mix be?
2. List the product mix for each major product or group of products.
3. Why have you made this decision about your product mix or product mixes?
4. How will your decision benefit your business?
5. How will your decision serve your customers?
6. Who will your suppliers be for the various aspects of your product mix?

You may need to review your various suppliers before making your decision concerning the complementary accessory products that you require for your product mix.

### 5. *Distribution structure*

Your awareness of the distribution structure of your supplier is important and a business should examine the following questions:



1. What is the chain of distribution from the manufacturer to the dealer for your product mix?
2. Has this changed over recent years and, if so, how has it changed?
3. Will the method of distribution be the same five years from now?  
If there is a change in distribution structure, how is it likely to affect your business?
4. What is the growth trend of the product line in the market? Is it expanding or declining?
5. Are there other questions that you need to ask?

Apply these questions to each supplier or kind of supplier.

### 6. *Local competition and product abundance*

Before taking on a major product line, it is important to know the degree of the participation in the *market* of the product. Some product lines may be very widely distributed—they are considered a **commodity**.

It may be essential to your business to have such products in order to be seen as a competitive source of supply in your market. In that event, it is important to look for other product lines that will differentiate your business from others in the market.



**Commodity**—In a general sense, the word means anything that is traded—bought and sold. However, as a business term, it is usually used in reference to raw material products of any kind that may be traded on the stock market such as lumber, metals, beef, cotton, or whatever.

The term is also used in reference to finished goods of any kind that have become common in use, of generally similar quality and so generally available, that the consumer tends to buy them on the basis of price only.

**Examples** of such items might be toilet paper, nails, packaged water, many food items, or electrical wire. There are some minor differences to distinguish one brand from another, but it can get to the point where the consumer sees little difference between brands. When this occurs, the business world refers to such an item as *becoming a commodity*.

You need to find products that will give the business areas of uniqueness or specialization. These types of products are likely to have the greatest growth potential for the business.

These are some of the questions to ask about all product lines carried by the business.



1. How many businesses are now marketing the products in your market?  
Who are they?  
Where are they located in relation to your business?
2. What is the possibility of obtaining the rights for the exclusive representation of the product in your market?  
If so, for what period time would the exclusive be?  
If so, what would be the performance criteria?
3. How complete is the inventory of the products stocked by these competitors?
4. How do these competitors market their product lines?  
Are they usually sold at regular prices or are they constantly *on-sale* at some stores?

You want to get a sense of how tough the competition is and how much of your business's resources it may take to compete.

5. Are the product lines featured frequently by *chain stores*, *franchises* or *buying groups* in your market?
6. What specialty products or related products do not appear well represented in the market?
7. What after-sale services are related to the product lines?  
How many competitors offer these product-related services?  
Who are these competitors and where are they in relation to your business location?
8. Are there other questions that you should ask?

Apply these questions to each supplier or kinds of suppliers.

### **7. Dealer program policy**

Some manufacturers or distributors have structured dealer programs. These programs can require certain minimum standards to qualify as a dealer and be eligible for dealer pricing and the various items in their dealer support program.

Some businesses may find after they have taken on a product line that they cannot afford to adhere to all of the requirements of the dealer program.

Consequently, it is very important to do your homework and be sure that you can sustain the dealer program once you have started. Otherwise, it can result in a very costly mistake.



The minimum standards can include requirements such as:

- \* \* Minimum dollar value of opening inventory order
- \* \* Maintaining annual purchases at or above a certain dollar value
- \* \* A specified basic inventory selection in order to participate in national or regional promotions
- \* \* Mandatory participation in national or regional promotions
- \* \* Maintaining a specified minimum amount of shelf space for the product line
- \* \* Maintaining a certain appearance of the product presentation by requiring use of shelf headers or other *point of sale (POS)* materials supplied by the manufacturer

Although the above are not questions, use them as questions for your research for each of the various suppliers or kinds of suppliers.

### **8. Product quality and selection**

Research the quality of suppliers' products. The range of quality options is also important and the depth of selection within those quality ranges.

Customers today are looking for value. They want to be able to fit the quality of a product to both their pocketbook and the expected usage of the product.

The reputation of a company and its perception in the marketplace will depend on:

1. Do the products have a good track record of performance?

Do they live up to the advertised claims?

How the products are generally rated against other brands offered in the market?

How would the products rate on a scale of 1 to 10 with 10 being the highest quality?

Do customers in the marketplace perceive the products as good value for the money?

Alternatively, do customers see them as *overpriced* or *underpriced* in relation to other brands and performance delivered?

2. How many levels of quality does a supplier offer within a product class?  
Will all levels of quality perform adequately?
3. What is the selection offered within each quality level?



**For instance:**

In decorative products, this might be the variety of colours available in each quality level.

If the product was an automobile tire, it might be the sizes available in a certain level of quality.

4. Do you have other questions that will help you understand product quality and selection?

It takes time to do this research. Good informational sources are:



Industry publications  
Consumer publications (Consumer Reports)  
The Better Business Bureau

Other major users in the market  
Friends and neighbours  
Personal use  
See Appendix in **The Business Plan** for more resources

Use the above questions for the various suppliers or kinds of suppliers.

### 9. Pricing structure and policy

The pricing structure and policy of a supplier can affect how effectively the business can represent the products in the market. It may also affect how competitive the business will be. There is practically no limit to the variations in pricing structures and policies, even within a particular industry. It remains for the business to determine what is best for their situation and their market.



Some examples of suppliers' variations in pricing structure and policy are:

1. One price for all businesses of a type, no matter how much is purchased.
2. One price for all businesses of a type, but with certain annual volume discount levels

For some businesses, the volume necessary to achieve a volume discount may be unattainable for a variety of reasons and this may put the business in an uncompetitive situation.

If a volume discount is achieved, suppliers may give a rebate in the form of a credit to the customer's account or issue a cheque.

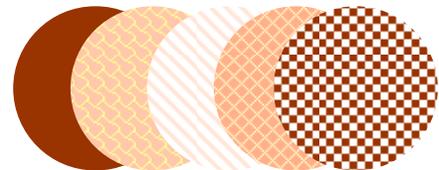
3. Some suppliers may use price tables.

Price tables are a published schedule of price levels for different levels of volume purchased or different classifications of customers.

4. It is common to have a number of levels of pricing, for example 3–6 levels.

A manufacturer (brown) would have at least four levels of pricing—master distributor (tan/yellow), distributor (tan/white), wholesaler (light brown/yellow), and dealer (brown/white).

Within each of these general classifications, each level may have a schedule of prices for such categories as retail, commercial, industrial, and government, as well as special pricing for volume users of a single item.



5. Some suppliers in businesses with seasonal products may offer 'booking programs.'

These also are sometimes called *dating programs*. These programs usually offer substantial discounts on products if an order is 'booked' several months in advance of the shipping date.

The discounts offered on 'booking programs' can be 15%–25% or more, less than the regular cost.

Sometimes, further incentives are given such as allowing a month or two extra to pay. There often is a graduated early payment discount schedule to promote early payment after shipment is made.

Suppliers typically offer these programs to keep their factories producing during slow periods.

The downside to the business taking advantage of a *booking program* is that the minimum quantities required for the 'booking' often amount to several months' supply of products.

This lowers product turnover and can affect profitability.

The foregoing is to illustrate that there are many combinations and variations when it comes to pricing policies. It is important that the business compare the advantages and disadvantages of each supplier's programs as it may relate to the market served and a business's ability to use the program.

Develop a set of questions from the information listed above in the various points. Ask the questions of your suppliers or kinds of suppliers.

### **10. Advertising programs and support—nationally and locally**

Supplier advertising programs assist in the development of consumer awareness. They are very important considerations for the beginning business as well as the existing business. These programs help to establish credibility for the product in the market and they *pre-sell* the product.

This helps to reduce or offset the marketing cost to the business. However, these programs always require a commitment from the business participating in the program.



Here are some things to be aware of and examples of typical conditions of these programs:

1. The cost of national advertising comes out of the cost of the product to the business.

That is why suppliers sometimes impose minimum levels of purchases for their customers or, alternatively, different levels of pricing for different classes of customers.

2. Some suppliers can require mandatory participation in national advertising programs as part of the dealer agreement.

Some small businesses may find that it is financially difficult to maintain participation in these programs.

It may even be that the national promotion pricing is so low that it is literally a *loss leader* intended to bring customers in the door.

3. Many suppliers offer co-operative advertising programs.

These programs are to help a business financially to support and participate in the national advertising programs. Usually, these programs are called 50/50 Co-op Ad programs.

This means that the supplier will match the dollars spent by the business on advertising of the supplier's products up to a specified maximum amount that is usually a percentage of annual purchases.

It is common for suppliers to provide 2%, 3%, or even 6% of annual purchases in Co-op advertising support.

**For example:**

**If purchases of the product annually were \$50,000 and the 50/50 Co-op advertising allowance was 3%, then the supplier would pay \$1,500 of advertising cost if the business spent \$1,500.**



Suppliers usually pay this in the form of a credit on an account after receiving proof of the advertising.

4. It is very useful for a business to know in advance, for budget purposes, the advertising or promotional calendar of their supplier.

Some suppliers may not wish to divulge that information for competitive reasons, but some will provide their dealers with an outline of their future advertising activities.

5. The more catalogues, data sheets, brochures, camera-ready Ad materials, etc., that are available from a supplier; the less cost there is to the business in promoting the products.

Most suppliers producing these Ad materials provide a space for a business to stamp the materials with their business identification.

Smaller suppliers of products that are less well known may not provide as much advertising support of all kinds.

The cost then, of raising awareness of the product, must be borne by the business.

You can see from these few examples that advertising programs offered by suppliers can be very important to the success of a business. However, compare these programs carefully with the view to affordability and fitting them to the future needs of your business.

In addition, advertising programs are only part of the total analysis that goes into deciding upon a product supplier.

Use the above ideas for a set of questions that you will ask your various suppliers or kinds of suppliers.

### ***11. Warranty policy and procedure***

The degree, which suppliers stand by their products, has an important bearing on the image of the products in the marketplace.

Guarantees of performance and warranties extended by the manufacturer are important selling features. They assure the end user that if the product does not perform as claimed, there is some recourse.

However, it is important to read the fine print when comparing product guarantees or warranties.



Here are a few things to consider when comparing warranty policy and procedures of prospective suppliers:

1. Who is offering the warranty?

Is it the manufacturer, the distributor, or the wholesaler?

2. What does the warranty cover?

Does the warranty cover the replacement cost of the product?

Is the value of the warranty pro-rated over the 'expected life' of the product?

Does the warranty only cover replacement of parts, not labour costs?

3. If the product needs repairing under warranty, is there an authorized warranty service depot in your area?

Either is it the dealer's responsibility to arrange for the repair or is the end user directed to a repair depot?

4. If there is no authorized warranty service depot in the area, who can repair the product and who pays the shipping costs?

In most cases, what is the time involved for a typical warranty service repair?

5. What is the experience of the Better Business Bureau in the area in regard to any consumer complaints about the product performance or the honouring of warranty service?

***An example of a use of a warranty:***

**A business may decide to use a supplier's service and warranty programs in their advertising.**

**It is the supplier who is telling you that your computer has a 3-year warranty, not the local dealer.**

**This is one example of the use of supplier service and warranty programs to market a business.**



Ask each of your suppliers or kinds of suppliers' questions about:

## 12. Shipping policy, freight policy, and returns

Shipping and freight policies of suppliers can have a significant effect on the selling price to the end user and the profitability of a company.

Some suppliers have minimum quantity or invoicing requirements.

Some have different shipping policies for different geographic areas.

Some suppliers offer incentives to increase order size and will even prepay the freight costs if the order is over a certain number of units or dollar value.

The reason is that the supplier can take advantage of lower freight rates on larger orders. Accordingly, when assessing suppliers, their shipping and freight policy are important considerations.



Here are some of the key points to look at:

1. Is there a minimum quantity or dollar amount required to place an order?
2. Is there a schedule of freight allowances offered to offset freight costs and encourage larger order size?

Some suppliers will offer, on a regional basis, a percentage discount off the order total if the order is over a certain amount.

3. Does the supplier have a *drop shipment quantity* incentive?

A drop shipment is a term used to describe an order on which the supplier will prepay the entire shipping cost. The criteria vary with the supplier.

A drop shipment may be a certain number of product units, cases, total weight of the order or the dollar value at cost.

4. What is the typical delivery time after placing an order?
5. What is the procedure for returning products?

What approvals are necessary to authorize a return?

What are the conditions?

What proof is required for returning products?

How long does the process take?

What is the restocking charge, if any, and under what circumstances does it apply?

Are there other questions? Ask these questions of your various suppliers and kinds of suppliers.

### 13. Payment terms

Payment terms can be extremely important to the success of any business.

If payment terms are given to the buyer of the goods, it means that a period is allowed before payment must be made.

If payment terms are *net*, it means that there is no time extended to make payment for the goods and the invoice is due and payable upon presentation of the invoice.

When buying a product if no payment is required for 15, 30, 60, or, even 90 days, there is a real benefit to the business for that period. That is because there is a value to using money for a period.

When borrowing money from the bank, there would be interest due for the period the money was used.



In the case of product payment terms, no interest is usually charged; therefore, there are several advantages to the buyer:

The product may be sold before payment is required.

If the business doesn't have to pay for an order for 15, 30, 60, or 90 days, it can use those funds to invest in other business needs or special terms can materially affect and improve the **cash flow** of the business.

Depending on the cost of borrowing and the time interval allowed before payment, the savings to the business could typically be between 1–3% at cost. When that savings is marked up to reflect the selling price, the business could be saving 50% or more, or 1½–4½% of the cost of the product.

However, if special terms are contingent upon taking several months' supply of the product, it may not be worth it.

Many companies will offer incentives for early payment of invoices. It is common, depending on current interest rates, for companies to offer 1–2% off the amount of the invoice for payment before a specified time. Usually this is 10-15 days after the invoice date.

Being able to take advantage of all early payment discounts can be a major saving to a company.

If a saving of even 1% was realized on purchases every month that amounts to 12% per year.

At selling price, that could be an improvement of as much as 18% in **gross profit margin**.

Even if the funds had to be borrowed from the bank to make the payment, the savings would be significant.

In summary, the key point here is that ***time is money***.

If payment terms are used creatively, the business can effectively use supplier's money at no cost and have the business enjoy the savings.

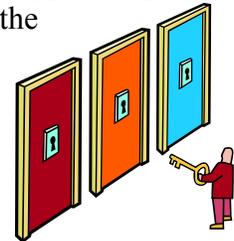
Hence, comparing the payment terms and flexibility of suppliers is an important aspect of assessing prospective suppliers.

You can develop a series of questions from the above information that you can ask your various suppliers or kinds of suppliers.

### Summary

Now, you have learned how complex formulating an effective pricing philosophy can be. There is much more to an effective pricing philosophy than *charging what the market will bear* and simply reacting to the pricing of your competitors.

A well-thought-out pricing policy will consistently reflect the market strategy of the company. As well, it will consistently reflect the pricing philosophy and business style of the company.



*Celebrate!!*

# *Take some time out*



## 6. The Effects of Discounting Prices

### Introduction

Another important function of a marketing manager is to determine any discounting of prices of the goods and services of a business.

Every business discounts the price of its offerings. Some businesses do it only occasionally and some do it as part of a planned marketing strategy.

Many businesses discount their offerings either as a reaction to competitive activity or to penetrate a new market.

Before doing this they often do not think through what the effect on their business will be of discounting their offerings.

Discounting offerings can be effective but it must be done in a planned and controlled way and with a clear objective in mind.



In **Effects of Discounting Prices**, we will examine some of the effects on the business of discounting prices. We will discuss some of the key factors that a sales and marketing manager must consider before implementing a discount strategy.

### *How to use this information*

Do you consider the effects of discounting prices beforehand? Do you know in advance, what the effects of discounting prices will be on the sales and profits of your company?

Here, we will examine the effects of discounting prices. There are often very good reasons for discounting prices, but the reasons have to be thought out and the results of the action considered.

As you go through this material, consider how you presently make decisions on discounting prices.

### Preparation for discounting prices

Examine how you currently price the offerings in your business. Look over the past year or so at all the times you have discounted your prices.

#### *First, ask yourself:*

|  |  |
|--|--|
|  | Were prices reduced in response to seasonal price variations in your industry?                 |
|  | Were prices reduced in a planned and organized way as part of an overall marketing strategy?   |
|  | How many times did you discount offerings as a reaction to competitor prices?                  |
|  | How many times did competitors reduce their prices in reaction to you discounting your prices? |
|  | What did you expect to accomplish in the short term each time prices were discounted?          |
|  | What did you expect to accomplish in the long term each time prices were discounted?           |

Examine each sale event where you discounted your offerings.

#### *Now ask yourself:*

|  |  |
|--|--|
|  | How much revenue was generated directly from the offerings that were discounted?   |
|  | What was the gross margin generated on these sales?  |
|  | How much revenue was generated from accessory or related products during the discount period?  |
|  | What was the gross margin generated on these offerings?  |
|  | If you combine the sales of the discounted products and the accessory and related products, how do these sales compare to a similar period when offerings were not discounted? |
|  | How does the overall gross margin during the discounted period compare to the gross margin in a similar period when offerings were not discounted?                             |
|  | How many times was total average inventory value turned over before offerings were discounted?   |
|  | How was the rate of inventory turnover affected by discounting offerings in the previous year?   |

This analysis can be very revealing and whether the answers are positive or negative will guide the sales and marketing manager in making good pricing policy decisions.

Some of the typical reasons why every business periodically reduces prices on its offerings are to:

|  |   |
|--|---|
|  | Attract customers and thereby stimulate sales activity  |
|  | Meet competitive prices   |
|  | Accelerate the movement of slow-moving inventory, discontinued inventory, and obsolete inventory or damaged inventory |
|  | Reduce inventory levels to increase inventory turnover ratios   |
|  | Reinvestment of cash realized from clearing out stock into inventory items with a higher turnover rate                |

### **Discounting prices**

These are all good reasons for discounting prices under the right circumstances. However, a sales and marketing manager needs to be fully aware of the consequences of discounting prices on a regular basis.

The two charts below illustrate what happens when you discount prices.

The first chart tells you that if you reduce your price, you obviously need more business to maintain the same amount of gross sales dollars that you had before you reduced the price.

That is why you need more customers spending the same average gross sale dollars or you would need to increase the amount of the average gross sale to your customers.

### The effects of cutting prices

This **chart** shows that if you reduce prices by 10% you would need 11.1% more business to maintain the same gross sales dollar volume if your average gross sales remained the same.

At a 20% discount, you need to acquire 25% more business to maintain the same gross dollars in sales.

| To maintain the same total sales volume if you give |                                       |
|---|---------------------------------------|
| Percentage of discount                              | You will need this much more business |
| 5%  | 5.3%                                  |
| 10%   | 11.1%                                 |
| 15%   | 17.6%                                 |
| 20%   | 25%                                   |
| 25%   | 33.3%                                 |
| 30%   | 42.9%                                 |
| 33.3%   | 50%                                   |
| 50%   | 100%                                  |

This **second chart** illustrates a more startling fact.

It shows that when you discount your prices the impact on profit is even greater.

It illustrates that to maintain the same dollar profit figure, as before discounting prices, you need a large increase in business.

***For example:***

If you reduce prices by only 10%, you would require 33.3% more business to generate the same gross profit dollars.

At a 20% discount, you would need 100% more business to generate the gross profit dollars.

| To maintain the same dollar profit if you give |                                       |
|--|---------------------------------------|
| Percentage of discount                         | You will need this much more business |
| 5%   | 14.3%                                 |
| 10%  | 33.3%                                 |
| 15%  | 60%                                   |
| 21%  | 100%                                  |
| 30%  | 300%                                  |
| 33.3%  | 500%                                  |

Furthermore, additional expenses incurred in handling the extra volume will likely further erode profits. Examples of these expenses are:

- \*\* Extra personnel
- \*\* Additional advertising
- \*\* Higher delivery costs
- \*\* Higher administration costs involving invoicing, credit, or collections.

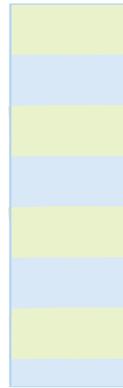
In addition, profits will likely erode even further by the additional expense incurred in handling the extra volume. These additional expenses could include extra personnel, additional advertising, higher delivery costs, and higher administration costs (invoicing, credit, and collections).

Discounting is an important part of any sales strategy. However, the sales and marketing manager should only do it:

|  |   |
|--|---|
|  | When accomplishing a specific purpose   |
|  | When applied to only certain items or for a limited period  |
|  | When given careful consideration to the impact, the discount strategy will have on the company  |
|  | Before discounting offerings, the sales and marketing manager should prepare estimates of the <i>gross sales</i> and <i>gross profit margins</i> of at least three scenarios:       |
|  | (a) The minimum amount of inventory movement that could be expected   |
|  | (b) The median amount of inventory movement that could be expected  |
|  | (c) The maximum amount of inventory movement that could be expected   |
|  | Only examine these scenarios from the standpoint of:  |
|  | How much additional operating expense can be attributed to the <i>gross margin</i> generated in each scenario?  |
|  | What would the <i>net profit margin</i> likely be in each scenario?   |
|  | What impact would the projected movement of inventory in each of the scenarios have on overall inventory turnover?  |
|  | What impact would the projected movement of inventory in each scenario have on the liquidity of the company?  |
|  | Alternatively, if <i>dead stock</i> or slow-moving stock is reduced, then the company's ability to turn current assets and immediately saleable goods into cash will have improved. |

## Summary

We discussed the following topics:



The reasons why businesses discount their offerings and what affect discounting can have on the business.

When discounting offerings is an appropriate response to the market.

Ways in which the sales and marketing manager should analyze sale of offerings and the impact on the business of discounting those offerings.

You should relate this discussion to your business: how you presently manage the sale of your offerings, and particularly how and why you discount your offerings.



*Celebrate!!*

**Relax,  
go somewhere different**



## 7. Store Merchandising

### Introduction

Store merchandising can be a complex subject and thick books have been devoted to it. Simply put, the term merchandising in this context of **Store Merchandising** means the way in which products (merchandise) are displayed and presented to the customer. The purpose of merchandising is to promote sales in general and promote sales of specific products or product groups.

There is much more to store merchandising than selling good products at a competitive price and loading them onto the store shelves. Industries that sell products consider effective merchandising a science. They know that the way stores are merchandised can have a significant effect on sales and profits.

**Store Merchandising** is a survey of the topic—we will discuss many of the key elements of it.

### *How to use this information*

Consider this section as *food for thought*. The ideas presented here will with a bit of luck cause you to take a hard look at how your store is presently merchandised. These ideas are intended to raise your awareness of the importance of store merchandising and how it can affect your sales and profits.

A lot of money can be spent on merchandising a store and you have to be careful that what you do:

- \*\* Conforms to the *creative platform* of the company
- \*\* Is cost effective—it generates a return on the investment made
- \*\* Will fit the budget considerations of the company

After you have read this section, you will appreciate how large the subject of merchandising is. Depending on the nature and size of your business, you are advised to seek professional assistance in implementing your ideas.

### Store Merchandising is divided into six subheadings:

1. Key elements of store merchandising
2. Store layout
3. Store fixtures
4. Specialty and promotional product placement
5. Arranging products on shelves to promote sales
6. Consumer perceptions of value

### Key elements of store merchandising

Experts in merchandising base their decisions on research into:

- \*\* The affects of advertising on consumers
- \*\* How colour affects consumer selection
- \*\* What designs and shapes are most pleasing to the consumer or catching their attention
- \*\* How the human eye absorbs or perceives images of groups of items
- \*\* The affects of lighting on consumer attitudes and preferences
- \*\* How consumers read printed messages such as signage and product information
- \*\* What level does the consumer's eye naturally move onto a shelf for the first time, second time, or third time?
- \*\* Also, businesspeople concerned with store merchandising are concerned with:

How customers typically move around or through a store.

Do they prefer to move around the store clockwise, or counterclockwise?

Alternatively, perhaps, they go down the middle of the store and then go right or left.

- \*\* How should store fixtures be placed to promote or influence the movement of customers through the store?
- \*\* Where promotional products should be placed to the best advantage so that customers would notice them?

- \*\* How should higher-priced, higher-profit margin items be displayed on shelves to promote their sales over lower-priced, lower-profit margin items?
- \*\* How do systems work for arranging products or groups of products on shelves that will best promote the sales of those groups of products?
- \*\* How to use brand recognition most effectively in shelf displays?

Consequently, the knowledge brought to bear in store merchandising can be a very complex mixture of:

Consumer demographics  
Psychology  
Market research  
Advertising  
Architecture and design  
Ergonomics  
Visual presentation techniques using colour and design

How the store merchandiser uses this knowledge in an individual case will vary greatly and will depend on some of the following factors:

The business style of the company  
The pricing philosophy of the company  
The creative platform of the company and the image that the company wishes to present to the market  
The location of the store geographically or within a city  
The economy of the market served  
The market positioning of the store relative to the competition in the market

How all of these factors are considered by the merchandiser, selected, and used in an individual situation is a complex subject. It takes years of training and practical experience to do it effectively on a consistent basis.

Whenever you walk into a store of one of the large chain retailers, you may take for granted the store design and the way it is merchandised. You may not think that design and merchandising has any effect on your purchasing. After all, it isn't it only other people that are influenced by that sort of thing?



Chain retailers maintain full-time store merchandising departments whose sole purpose is to develop and implement store merchandising that will influence your buying decisions.

If you're an independent store in Average Town America, you probably can't afford to have full-time staff devoted entirely to store merchandising.

**However, you may want to:**

Hire a marketing consultant or company with expertise in store merchandising

Acquire assistance from a buying group or franchise if you are affiliated with one

Sponsor employees for training courses in merchandising available in your area at community educational institutions

**All store managers should consider the following ideas:**

Store fixtures

Store layouts

Specialty and promotional product placement

Arranging products on shelves to promote sales

Consumer perception of value

### Store fixtures

Store fixtures are usually a major expense for a new store. Planning the fixtures necessary for a store is a major budget decision and needs to be carefully thought out.

If you are not familiar with store fixtures, it may be wise to obtain assistance from a consultant or a store fixture company representative.

If you are affiliated with a franchise or a buying group, these organizations often will provide store-planning services for a fee.

Depending on the fixtures needed and your budget, you may want to investigate the cost of used fixtures in your market. Most store fixtures are of very durable construction and will last for many years—in other words; used fixtures are a good deal.

In most markets, there are many store fixture manufacturers from which to choose.

You are liable to find that the size of the various fixtures available and the spacing of the modules are quite similar.

One of the reasons for this is that each company wants to purchase their fixtures by both new stores and existing stores that may have bought their original fixtures from another company. Therefore, the fixture companies need their fixtures to *fit in* with the other fixtures in the store.

Choose fixture modules of a size that will be used in more than one area of the store. More than one module can usually be fitted together to make a larger fixture, whereas a larger module cannot be broken up.

Pick standard sizes of fixtures and shelving that will fit with most brands of fixtures in the market.

If some of your merchandise does not display well on standard shelving and gondolas, ask your fixture supplier for suggestions. You may be surprised at the creative solutions that are available.

Be very cautious about accepting free display racks and displays from suppliers. It doesn't take many of these on the floor in your store before your store starts to look cluttered because they usually do not fit in with the fixtures in your store.

## Store layout

**The term *store layout* refers to:**

- How store fixtures and display gondolas are placed within the store
- The size of the store fixtures and display gondolas in terms of their height, width, and depth of shelves
- How far apart the store fixtures and display gondolas are placed
- Where sales checkout or customer service areas are located
- What areas are set aside for the sale of specialty products?
- What areas are set aside for the sale of promotional or on-sale products?

First, the layout of a store is dictated largely by the shape and size of the store premises. It will be influenced by factors such as:

- Where the mechanical services such as plumbing, electrical services and air-conditioning services are located throughout the store

- The location of the main entrance to the store

- The location of the rear entrance to the store

- The location of fire exits in the store

- The location of the loading dock or delivery entrance to the store

- The location of the stockroom, storage area, or warehouse portion of the store

- The location of the administration offices

- The location of the customer service areas

Electrical power may have to be available for various equipment; for example, display fixtures, service equipment, computers, or cash registers

Display fixtures cannot be placed where they will impede the entrance or exits to the store, key areas of administration or customer service

Place display fixtures in a way that will make it easy for customers to move from one part of the store to another:

**For example:**

If display fixtures are placed at right angles to the entrance or exits of the store they may:

- Block the customers' view of the interior of the store

- Create a feeling that the store is *walled off* and not easy to move through. From a psychology point of view, it is important to not give the customer any negative impressions

It is usually more effective to place display fixtures perpendicular to the entrance and exits of the store.

It can be quite effective placing them at a 15–20 degree angle to direct the flow of customers towards certain areas of the store.

Either way the customer is *invited* to proceed down an aisle and view the merchandise

**Managing customer traffic flow**

How you decide to manage customer traffic flow can depend on the type of store and the merchandise stocked.

**For example:**

If the majority of sales come from various sizes and shapes of equipment that occupies a considerable amount of space, you may wish to display this merchandise:

- In a centrally located area of the store with easy access to wide doors exiting the store

- With accessory products displayed on display gondolas arranged in a horseshoe across the back and sides of the store

- With the customer service island placed in the middle of the equipment display area

- With administration and credit department offices at the rear, or on a mezzanine floor overlooking the store

You can see from this one example that there are unlimited variations and we can't deal with them here. However, in this example the idea is to:

- \*\* Show key products to the best advantage
- \*\* Position accessory and related products in close proximity to the main selling area and thereby retain customers near the key products
- \*\* Allow for easy access and a way out from the main selling area to the outside of the store
- \*\* Provide immediate access to customer service from the main selling area
- \*\* Have access to service from management, administration, and credit departments in a private area adjacent to the main selling area. In addition, if these offices are on a mezzanine, it could allow management to view activities in the store.

**For example:**

Among store merchandisers there are some that favour placing a major, profitable department to *the right* of the store entrance

They would place displays of high-profit merchandise along the aisle leading to the main department

Part of the theory behind this is that the majority of the population is right handed and when they enter, the store turns right.

The other points made in the first example (placing accessory and related products as well as services close to the main selling areas) still apply. However, the key product areas of the store will dictate the store layout.

## Specialty and promotional product placement

Strategic placement of specialty and promotional products within the store is important for the following reasons:

It can create a favourable buying atmosphere and customers can be given the impression that prices are very competitive

It can *draw* customers along a desired path through the store towards key selling areas

It can stimulate *add-on* sales to major purchases

It can promote attitudes of impulse buying

It can enhance overall profit margins

It can create a favourable buying atmosphere and customers can be given the impression that prices are very competitive

It can draw customers along a desired path through the store towards key selling areas

It can stimulate add-on sales to major purchases

It can promote attitudes of impulse buying

It can enhance overall profit margins

Where specialty and promotional products are displayed is as important as what is displayed.

Typical areas for this type of merchandise to be displayed are:

At the *point of sale (POS)*; for example, the sales checkout counter

End units sometimes called end cap displays. End caps are a set of shelves placed at each end of a display gondola at right angles to the sides of the gondola.

Mass displays of merchandise—large stacks of product are placed on the end of display gondolas in place of an end cap or alternatively in a prominent area such as close to the sales checkout area.

A special area is set-aside in some stores for promotional product displays. This may be an area to place the *Clearance Merchandise*.

Clearance Merchandise is stock that is being removed from inventory and so is sold at a reduced price.

In some cases, specialty or promotional products may be specially tagged in the regular shelf areas using brightly coloured sale tags or signage to denote a special group of products on sale.

Of the methods described above, most businesses employ more than one method or all of the methods any given time. It is a good idea to change the methods employed on a regular basis to give the consumer an impression of change and that there are new items of interest to be discovered.

## Arranging products on shelves to promote sales

Arrangement of products on shelves does affect how those products sell. Merchandisers choose a method for displaying a product or sometimes a group of products because of some of the following factors:

- Is the product a high profile, nationally advertised product?
- Is it a single product or is it part of a product line product from a particular supplier?
- Is the product or products considered a low-priced, a medium-priced, or a high-priced product compared to other products like it in the market?
- Does the product have distinctive labeling that would lend itself to a mass display or block displaying on shelves?
- The style and colour of the labels on some products are specifically designed so that when several shelves high and a few feet wide are filled with the product, it catches the eye of the customer from a distance. This effect is called *eye impact*.

Depending on the price, quality and advertising exposure of a product a merchandiser may decide to display a product or product line in one of the following ways:

As a rule, if a display gondola is 5–6 feet high, merchandisers will place higher-priced merchandise on a shelf that is at about the 3–4 feet level of the gondola.

Place merchandise between waist and chest height for an average size woman or man.

Place medium-priced merchandise above the 3½–4 feet level and place lower-priced merchandise below the 3-foot level.

This arrangement has proven to promote the sale of the higher-priced merchandise.

This is an example of merchandisers taking the results of research into consumer behaviour and translating it into action at the store level.

A product may not be part of a product line but is well advertised and is only a bit above average in price for a higher-priced product type. A merchandiser may choose to mix it on the shelf with the medium-priced products.

The brand name and advertising exposure may make the product noticeable on the shelf among the medium-priced products. Consumers often will pay *slightly* more for the product because of the image created by the advertising.

The price range of the product doesn't necessarily dictate the placement on the shelf.

The *gross margin (GM)* generated by the product is equally important.

You may have products that are not in a high-priced range and do not generate as much gross margin as products in a lower-priced category.

#### **For example**

A product selling for \$20.00 may cost \$15.00; therefore, the GM is \$5.00 or 25%

A product selling for \$17.00 may cost \$11.00; therefore, the GM is \$6.00 or 35%

A product selling for \$14.00 may cost \$8.50; therefore, the GM is \$5.50 or 39%

This situation is a common occurrence. Smart merchandisers don't just load products on shelves. They arrange them to achieve the greatest product movement possible at various price levels and, as a result, generate more profit for the company.

Sometimes merchandisers are *restricted* in the price point of the product because of national advertising by suppliers—they can't deviate from nationally advertised prices.

## Consumer perceptions of value

Consumers are generally looking for value. They want to feel that they have bought the right product to satisfy their needs and paid a fair price for the quality of product they have purchased.

The consumer perception of value is influenced by:

Claims made in advertising media

Testimonials and ratings published in industry reporting magazines such as *Consumer Reports*

Apparent *track record* or reputation of the product in the marketplace if it has been available for a long time

Referrals and recommendations from family and friends who have used the product

Merchandisers are very aware that value motivates consumers to buy. Therefore, the product price point is one of the important factors considered when displaying a product for sale. The wrong price point, either too high or too low, can affect sales negatively.

### For example

The company purchased a large quantity of a well-known paint product for \$8.00/gal from a company in another town that was going out of business

The product normally would have cost the company \$12.95/gal and would regularly sell for \$19.95/gal

The company merchandisers decided to build a huge pile of the product on the sales floor and offer the product to consumers at an extraordinary price of \$11.95/gal

At this price the merchandisers felt they would move the product quickly, offer the consumer a super deal, and still make a 33% GM for the company

**The display caught the eye of customers, but they didn't buy.**

The store manager wondered why the product was not selling and, after some investigation, discovered the customers had to be convinced by the salespeople that the product was not damaged in some way

The customers were not buying the product because they were assuming that because the price was so low, there had to be something wrong with the product

The store manager increased the price of the product by \$5.00/gal to \$16.95/gal and sales dramatically increased

**The customers now perceived that this was a good value.**



## Summary of Marketing Management

In **Marketing Management**, you should have gained an appreciation of the scope of the marketing manager's job.

**You have learned:**

**The elements to consider when doing a market analysis**

**A methodology for conducting an internal analysis of your business from a marketing perspective**

**What the advantages and disadvantages are of advertising in different types of media**

**How to create a media plan for your business**

**To recognize various common business styles and pricing philosophies**

**What is involved in developing a pricing policy for your company?**

**What you need to consider before you discount your prices**

In all these areas discussed here, the aim was to learn the elements of knowledge that a marketing manager or the owner of a business needs to do to develop and implement an effective marketing strategy for their company.

Careful research, analysis, planning, and good decision-making result in effective and successful marketing strategies.

*Celebrate!!*

# Seek new directions



## B. Sales Staff Training



It is an ongoing challenge for the sales and marketing manager to maintain the quality of the sales force in the company.

**The key elements are:**

- Delivering initial product knowledge training
- Maintaining the level of product knowledge training
- Delivering initial sales training to new staff members
- Maintaining the level of sales training through regular refresher seminars



These elements are essential to the delivery and maintenance of top-quality customer service. They demand the utmost attention of the company because the success or failure of the business will depend on them.

Deliver product knowledge and sales training in a regularly scheduled series of training sessions throughout each year.

Product knowledge is typically delivered in a combination of in-house seminars and seminars put on by suppliers.

Sales training may also be a combination of in-house and outside seminars but more often, it is the responsibility of the sales and marketing manager to deliver this training. This is important because the sales and marketing manager can make the sales training relevant to the company and its offerings.

In **Sales and Training Staff**, we will present a comprehensive sales training outline that any company can deliver. It will not matter whether the offerings are products or services, the same sales training, and methods will apply.

**There are six parts:**

1. The art of selling
2. More on qualifying and serving customers' needs
3. Telemarketing
4. Presentation skills
5. Qualifying questions for prospects
6. How to prepare for a meeting

**The key elements are:**

Delivering initial product knowledge training  
Maintaining the level of product knowledge training  
Delivering initial sales training to new staff members  
Maintaining the level of sales training through regular refresher seminars

## 1. The Art of Selling

### Introduction

In the *Art of Selling*, we will explain how to make your job of selling more interesting, develop your skills and increase your sales. Satisfaction comes from doing a job with professionalism and skill: achievements that will assist you and your staff in attaining.

It is important for everyone in a company to feel that they are selling products or services that people feel good about—products that deliver performance, value, beauty, or assist in realizing goals, or special projects.



You should promote the idea that you and your staff are in a unique position to help customers realize their vision, their needs, or their goals by the sales staff applying good selling techniques.

Happiness is a satisfied customer and increased sales.

This *Art of Selling* material demonstrates selling as an orderly process. However, it would be a mistake to think that good selling involves simply learning how to apply a formula and that the results will come.

Rather, the art of selling intends to raise your awareness of the dynamics of the selling process. It will give you an idea about applying good selling techniques in every area of customer relations and service such as:



- Identifying and addressing customer needs
- Dealing with customer concerns and complaints
- Identifying and solving problems
- Promoting and delivering excellent customer service

### **How to use this information**

The intention of this material is to give you the insights and skills needed to apply good selling techniques in your business. As you move through the following material, reflect on:



How do you or your staff deal with customers now?

Where could you improve?

How could some of the ideas presented here be used in situations you have encountered in your business?

**Assume** that customers also refer to clients and products refer to services. You can assume that in the business community, that all services are products.

### **Selling types and terms**

Before we look at the selling process in detail, it is important to define basic terms and how different types of selling are perceived.

The way selling is referred to vary in many industries and, at times, the terms used to refer to selling might lead you to think that there are differences in the selling process in those industries. Here are some of the terms that are used.

### *Selling term definitions*



| <b>Terms</b>       | <b>Definitions</b>   |
|--------------------|--|
| <b>Sale</b>        | Exchange of a commodity or service for money or other valuable consideration   |
| <b>Selling</b>     | Offering a commodity or service for purchase   |
| <b>Salesperson</b> | A person skilled in the art of selling goods in a store or as an intermediary between the producer and the retailer and the consumer or end-user |

### *Types of selling*

We have divided selling into different categories. For instance:



Selling for a manufacturer  
 Selling for a distributor  
 Selling for a wholesaler  
 Selling for a retailer

Moreover, within these general categories there may be many subcategories. However, there really is no difference in selling for any of these entities.

Often the terminology used to identify a salesperson depends on the nature of the product and industry structure.

For example, the salesperson may be called a:

- \*\* Technical salesperson
- \*\* Sales engineer

However, it does not matter what industry, product or service the salesperson is involved with. All types of selling are really the same and have something in common.

When a sale is completed, a number of goals are accomplished.



Salespeople provide products or services to customers

Money is earned for the company

The salespeople earn a living for themselves

However, the key factor that makes selling possible is that salespeople are responding to their customers' needs. Therefore:



### ***The features of selling***

There are several features to the selling process. They may not follow a specific order but they will be there by the end of the selling process. Successful salespeople recognize each of them and are skilled in applying them.



### ***They are:***

The elements of a sale

Why customers buy and why they do not buy

Good questioning techniques

Know their product/s lines and the features and benefits of them

How to handle customers' objections and complaints

How to close a sale

Sales communication techniques—active listening

How to interact with customers

## Elements of a sale

At the most elementary level there is only three components to any sale. It can be viewed as three intertwining circles.

The buyer—the yellow circle

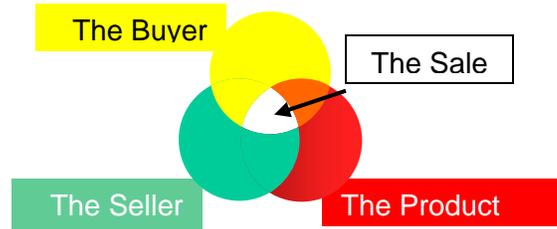
The seller—the green circle

The product—the red circle

Consider a product as:

\*\* A commodity or a service

\*\* Tangible or an intangible



It takes all three elements to make a sale. When all elements are working together, a sale (shown as the white portion of the diagram) occurs. When one of the three is not involved, no sale occurs. There are probably many reasons why a sale does not occur.



### For example:

If the buyer does not come into the store, there is no sale.

If the potential buyer does not have his/her objections answered satisfactorily, there is no sale

If the buyer does not have his/her complaints satisfied, the product may be rejected or returned

If the buyer does not feel the salesperson is listening and does not understand the buyer's needs, there will be no sale

If the salesperson does not ask for a sale, maybe there is no sale

If the salesperson does not know his/her product/s lines, there may be no sale

If the salesperson does not tell the potential customer the benefits of the product, there may not be a sale

The three circles overlap with each other. All three elements must work in unison. When that happens, a sale is made.

### **Why customers buy and do not buy**

The key challenge for the salesperson is to discover what will motivate the customer to buy or not buy.

The motivational factors can be very simple or very complex.

During the selling process, the salesperson needs to ask questions and try to identify the factors that will motivate that particular customer.

Every single customer will be a little different. Let's examine some of the reasons why customers buy or do not buy.

### **Reasons for buying**

Before any sale can take place, there must be a reason or reasons why the customer wants to buy.

Customers buy for many different reasons. Some reasons can be simple and obvious, but sometimes the real reasons customers buy can be complex.



### **Some basic and usually apparent reasons for buying are:**

Basic Necessity—food, clothing shelter, heat, or lights

Comfort

Functionality: To make things easier

Pride of Ownership

Pride in Appearance

Keeping up with the Jones's

Security

Protection

Many of these needs are stimulated by advertising, but may not be completely defined by the customer at this point.

Some less obvious and possibly underlying buying motives are:



- Sex—the enhancement of attractiveness
- Wanting to be as someone admired
- Fulfilling another person's ideal
- Being liked or accepted
- Avoiding embarrassment
- Gaining knowledge and/or skills—for example, education (books, services)
- Fulfilling a fantasy
- Getting value for the money
- Prestige
- Rarity of an item
- Proving one's worth
- Getting revenge

We have discussed reasons why customers buy and how to identify those reasons.

### **Reasons for not buying**

It is equally important to understand the reasons why a customer does not buy. In doing so, you can identify and address the underlying issues that may be affecting your sales.

Some typical reasons why customers don't buy could be:

|  |  |
|--|--|
| They do not know what they need or want  | <b>They have a competitive brand name product or service in mind that you do not offer.</b>  |
| <b>They do not know enough about your product or service to make an informed decision.</b>               | They have a poor impression of you, your staff, your company, your product, or even your premises.   |
| They do not understand or they are misinformed about your product or service.                            | <b>Your product or service does not appeal to them and you are not able to present acceptable alternatives.</b>  |
| <b>They are concerned about price, value, or payment terms rather than about the product or service.</b> | Friends or peers have expressed their dissatisfaction with your product or service.<br><br>This can be a 'hidden objection' and be difficult to address if not brought out by good questioning techniques. |
| They already have a product or service of a competitor in mind that is similar but not the same.         | <b>They may have a valid reason not to buy. They may really have no need or may not be in a position to buy at that time.</b>  |

By understanding the reasons why a customer does not buy, the salesperson is better able to ask the right questions to discover what will motivate that customer to buy in the future.

### Good questioning techniques

When you interact with a customer, you must use good questioning techniques to identify their need.

Good questioning techniques should not involve yes or answers.

Good questions require detailed responses that convey more information and draw out the customer. However, be careful that you don't bombard the customer with questions!



| For example:              |      |                           |     |
|---------------------------|------|---------------------------|-----|
| Good questions begin with |      | Poor questions begin with |     |
| How                       | When | Did                       | Do  |
| Where                     | Why  | Was                       | Are |
| What                      |      | Can                       |     |

The quality of the interaction with the customer is determined by the quality of the salesperson's questions.

Therefore, the quality of the customer's responses also is determined by the quality of the salesperson's questions.

The salesperson controls and directs the conversation in order to identify the customer's needs.



Each of these words (in the list to the right) asks a different kind of question.

If you require more information about asking good questions and examples of them, see *The Business Plan*

Good questions require detailed responses that convey more information and draw out the customer.

| Effective questions do not allow for yes/no answers. They begin with the following kinds of words: |       |               |
|--|-------|---------------|
| What   | That  | Define        |
| Which  | Then  | Trace         |
| Who  | Is    | List          |
| Where  | Did   | Analyze       |
| How  | Does  | Compare       |
| Why  | If    | Contrast      |
| When   | State | Give examples |

Nevertheless, be careful that you don't bombard the customer with questions!

- \* \* Avoid speaking too fast
- \* \* State your questions clearly in simple language
- \* \* Be a good listener
- \* \* Pause frequently, giving the customer time to respond

Once you feel you have and understand all the information, you should then restate your conception of the customer's need to ensure that you have understood it correctly.

**For example, say**

**"Now let me understand this correctly. What you are saying is \_\_\_"**

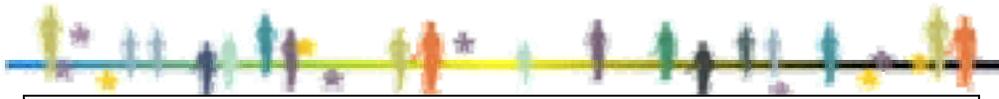
When you have the customer's confirmation that you understand their needs you are then able to present the various products or services that you feel will best suit those needs.

It is always best to offer the customer choices that will **all** address their need. Offering choices in the right way is positive selling.

This means that offering positive choices allows you to upgrade the sale while the customer's basic needs will be satisfied no matter which choice is made.

Let's look at a typical sales situation and give you examples of:

- \* \* Questions to ask
- \* \* Typical responses
- \* \* How to deal with the responses
- \* \* How to conduct yourself during the questioning process



***Example:***

A pet supplies store has brought in stock of electronic flea collars. They sell for \$75.00 each and they are guaranteed to work. None sold after several months.

The manager has tried a number of things to stimulate sales of the electronic flea collars.

He tried moving the display of these electronic flea collars to different areas of the store, improving the signage on the display, even decreasing the price—nothing has worked.

Lately he has placed the display right at the check out and still has sold none of the collars.

One day a newly hired clerk at the pet store saw a customer at the checkout looking at the electronic flea collars. The clerk approached the customer and the manager overheard the following conversation:

Clerk: Hello, I see you looking at the electronic flea collars. Does your pet have fleas?

Customer: Yes, my dog has the worst infestation of fleas he has ever had.

Clerk: How long has your dog had the fleas?

Customer: About four months

Clerk: What have you done to try to get rid of the fleas?

Customer: I have tried four or five different products. Some have worked for a while but the fleas come back again. I think that maybe the dog is getting re-infested somehow.

Clerk: How much do you think you have spent on these other preparations over the past four months? In addition, have you had a problem with your dog carrying fleas into the house?

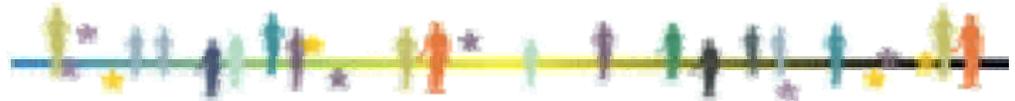
Customer: Oh, I expect I must have spent at least \$100 trying to get rid of these fleas. The fleas in the house are a real nuisance too. My wife has complained about the excessive vacuuming, washing sheets, etc. in order to get the fleas out of the house

Clerk: If I guaranteed that, you were to be able to get rid of the fleas once and for all, would you pay \$75.00 for one of these electronic flea collars.

Customer: Sold. I'll try one. It's worth it if I can solve this irritating problem.

After the clerk had sold the flea collar to the customer, the manager came over to the clerk and said. "This is amazing. No one in the store has been able to sell one of those electronic flea collars in six months. How did you do it? "

The clerk replied, "I don't know. I just asked him if his dog had fleas and one thing led to another and he bought a collar. "



The clerk did a lot more than that didn't he? Think of what you have learned so far in *The Art of Selling*.



**Here is a review of the clerk's handling of the customer:**

After opening the conversation, the clerk immediately qualified that the customer had an interest in the flea collars.

He used good questioning techniques to identify the nature and scope of the customer's problem.

He used good questioning techniques to lead the customer to compare the cost of previous actions to the cost of the electronic flea collar.

He used good questioning techniques to ask for the order.

This example is based on a true case. It was obvious to the manager that the reason the electronic flea collars were not selling was because the other sales staff members were not qualifying the customers and their needs by using good questioning techniques.

The manager held a series of staff meetings, trained the staff in correct selling techniques and, within six weeks, all of the electronic flea collars were sold and more ordered.

### **Know your product lines and their features and benefits**

Presenting the features and benefits of a product or service to the customer is an important part of the selling process.

After using good questioning techniques to discover the customer's needs, the salesperson presents the features and benefits of the product or service that they feel will satisfy those needs.

It is, therefore, very important that a salesperson have current knowledge of the offerings they are presenting to a customer.

Presenting features and benefits is a good way to upgrade a sale.

Upgrading a sale is important to both the customer and the seller of a product or service.

Upgrading the sale means adding other products or services to the main purchase in order to enhance the value.

You upgrade the sale by using your knowledge of product features and benefits to the best advantage.

### **Product lines**

Being knowledgeable about all your company products and services is essential to the selling process and to providing good customer service.

A salesperson must work at maintaining their product knowledge constantly because products change constantly.

Without good product knowledge, a salesperson cannot relate to the customer the differences between products and properly present the product features and benefits that will satisfy the customer's needs.



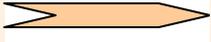
### **Good sources of information on products and services are:**

- Product labels
- Product data sheets
- Supplier representatives
- Training seminars

### Features and benefits

It is very common to confuse a product feature with a product benefit.

Here are some examples of features and benefits:

| Product Feature          |  | Product Benefits                                      |
|--------------------------|--|---|
| Scotch guard garment     |  | Makes it waterproof                                   |
| Fibreglass hammer handle |  | Lighter, absorbs shock, not affected by water         |
| Plastic tarpaulin        |  | Lighter, permanently waterproof, won't mildew, or rot |

#### A feature is:

- \*\* Any marked peculiarity
- \*\* Anything special or prominent
- \*\* A trait
- \*\* A characteristic

A feature always implies a benefit. However, people do not buy features; they buy benefits.

A benefit is whatever promotes

- \*\* Welfare
- \*\* Advantage
- \*\* Profit

| Examples of features are: |                     |                  |
|---------------------------|---------------------|------------------|
| Performance               | Design              | Smell            |
| Sizes                     | Colours             | Delivery         |
| Price                     | Method of Handling  | Packaging        |
| Reputation                | Availability        | Promotion        |
| Exclusiveness             | Taste               | Laboratory Tests |
| Service                   | Ruggedness          | Terms            |
| Component Material        | Installation Method | Workmanship      |
| Uses and Applications     |                     |                  |

So, always sell the benefit. Don't assume the benefit is readily apparent to the customer. Always tell the customer what it is.



| <b>Examples of benefits are:</b> |                     |                   |
|----------------------------------|---------------------|-------------------|
| Increased sales                  |                     | Uniform accuracy  |
| Reduced costs                    | Reduced upkeep      | Continuous output |
| Prestige                         | Greater safety      | Added protection  |
| Better health                    | Satisfied ambition  | Reduced waste     |
| Leadership                       | Greater convenience | Self improvement  |
| Pride of accomplishment          | Uniform production  | Preserved beauty  |
| Economy in use                   | Maximum comfort     | Bigger savings    |

It is crucial for salespeople to remember at all times during the selling process that:

- \* \* Features only imply and suggest benefits
- \* \* They must translate the product or service features and benefits to the buyer.
- \* \* Don't assume that the customer knows the benefits.

### Handling customer objections

Customer objections are a normal part of the selling process. They should not be seen as just a negative or defensive reaction. They are often a move towards concluding the sale.



#### However, objections do indicate:

The need for more information

A lack of understanding

Concern about performance or service

A good salesperson uses good questioning technique to clarify or isolate the customer's objection/s. Then the salesperson will:

Counter the objection directly, if possible

Offer alternatives, pointing out the benefits

1. After identifying the objection, use one of several methods to eliminate or overcome it.

Avoid agreeing with the objection unless it is legitimate.

Acknowledge their opinions.

Then point out advantages (in some situations), other features, and benefits that may outweigh the possible disadvantages.

2. Sometimes it is best to counter an objection directly with an outstanding feature that will outweigh any objection.

The salesperson must be very careful with this approach and they must be able to produce dramatic proof to prove their point.

Even then, the customer may be left with a bruised ego and remain on the defensive.

In a way, you have told them that they have made a bad judgment—you have insulted their intelligence.

You may win the battle but lose the war. Be careful!

3. Sometimes an objection may be turned into a selling point that has not been made immediately apparent.

This is usually by far the best approach in dealing with objections. It is not adversarial.

It allows leading the customers to the correct conclusion by discovering the answer to their own objection.

This is achieved through good questioning techniques. During this process, bring often-unexpressed objections out in the open so you can deal with them.

The effective salesperson utilizes objections as an opportunity to present features and benefits of products and to demonstrate how they will satisfy the customer's needs.

## Closing a sale

Now that you have identified and qualified the customer's needs and addressed their concerns or objections, it is time to close the sale.

In closing the sale, always ask for the order using positive choices and approaches.



### *For example:*

Which one do you feel is most appropriate for your needs?

How many will you need for your project?

Will you be taking this with you or shall we deliver it?

You narrow the choices!

Sometimes several *trial closes* are necessary.

Always analyze when you are unsuccessful in making a sale. Sometimes you may have to try closing several times during a presentation.

Various methods are needed to meet every situation. You may use more than one of the following methods during a presentation to conclude the sale.

### 1. **Narrowing the choice**

The salesperson should remove those items the customer definitely does not like and leave only two or three items.

### 2. **Reviewing the selling points**

If the customer needs a little reassurance, the review of the selling points may be what is needed to help make the buying decision.

This method is valuable for the deliberate customer who thinks through every purchase.

Give the customer the opportunity to make a comparison.

### 3. **Using the *standing room only* method**

This is based on the principle that people want what others have or want.

Saying, "This is the most popular seller in this line," is using this principle.

Use this method only when an item is in very limited supply and demand is great.

**4. Offering a last chance to buy**

If the customer does not buy now, the item may not be available later or the sale price will not apply.

**5. Offering a premium**

Offer the customer a bonus or gift, or any one of a number of different premiums with an item.

People like to feel they are getting something for nothing.

This method works if the customer is at least half sold on a product before the premium offer is introduced.

**6. Closing on the objection**

If you can be certain that, the objection raised is the only reason for not buying and if you can remove the obstacle or satisfy the objection, the customer will buy. Avoid offending the customer by making them feel trapped.

After the sale, during the follow up, did you thank the customer and reassure them their selection was a good one?

These six methods are common methods of closing a sale. An important point to recognize is that in an actual sales situation, it may be necessary to change from one method to another to close a sale. In addition, it may be necessary to combine more than one method in order to close a sale.

### *Learning from selling situations*

If you did not manage to close the sale, you may want to evaluate what might have led to the lost sale. Here is a list of questions that you can ask yourself. It is important to learn from every loss of sale.



|   |   |
|---|---|
| Was my selling attitude pleasant?<br>Did I smile?<br>Did I show an interest in the customer?<br>Did I use an appropriate greeting?<br>Did I select the product or service that fit the customer's needs?<br>Did I use a buying reason as a selling point?<br>Did I make suggestions of related items?<br>Did I close the sale properly? | Did I present as much information as the customer had to know, but not too much?<br>Was the customer involved in the demonstration?<br>Were all of the customer's objections answered?<br>Did I show the customer any additional items, including alternate products or services of a better quality and higher price?<br>Did I unsell the customer by too much talk? |
|---|---|

Salespeople should review their own performance frequently particularly after losing a sale, but they can learn from what happened when they do make a sale.

However, many people are not good at being introspective, self critical and honest with themselves. It takes practice.

Although, it can be very rewarding, a lot can be learned and sales performance will certainly improve if you do this.

Get in the habit of using a checklist, like the one presented here, on a regular basis to help you with your personal sales performance analysis.

### Handling customer complaints

There will always be customers who complain after completing the sales. Like customer objections, don't view complaints negatively. Rather they are often a very good way to:

- \*\* Obtain valuable customer feedback on products
- \*\* Assess customer attitudes to company policies
- \*\* Address customer needs that were not previously identified

In other words, customer complaints can be a good selling opportunity!

Here are some methods for handling customer complaints:

|   |   |
|---|---|
| Respond to all complaints promptly.<br>Ask the customer to state clearly, in detail, step-by-step, what happened.   | <b>When you are satisfied, you have all the facts, restate the situation to the customer to make sure there is no misunderstanding.</b>   |
| <b>Let them get it off their chest first. This does much to diffuse a great deal of the customer's anger or resentment.</b>   | At this point, it is often clear what the customer has done wrong, or where the fault lies.   |
| Be a good listener.   | <b>Make a decision quickly. Don't leave the customer waiting for a solution.</b>  |
| <b>Interject only occasionally—using good questioning techniques to clarify a point or keep things moving in a logical fashion. Don't offer an opinion at this point.</b> | If it is the store's fault or a defective product, then rectify it immediately.<br>If it is the customer's fault, make sure they understand clearly, what happened and how to fix it.   |
| When you feel that they have given a full statement of their problem, you may ask a few questions suggested by their comments.  | <b>It is often very good PR to compromise or help them out of their problem.</b><br><b>It often does not cost much and the spin-off word of mouth advertising is more than worth it.</b><br><b>This is one way to build customer loyalty and repeat business.</b> |

## Sales communication techniques

Sales communication techniques will present some useful techniques to use when communicating with customers. We will look at the *dos and don'ts* of:

- \*\* Listening
- \*\* Sales communication
- \*\* Interacting with customers

As you go through this material, think of recent selling situations you have encountered. Compare the suggestions made here to the way in which you handle a selling situation.

As a salesperson, you must know what your customer wants, and that means asking questions and listening to the answers. There have been times when salespeople have talked customers both into and out of sales simply by taking so long that the customer lost their enthusiasm to buy.



**There are several rules that salespeople should use:**

### 1. Give other people a chance to talk

Encourage other people to talk. No matter what it is you are trying to put across in words, it is only your listener's reactions, their questions, comments, or opinions that tell you whether you have succeeded.

### 2. Listen attentively when your chance comes to listen

The job of listening is not a passive one.

It is simply a matter of waiting until the other person has finished speaking.

What other people are saying reflects what is in their minds and their comments deserve very careful attention.

### 3. Listen both to what is actually said and to what is hinted at or suggested

Not everything is said in words. How the spoken words gives the listener some clue about their actual meaning.

Any gestures or facial expressions should add to the interpretation.

#### 4. **Do not interrupt**

Do not take for granted that you know what the other person is trying to say and break in with your own explanation.

Do not cut people off before they have completed what they have to say.

This is their chance to communicate. This is the time when you should be listening and learning, not talking.

Cultivate the habit of listening intently to everything your prospects say. You owe them this courtesy and it is your best means of discerning what stands between you and a sale.

Listening provides the principle source of the feedback you need for measuring how your sales effort is progressing and then adjusting it as needed.

Prospects sometimes hear only what they want to hear. They may turn a deaf ear to new ideas that conflict with their current beliefs or past experiences.

Resolve this by patient persistence and by pointing out that, they may be depriving themselves of valuable opportunities.

#### 5. **People do not always say what they think or what they mean.** This sometimes-unconscious behavior may be used to divert the thrust of your sales effort or to avoid making a decision.

If you suspect this is happening, probe gently to discover whether your prospects are expressing their real reasons for resisting your sales efforts and adjust your tactics accordingly.

Diligent effort is the only route to acquire skills at penetrating the barriers to good communication and turning them into sales opportunities.



**Some common problems are as follows:**

1. A frequent barrier to sales communication is one that arises from differences in situations.
2. The seller doesn't understand the prospect's business and problems or fails to provide assurance of the vendor's capacity to help solve these problems.
3. Resolve this by cultivating sensitivity to the situations of prospective customers—their circumstances, problems, needs, level of knowledge and understanding.
4. Indicate your awareness of the situation as well as interest and ability to help.
5. Personality differences between the seller and the prospect often create a communication gap.
6. Resolve by developing empathy for and rapport with each individual as a person. Learn to speak the buyer's language.
7. Many words and phrases have multiple definitions and often mean different things to different people depending on their situations, locale, and the context in which the expressions are used and the emphasis employed.
8. Maintain vigilant awareness of the risk of being misunderstood because of semantic differences. Select words and phrases carefully and use simple language.

Failure to hear and understand what your prospects are trying to tell you can create a communication block.

### **Interacting with customers**

The following chart contains a good checklist of questions to ask of yourself after interacting with a customer:

|  |   |
|--|---|
| <p><b>Every greeting or approach to a customer should begin with a smile. This sets the mood needed to open the selling process. It creates a favourable impression of you and your company to the customer.</b></p> | <p>It is very important to maintain good eye contact with the customer at all times.</p>  |
| <p>A smile puts the customer at ease and encourages them to tell you what their needs are and what they are interested in seeing.</p>  | <p><b>Periodically mentioning the customer's name during conversation and your presentation is a useful device in holding the customer's attention. It can also draw their attention to particular points.</b></p>  |
| <p><b>A smile builds customer confidence in you and makes them feel that you are capable of serving their needs.</b></p>   | <p>Always watch for 'body language'; i.e., tenseness, facial expression, eye reactions. This can often give you unspoken or hidden clues to the customer's reaction to you, your company, or your presentation.</p> |
| <p>A smile starts the action moving, the conversation flowing and involves the customer in your presentation.</p>  | <p><b>Never 'dump on the competition.' It injects a negative tone to the meeting. If the customer has been dealing with the competition, indirectly you are insulting their intelligence.</b></p>                   |
| <p><b>At first meeting, a firm, positive handshake is an important part of reinforcing a feeling of confidence in the customer towards you and your company.</b></p>   | <p>Always stick to selling the features, benefits, and strengths of your program. Presented positively and with confidence, this can be your best selling feature.</p>  |

Actual interactions with customers are never exactly like the textbook illustrations. However, you will encounter many of the situations illustrated in this section during actual selling situations.

Reviewing this material a few times will improve your skills. In addition, experience will enhance your skills and comfort zone.

These skills are not easy for most people to master. They require regular practice to implement effectively. It requires skill to achieve these ideas and not have customers feel interrogated.

### Summary

In **The Art of Selling**, you have examined typical selling situations.



#### You have learned about how to:

Use probing questions to *draw out* information from the customer and identify their needs

Present product features and benefits to the customer

Direct customers towards making positive choices

Handle customer objections

Use effective techniques to close a sale

Handle customer complaints

Use effective sales communication

The intent of this material was to illustrate how the salesperson controls and directs the flow of the conversation using questioning techniques.

You may have learned about some new ideas that will give you a new perspective on the selling process and how it relates to your job function. Use these ideas to sharpen your skills so that you will find the challenge of presenting and selling your products and services more fun.



*Celebrate!!*

# Let's make music



## 2. Qualifying & Serving Customer Needs

### Introduction

In a previous section, **The Art of Selling**, we discussed:

Being aware of what is involved in the selling process

Identifying and qualifying the customer needs using questioning techniques.

Knowing how to deal with objections, how to use different sales closing techniques and how to make presentations.

It is the intention of **Qualifying & Serving Customer Needs** to add to your selling skills and awareness of the selling process by providing examples of the kinds of applying qualifying questions to various selling situations.



The word *qualify*, as it is used in sales and marketing means to define the differences or it can be to separate or identify the relative importance of any number of things, including customers and customers' needs.

Qualifying questions are questions posed to customers or prospects with the intent of drawing out information that will help the salesperson arrive at conclusions pertaining to these sorts of issues.

There are three typical types of situations in selling:

1. Business-consumer selling situations
2. Business professional situations
3. Doing business with another business or doing business, on behalf of another business, with their customers' situations

This material will provide you with a list of qualifying questions for each of these three types of selling. These sample questions must be adapted and modified for your business, your products, and/or services. Expect that you will be able to add to this list.

### **How to use this information**

As you move through the following material, think about the last sales interaction you had with a customer. Ask yourself the following questions:

- \*\* What homework did you do before meeting the customer?
- \*\* What was the purpose of the sales interaction?
- \*\* What kind of questions did you ask?
- \*\* What were the results—were they positive—do you feel the sales meeting was successful?

We encourage you to adapt and use the ideas and questions in this section on your next sales call or interaction with a customer. You will notice a difference!

Compare these questions and ideas presented to recent selling situations you have been in.

**Assume that customers also refer to clients and products refer to services.**

### **Qualifying questions for various situations**

**To illustrate these ideas, we will talk about three selling situations.**

1. Qualifying questions for prospects
2. Qualifying questions for professional prospects
3. Doing business with another business and their customers

Although the questions and the situations discussed below are present in different contexts, they will apply to almost any business

### 1. *Qualifying questions for prospects*

The following are typical questions that could be asked of a customer in a business-consumer selling situation.

You may not ask every question listed below. You don't want customers to feel like they are being interrogated or bombarded with questions.

Ask the questions in a friendly, conversational manner. Of course, the order in which the questions are asked depends on the flow of the conversation.

Some items listed here are not actually questions but rather useful information for the salesperson to gather.

Is this their first purchase of the *product*?

1. Are they trading up or will they be trading up in a few years?
2. What is the age of the product they have now?
3. Are they interested in the investment or resale value of the *product*?
4. What is the prospect's age group?
5. What is the prospect's occupation?
6. What is the prospect's lifestyle?

*For example:*

|                         |                          |
|-------------------------|--------------------------|
| <b>Active</b>           | <b>Family oriented</b>   |
| <b>Sedentary</b>        | <b>Gourmet cook</b>      |
| <b>Outdoor oriented</b> | <b>Tool junky</b>        |
| <b>Athletic</b>         | <b>Electronics junky</b> |
| <b>Entertainment</b>    | <b>Physical problems</b> |

7. Were they satisfied with the service they have received from their existing *product*? What did they like best and least about its performance?
8. Is this purchase a step towards building a set, a group, achieving certain capability, etc.?
9. How long have they been planning this purchase?
10. What quality are they looking for in the *product*? Do they want the best?
11. What features and benefits are they looking for in the new product?
12. Is the product intended to be a showpiece or example?
13. Is functionality the primary factor that governs the choice of product?

14. Have they been shopping around and have they received other quotes?
15. What features and benefits have they liked about the competitors' product?
16. What critical comparisons have they made between your product and that of your competitors?
17. How far along are they in the selection process? Are they almost ready to make a purchasing decision?
18. Is there any deadline involved in making the purchasing decision?
19. Are the schedules of family members, employees, or business associates important to the making of the purchasing decision?
20. How will they be paying for the product and, if applicable, what financing arrangements may be necessary?
21. Add other questions.

Apply these ideas and questions the next time you are in a selling situation with a customer.

You will find the quality of the information you get back will be better.

You should discover that by doing a better job of qualifying a customer's needs, you will have many more opportunities to upgrade a sale to better quality products.

You will find you have more opportunities to sell accessory or add-on products so your overall sales will improve.

## **2. *Qualifying questions for professional prospects***

The kinds of questions that you will ask when making a sales call on a business professional are similar to those applied to other prospects.

However, there are some differences in the questions asked and the way questions are directed.

The following questions are very typical of the kinds of questions asked when making a sales call on businesspeople in their offices.

The order of the questions may vary with the flow of the conversation and it may not be appropriate to ask all of the questions in every situation.

It is important to remember that the questions are asked in the course of conversation so the prospect does not feel *pressured* or under attack.

1. Where did you hear about \_\_\_\_\_ (Your Company)?
2. What type of business are they in and how do they define the segmentation and differentiation of the markets they serve?

3. How many locations do they have and how many people do they employ?
4. How many management and/or professional people are employed?
5. What is their opinion of the business climate and prospects in their industry both short term and long term?

At this point, get hold of a copy of their company's *blurbs* and brochures.

6. Who are their major competitors?
7. What activity of their competitors gives their business the most trouble? How do they respond to this activity? How would they like to respond?
8. What major work do they have currently and pending?
9. What expansion plans do they have?
10. Outline your company's professional services.
11. Where do they usually source these services?
12. What difficulty have they had in sourcing these services?
13. What sort of turnover have they experienced in the past with suppliers of these services?
14. What methods have they used in the past to source these services?
15. How would they describe their satisfaction with the quality of the services provided?
16. What skills and level of service they are looking for from a supplier of these services now. What additional services do they feel are needed in the future?
17. If they have had experience with your company in the past, what criticism do they have of the service you provided and what suggestions do they have for improving the service you provided?
18. What changes or restructuring of their business is occurring that could provide an opportunity for your company.

There are five key actions to take during the sales call:

1. Emphasize the scope of your company, the range of experience, and capability of you and your staff.
2. Provide examples, if possible, to illustrate a track record in areas that will meet the future needs of the prospect.
3. Outline what kind of service the prospect can expect and, if appropriate, the level of fees they can expect for basic services.
4. If it is appropriate or relevant, you may make them aware of any potential industry networking that you may possibly initiate that could result in mutually profitable ventures.
5. **Ask for the order.** Never leave the potential client's office without asking for the order.

A face-to-face call is usually the result of weeks of research and preparation. The ideas and questions (outlined here) will aid you to maximize the results you derive from your future sales calls on professional prospects



Doing business with another business and their customers

Doing business with another business or doing business, on behalf of another business, with their customers, is quite different from serving the public.

It is important to know how well the business you are interacting with and to know precisely the commitments they have made to their customers.

It is preferable that you have this information in writing to avoid any misunderstanding.

This may be in the form of a purchase order, but may also be a fax or just a handwritten note that their customer presents.

If a business sends a customer to another business to select products, obtain service, etc. they should have something to verify who they are and who sent them. This can be in many forms. Frequently, a purchase order (PO) is used, but it can be other forms of communication—even a handwritten note.

In any event, it is important to realize that in providing service to the customers of another business you are in a position of trust.

In one way, you are acting for, or on behalf of, the other business.

Therefore, to avoid misunderstandings, it is even more important than usual to make sure communication is clear and well understood at all times.

### **Know your business client**

The following points are key considerations whenever you are serving the needs of a business client. Getting to know your client better and their needs will help to ensure a continued relationship with the client.

1. If your client is another business, it is usually well organized. It knows what it wants.
2. They often have a checklist to run through and want quick, direct information on product availability, prices, features, and benefits.
3. Your client wants knowledgeable people to serve them.
4. Take the initiative! Ask intelligent questions to define his/her needs.
5. Cultivate a relationship with your client. Become a bit more than just a business acquaintance. Become their key resource centre for both product and information.
6. If you are involved in a project, you will have plenty of opportunity to develop a relationship, as you will be seeing your client frequently. In most businesses, many customers are only seen 2–3 times a year.

7. Do your homework on the client with whom you are dealing.

**For example:**

Verify the credentials of the person with whom you are dealing.

Their attitudes

What they expect from a supplier

How they treat other suppliers

What product allowances they give

How they pay their bills

What performance guarantees they give?

Work they have in progress

Work that is pending

8. If you have to check out anything for a client:

Set a definite time to get back to the client and do so whether or not you have been successful.

9. Let the client know your progress. They not only appreciate it but they can schedule their work accordingly.
10. When you get back to the client, lay out clear options, choices, and alternatives (well thought out in writing).

**For example:**

Product availability

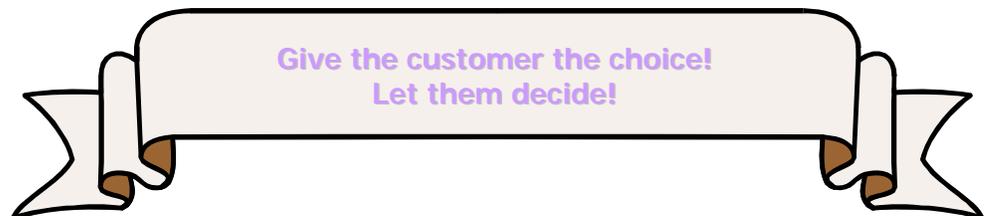
Exact delivery situation

Exactly what you can do for them and when

Features and benefits

Price

The worst possible action you can take is to leave the customer hanging or promise something that you are not sure you can deliver.





### **Taking an order from your business customer's client**

Properly identify the purchaser if no purchase order is used. If in any doubt, verify with your client before taking the order that the person is authorized to purchase for their company.

Write the shipping address on each and every charge invoice.

Signatures must be legible. A scrawl is unacceptable and must be accompanied by a printed name. Get in the habit of printing.

If you are taking down information from the professional person that will require you to get back to them, always repeat back to them what you have written and secure their agreement that you have the information correctly.

Never, assume that you know what they mean or want!

### ***Serving your client's customer***

Sometimes your clients may not have the time or inclination to assist customers with product selection.

In most cases, they may send their customers on their own to suppliers where they have charge accounts.

If your company is in the position of providing this type of service, these customers need the help of concerned, knowledgeable people who can assist them to qualify their needs and make an informed decision about their purchase.

There is a real opportunity here to be better than the competition.

Qualify the customer to make sure that one of your clients has sent them.

Check to be sure that the client has an account with your company in good standing.

Be sure to record the name, address, and phone number of the customer for follow up by the client's staff.

- \*\* Identify the purpose for which they are selecting products
- \*\* The maximum dollar value per item allowed by your client
- \*\* Reasonably accurate data on measurements, schematics, etc. These will be necessary to make good choices and prepare an accurate estimate.

If the purchase is to be part of a project, it's a good idea to get an idea of the stage of the project, even if the information is not exact. This may prove to be important because if something will take longer to obtain you want to have alternatives.

The customer's selection does not constitute an order for the goods. Your client or their designate may be the only one to authorize this.

A sheet dated and signed by the customer, recording their selection should be filed at the store.

Give a copy to the customer. This sheet should also bear the store salesperson's name.

In all cases, notify the client of their customer's choice so as not to risk miscommunication.

Upon approval, follow normal ordering procedure.

A very important, key point in serving a client's customers is do not oversell their customers

You are in a position of trust. Your client may be very annoyed if you greatly exceed their allowances for products. They may feel that their customer will get the impression that they are using cheap materials.

Dealing with the customers of another business can be more complicated and present different challenges. However, handling these situations well can add significant additional business to some companies. The key in building a business relationship with other businesses is establishing a reputation for:

- \*\* Professionalism
- \*\* Knowledgeable staff
- \*\* Integrity
- \*\* Communication
- \*\* Following clients' instructions and guidelines
- \*\* Willingness to participate in team-selling

## Summary

In **Qualifying and Serving Customer Needs**, we have discussed ways of using good questioning techniques during a sales call or sales interaction with a customer or prospect.

You have seen how to apply good questioning techniques to qualify customers and their needs.

You have seen business-to-business selling situations and suggestions on how to handle those situations.

Not all these questions and situations will apply directly to every business. However, you should adapt almost all the ideas presented here to any business.

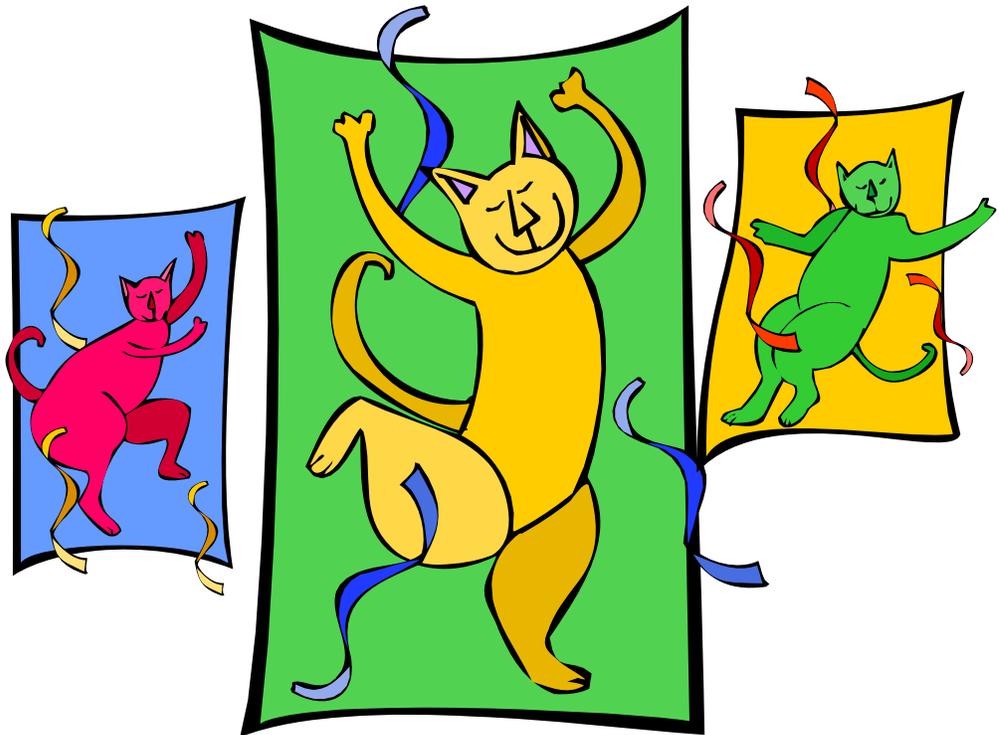
We suggest that you examine how you interact with and serve customers now and look for ways to incorporate the ideas and procedures presented here.

A decorative ribbon banner with a light beige background and a black outline. The text "You may be very pleased with the results" is written in a purple, sans-serif font. The banner has a folded, ribbon-like appearance with white and brown shading on the ends.

You may be very pleased with the results

*Celebrate!!*

# Join us for some exercise



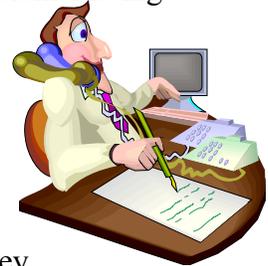
## 3. Telemarketing

### Introduction

Telemarketing is an important part of many businesses. However, few companies train people to do it properly. Effective telemarketing involves all of your selling skills but, with telemarketing, the focus is usually narrower and is very specific.

In **Telemarketing**, we will discuss ways to improve your telemarketing activity. You will find that there is more to good telemarketing than handing a phone list to an employee and have them start calling people.

Many people find it intimidating to make cold calls on the telephone. They fear rejection. They could become tongue-tied on the telephone or lose their train of thought. Their confidence is shaken after such a call and they dread proceeding to the next call.



The way to eliminate this apprehension about telemarketing is for salespeople to prepare adequately. If they have completed a target marketing exercise and have qualified the top prospects in each market segment, then this in itself will maximize their success.

### How to use this information

Use the **telemarketing** material as a guide for employees any time they are about to do telemarketing. It will set them on the right track and reach the right mindset to start making calls.

### Preparation for telemarketing

Before dialing the telephone, the caller must prepare in the following three key areas:

#### Callers must:

**Know their company (See chart below for details)**

**Be knowledgeable about the company's product or services**

**Have finished their homework on the prospect they are calling, what information do salespeople need to know in these three areas?**

1. Salesperson's company
2. Company's product/s and service/s
3. The prospect

Here is some key information that you need to know.

|  |  |
|--|--|
| <b>Salesperson's company</b>             | <ul style="list-style-type: none"> <li>Its history</li> <li>Its policies</li> <li>Its objectives</li> <li>Its organizational structure</li> </ul>  |
| <b>Company's product/s and service/s</b> | <ul style="list-style-type: none"> <li>History</li> <li>Source</li> <li>Uses and applications</li> <li>Special features and benefits</li> </ul>  |
| <b>The prospect</b>                      | <ul style="list-style-type: none"> <li>Know who is the owner</li> <li>Know who are decision makers</li> <li>Learn as much as possible about the prospect's business</li> <li>Learn about their current market activity</li> <li>Be aware of changes or trends in their business</li> <li>Be aware of special projects</li> <li>Try to determine their apparent market strategy</li> <li>Assess possible strengths and weaknesses</li> <li>Check on past services used with your company and the competition and check on the results that were obtained</li> </ul> |

This research will often reveal possible hot buttons to use when calling for an appointment and it will make it easier to relate to the prospect.

Prepare your telephone call by writing down the key questions or points.

## Appointment setting

One of the major purposes of the telephone call (telemarketing) is to make an appointment. The appointment may be to provide actual services.

**In this event, close a sale at the same time as making the appointment.**

**Examples of company's telemarketing in this fashion are property services companies providing services such as:**

**Carpet cleaning**

**Roofing**

**Landscaping**

**As well, this could apply to groups soliciting charitable donations such as:**

**Cancer Society**

**Heart and Stroke Foundation**

**Local community service groups**

However, the general purpose of the telemarketing telephone call is to:

- \*  
\*\* Set up an appointment
- \*  
\*\* Investigate the needs of the prospect
- \*  
\*\* Make an initial presentation of your company's products or services

There are a number of important rules to remember when arranging an appointment by telephone.

You must sell yourself! One of the best ways to sell yourself is to be a good listener.

Here are four rules.

1. Mention something about their business (current market conditions in that area).

You will have that information in your research. This helps to build your credibility with the customer.

2. Do not give the prospect **any detail** about what you want to talk about at the appointment because this allows the prospect to prejudge your presentation before you have given them all the information.

3. Use good questioning techniques—let the prospect talk and you draw them out.

The key is to establish quickly a rapport with the prospect.

*For example for #2:*

The prospect will often work very hard to pry details from you to find a reason to say no.

When they do this, tell them that there is too much information to properly present and relate to them over the phone that that is why you need to meet with them.

Do not allow them to do that to you—you need to control the conversation.

Background information from the customer record sheet can be very useful.

4. Using a referral will catch interest and give you a few extra minutes on the telephone to build rapport. The referral may be:

\*\* An industry cohort known to the prospect

\*\* A mutual association such as someone in a local service club or business organization

\*\* A trade association such as a Chamber of Commerce or industry governing body

Sometimes it can be very useful to send a letter to the decision maker, in advance of your call, telling them that you will call at a certain time for an appointment and you expect it should only take twenty minutes of their time.

The meat of your letter and your conversation on the telephone should contain a hook that piques the reader /listener's curiosity enough to have at least a brief look at what you have to offer.

There are a number of guidelines that you want to remember when telemarketing. You must:

1. Begin by doing your homework
2. Do your target marketing and qualifying.
3. Call sufficient numbers of people  
(See *Relating the Target Marketing Plan to the Sales Territory—Projecting Results*)
4. Be enthusiastic
5. Be positive
6. Be well organized

Keep your focus on making the appointment

Handle objections with good questioning techniques.

Handle rejection with good questioning techniques.

The following two illustrations are examples of how to conduct a telemarketing call where the purpose is to make an appointment for any one of several kinds of calls.

Some of these are:

- \*\* Discussing a service proposal
- \*\* Demonstrating a product
- \*\* Providing a property services proposal
- \*\* Collecting a charitable donation

In each case, assume that callers introduce themselves and the name of their company at the outset of the telephone call.

***Illustration #1:***

**Caller: Talking with John Smithe of XYZ Industries made me think of calling you.**

**We have a new program (or service) that offers a different approach to [\_\_\_\_\_].**

**These new ideas can truly save money or benefit you. It will take only 15 to 20 minutes to show you the outline of the service.**

**Would either an appointment at 2:00 p.m. Tuesday or Thursday morning at 10:00 a.m. be suitable?**

*Illustration #2*

**Caller:** I read in the recent trade publication about changes occurring in your industry.

**We have a unique new program or service that was developed for [\_\_\_\_\_]. We value your opinion and experience as an industry leader and we would like your input to the program.**

**We would like your view on how these new ideas would benefit the industry that would benefit the most and briefly, review the approach of our proposal with you.**

**How about either on Tuesday at 2:00 p.m. or on Wednesday at 3:00 p.m.?**

These examples give you an idea about how to:

- \* Establish rapport
- \* Build the ego of the recipient of the call
- \* Create interest and curiosity
- \* Create a bit of a sense of *fear of loss* because the recipient of the call is afraid that they might be missing some useful or valuable information if they do not see you.

**For the loss of a possible profitable opportunity, you may offer:  
Some valuable piece of information that could be useful in their business  
Loss of participation—it can be anything at all. People hate to think that they may *miss something*. After you have completed the initial introduction, stop talking. Your silence demands a response.**

Often, the prospect's mind is more on the appointment time than on who or what you represent.

If the prospect asks more, about whom you represent or exactly what you want to talk about, remember the purpose of the call is to set a 15-minute meeting date and not to make a verbal presentation.

By talking further, you only provide more things for the prospect to think about and more reasons to pre-judge and say no. **Keep it simple.**

*For example:*

If the prospect continues to press you for more information, simply state that what you need to discuss is too detailed to go into over the telephone and this is why you need to meet with them.

Tell them that you have examples and illustrations that need to be seen to be accurately explained and appreciated.

### Summary

You have learned how necessary it is to prepare properly before commencing any telemarketing. There are some basic approaches to being effective on the telephone.

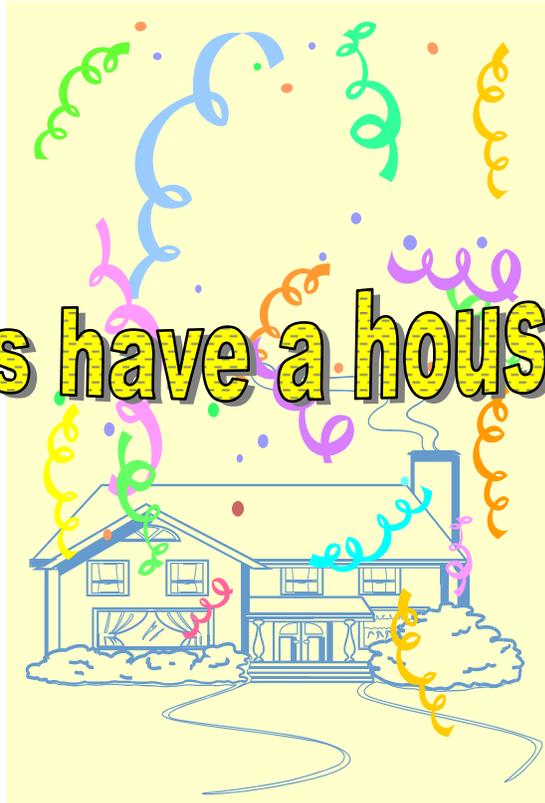
By following the rules, guidelines and approaches shown in this section, you will improve the results of your telemarketing.



**Remember, to be prepared, organized, and focused on the key objective—to meet with the customer and present your offerings.**

*Celebrate!!*

**Let's have a house party!**

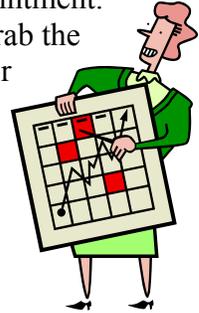


## 4. Presentation Skills

### Introduction

Once an appointment is set to meet with a customer, a presentation must be prepared. A lot of work has already gone into making the appointment. Often you only have one chance to make a good impression, grab the attention of the customer, and interest them in your product/s or service/s.

Typically, the customer is very busy and your meeting is only one of many that day. If you don't want to be *just another sales pitch* in the eyes of your customer, you had better do your homework and make sure that you make a memorable presentation.



**Assume that customers also refer to clients and products refer to services**

### How to use this information

As you go through **Presentation Skills**, compare the ideas presented to the way you do presentations now. Ask yourself questions such as:

- \*\* How well do you prepare for a presentation?
- \*\* Do you always have a definite plan for the way that you will make your presentation?
- \*\* When you conduct a presentation, do you usually *fly by the seat of your pants* and just react to the responses of the prospect?
- \*\* Do you always remember to use good questioning techniques and apply what you have learned in The Art of Selling?

In **Presentation Skills**, you should learn how to structure your presentations in a way that will maximize your chances of success.

## Key elements of the presentation

Making an effective presentation is an art, but it does not happen by accident or luck.

| <b>A good presentation is:</b>     |            |                          |
|------------------------------------|------------|--------------------------|
| Planned                            | Controlled | Structured               |
| Well-orchestrated                  |            | Specific to the customer |
| Includes endorsement or validation |            | Believable               |

The preparation of a presentation begins with the research and analysis that is already completed. If this was thorough, the stage is set for a successful presentation. [Refer to *Telemarketing* for a list of information that should be researched and analyzed]

A brief first presentation may be handled in the prospect's office.

However, if the presentation is detailed, (taking an hour or more and perhaps involve AV support, charts, other visuals) then it must take place away from the prospect's office where there are no interruptions.

The method of delivery and the style with which a presentation is given is very important.

| <b>A successful presentation must be:</b> |                                   |
|---|-----------------------------------|
| Persuasive                                | Convincing                        |
| Credible                                  | Convey a sense of urgency or need |

**Here are some basic points to keep in mind during the presentation:**

- The KISS principle (Keep It Simple S\_\_\_\_)
- The tone should be to inform rather than to sell
- Sell by demonstration and involvement rather than by lecture
- Speak moderately slowly. Often two-thirds the pace of normal conversation is right
- Speak clearly—do not mumble or turn away from the customer
- Pause frequently to allow the customer to interact
- Asking if the client/customer has any question is often a poor way for interaction.
- Involve the client/customer, ask questions to illustrate points, thus reinforcing key areas of the presentation and holding their attention

### **The features of a presentation**

**A presentation can be divided into six parts.**

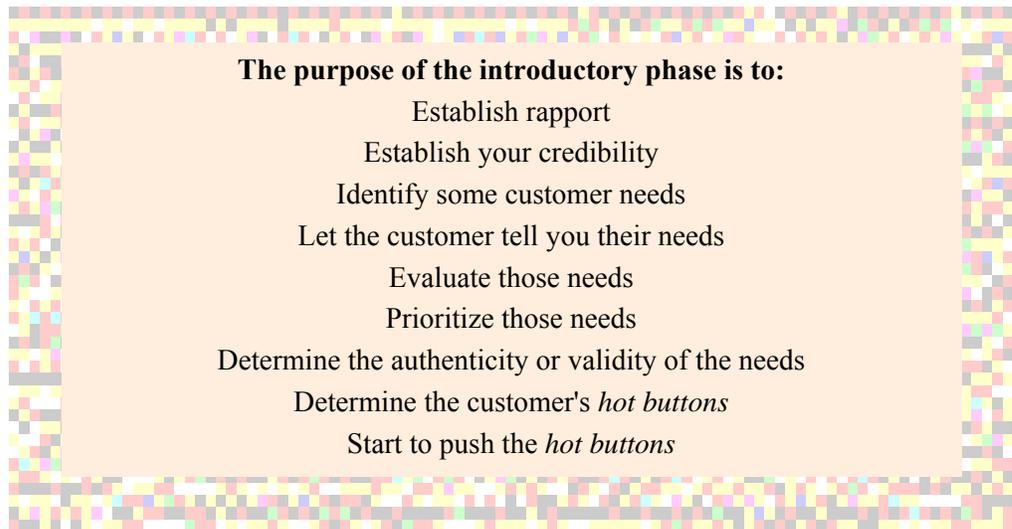
1. Introduction
2. Presentation
3. Handling Objections
4. The Close
5. Wrap Up
6. Follow-up

We will expand on each one of them.

### **The introduction**

The introduction is the first step in any presentation. The information you glean from the prospect during this phase will influence the tone and probably ultimate success of the entire presentation.

You need to have your *antenna up* at all times while interacting with a prospect and be ready to react to changes in their attitude and responses. This is never more important than in the introductory phase of a presentation.



The introductory phase actually allows you to fine tune or adjust your presentation format.

Although you completed your homework and mapped out a well-orchestrated presentation, the introductory phase can reveal what items of your presentation are of particular interest and what needs to be downplayed or perhaps even deleted.

Remember to involve the prospect by allowing plenty of opportunities to interact.

The worst you can do is to ignore the clues provided in the introductory phase and stick rigidly to your presentation format.

Your presentation format is important but it is only a guide to make it possible for thinking on your feet.

### **The presentation**

Standardize the presentation format as much as possible but flexible enough so that it may be adapted or personalized to every customer.

This standardization allows you to continually polish and improve your delivery.

Your presentation needs to accomplish the following:

1. Present the essential elements of your program in a logical and structured fashion
2. Identify the prospects needs with the program
3. Incorporate **tie downs**

Using **tie downs** means to relate directly specific features and benefits of your product or service to your prospects needs (Using needs that you already have determined during the introductory phase).

Keep reinforcing these points.

Don't assume the prospect will recognize the tie downs without your help.

4. Involve the prospect
5. Excite the prospect
6. Summarize your selling position, its features, and its benefits
7. Invite the customer to buy
8. Trial close

### **Handling objections**

Customer objections are normal and to be expected. Don't view objections negatively, but rather as a positive opportunity to provide the customer with more information so that they can make a buying choice closer to their needs. (See *The Art of Selling—Handling Customer Objections*)

#### **The sequence of handling objections is:**

Acknowledge the objection

Listen to the objection

Restate the objection

Understand the objection

Overcome the objection

Close on the objection

The term **closing on the objection**, means to close the sale by using information provide by customers in their objection. The word **close** in the context of sales means **to finalize**. It is used a number of ways including referring to someone who is good at finalizing sales as **a closer**.

Always use good questioning techniques in handling objections.

Remember, objections result from lack of information.

Involve the prospect! Allow plenty of opportunity to interact.

### **The close**

There are a number of ways to close a sale. One of the best ways, particularly when selling a concept or professional service, is objection elimination through good questioning techniques. [Refer to *The Art of Selling*]

#### **Points to remember during the closing phase are:**

- Create an air of excitement
- Maintain an air of excitement
- Maintain a sense of urgency or *fear of loss*
- Handle objections effectively with good questioning techniques
- Attack procrastination in arriving at a decision by clients/customers by helping them to narrow the choices
- Test the waters with several trial closes
- Use alternate choice closes—**everyone wins!**

So that no matter which choice is made, the customer gets what they need and the company makes a sale. In other words, every one wins.

The close is the most difficult phase to master. It requires finesse and aggressiveness. The reason sales are often lost is because:

- \* \* The customer was never asked to buy. Why weren't they asked?
- \* \* The salesperson was afraid the customer would say no.
- \* \* The salesperson didn't **ask for the order**

After asking for the order, be silent. Your silence demands a response from the prospect. Any further talk and you risk talking yourself out of the sale.

### *The wrap-up*

When the sale has been made: know when to quit. Don't talk yourself out of the sale.

#### **Wrap up the meeting smoothly as follows:**

- \* \* Relieve the pressure
- \* \* Thank the customer
- \* \* Assure the customer of a wise decision
- \* \* Restate your commitment
- \* \* Assure the customer of your performance
- \* \* Set a date for the next appointment
- \* \* This can be a delicate phase of the presentation. It takes practice to conclude the presentation with grace and sincerity while making the customer feel good about the decision she/he has made.
- \* \* Do not drag out this phase! Complete it and make your exit.

### *Follow up*

Often follow up meetings are necessary for several reasons; for example, to clarify details, plans, or gain information. These are all mini-selling situations that offer opportunities to reinforce the customer's buying decision.

Make another appointment at the conclusion of all meetings and determine its purpose.

At the very least, you should never leave a meeting without arranging a definite time to contact the customer on the telephone to set the next appointment.

You must keep the flow of the selling cycle in motion. A rule of thumb for keeping things alive is not to allow more than three or four days to go by without making contact.

## Summary

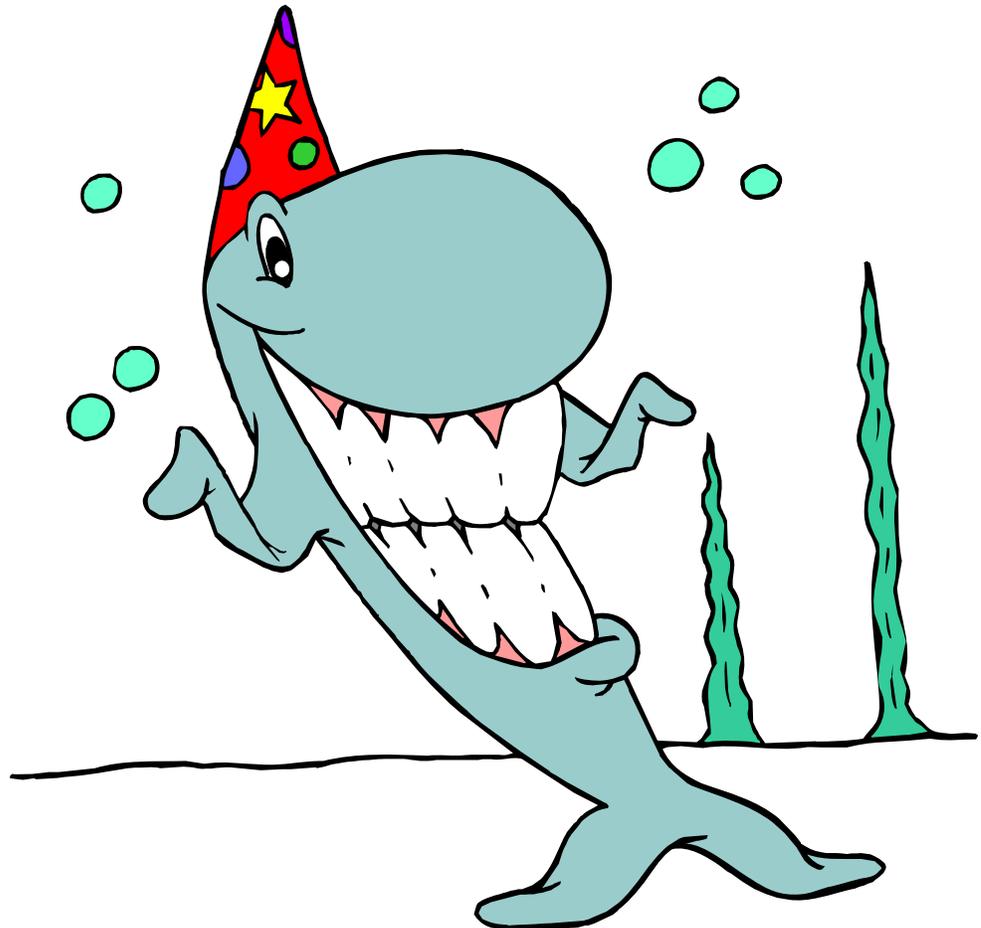
It is important to prepare for and orchestrate a presentation. During a presentation, you have to be very aware of the customer's attitudes and reactions to your presentation. You must know your material, have alternative approaches prepared, and make immediate adjustments, if necessary. Being able to make effective presentations demands all of the selling skills you have learned and practised.



**It takes practise, practise, and more practises to do well!**

*Celebrate!!*

**Join me down under!**



## 5. Preparing for a Sales Meeting

### Introduction

People attending sales meetings, or any business meeting for that matter, have taken time out of their busy schedules to participate. They are there for a reason. They expect to obtain information, business contacts, and sales leads that will help them be more successful at what they do.



A poorly run meeting reflects very poorly on the company or meeting organizer. This will undoubtedly have a negative effect on the sales of the meeting organizer.

On the other hand, if a meeting is well organized and executed the organizers will have automatically improved the receptiveness of the attendees to whatever is presented at the meeting.

Anyone running meetings on a regular basis knows that well-run meetings require great attention to detail.

**Otherwise, anything can go wrong such as:**

**The manager is not prepared**

**There is no agenda**

**A projector fails to arrive.**

**The printer does not have the handouts ready as promised.**

**A building column is in front of several of the participants' view.**

We sometimes lose sight of the tremendous cost of lack of attention to detail and scheduling in marketing.

You can significantly improve the attendance and successful running of your next meeting by paying attention to the following ten suggestions:

**1. Get your mailing out on time**

Every day you are late will cost you some reduction of your total registration.

If it was only two percent per day, and it will likely be more than that, two weeks late would result in over twenty-five percent fewer attendees.

**2. Make your hotel arrangements early in your planning cycle**

Otherwise, you will end up making compromises on quality and/or timing.

**3. Make sure you ask presenters for information early in your planning cycle**

Or else, you won't have the advertising information you will need to ensure that brochure copy is current.

**4. Meet early with the graphic artist**

This will ensure that no last-minute adjustments are made and brochures and other Ad materials will be properly co-ordinated.

**5. Order mailing lists in plenty of time** so that catching errors are done in plenty of time to make adjustments or get hold of replacements.

**6. Get press releases out on time**

Make sure that key issues of the meeting are noted.

This will pique the interest of potential meeting attendees and give them time to plan their schedule accordingly and attend the meeting.

**7. Make sure to order plenty of Ad materials** (like brochures) so that you can respond properly to those last-minute enquiries

**8. Be sure to ask for proofs from the printer**

This will eliminate having to re-do brochures that were printed upside down, or inside out.

**9. Respond quickly and confirm registrations**

**10. Analyze early returns carefully**

You may find that certain types of companies, specific postal codes, certain jobs, specified titles, or precise-size organizations responded better, thus follow-up mailings could be directed at them.

The above ten suggestions are just a few examples of how important attention to detail and schedules can be to the success of a meeting.

**Ensure the success of your meeting by:**

**Preparing a written, detailed plan for the preparation of the meeting using the above ten suggestions**

**Assigning a time-line for each step in the plan with sufficient room between to allow for the normal changes and adjustments that are always necessary**

**Checking off each step as completed**

**Preparing notes on what was completed because of the glitches that occurred before, during, or after the meeting (for example, the reimbursement of costs, or issuing a written apology). Keep good notes so nothing is forgotten.**

### Summary

In **How to Plan a Meeting**, you have learned the basics of planning and preparing meetings. Following these suggestions will ensure that your next sales meeting, convention, or major client presentation is completed with few problems.

The way a company plans and executes large meetings and presentations sends messages to clients and prospects about the professionalism of a company and its staff. The impression created can influence whether or not prospects do business with your company.



*Celebrate!!*



## Summary of Sales Staff Training

In **Sales Staff Training**, we have presented the range of skills and techniques that sales people need to apply in selling situations to be successful. You likely learned how important it is to regularly provide review and upgrade training sessions for your sales staff.

As you went through this material, you should have:

- \*\* Thought about how salespeople would apply the selling techniques presented in your business
- \*\* Considered how the questions and methods for discovering and qualifying customer's needs could be used in your business
- \*\* Considered how the ideas on sales communication skills could be applied within your business

**It is always important in any business to remember that:**

No goods or services are provided to customers until a sale is made.

No revenue is generated until a sale is made.

No profit can be made by the business until a sale is made.

Nothing happens until a sale is made.



**Your business depends on doing it right!**

*Celebrate!!*



## C. Sales Staff Management



### Introduction

At the beginning of **Sales & Marketing Management**, we described the attributes of a good Sales and Marketing Manager. We stated that key factors in the success or failure of a business and the ability of a business to grow in an orderly and profitable way are:

- \* \* The quality of the people hired
- \* \* How well they are motivated
- \* \* How well they are directed to achieve the goals of the business

It is the responsibility of the company's Sales and Marketing Management to direct and motivate people in implementing the overall marketing plan and marketing strategies of a company. To do this requires management being constantly aware of changes in the marketplace and being able to adapt the company's people and resources to deal with these changes.

**Sales Staff Management** will focus on how the Sales Manager directs and motivates the sales force to accomplish the goals of the company.

**There are twelve subheadings to Sales Staff Management:**

1. Sales territory management
2. Target market
3. Developing market & sales force potential
4. Maximizing customer sales and employee potential
5. Maximizing sales force potential
6. Personal performance outcomes
7. Management assessment tools
  - 7.1. Employee review questionnaire
  - 7.2. Senior employee position assessment
8. Management styles and leadership skills
9. The use of positive reinforcement with personnel
10. Commission sales agreement

**Assume that customers also refer to clients and products refer to services**

## 1. Sales Territory Management

### Introduction

To be effective the outside sales staff needs to be well organized and focused in their daily activities. The way they direct their efforts every day needs to be an expression of the overall marketing plan and the sales and marketing strategy of the company. To ensure that this is the case, the sales manager works with each person in the sales force to help him or her to direct and target his or her efforts.



#### **The sales manager provides the salesperson with leadership.**

Provide market research materials derived from the company's business plan

Assist the salesperson, where necessary, to relate this market research to the salesperson's territory

Give direction to the salesperson on prioritizing and directing her or his field activities

### *How to use this information*

Examine the assigned sales territories in your company. Identify which territories are the most successful. Ask yourself:

- \* \* Why these territories are more successful?
- \* \* Does the salesperson managing the territory focus and target their sales activity towards key groups of customers?

Compare the ideas presented in **Sales Staff Management** to how to manage the sales territories now.

If you are not presently using some of these ideas and methods, we encourage you to try implementing them.

You may find that the sales territories that are performing well are doing so because the salespersons managing these territories are using some of these ideas and methods.

Begin this process by examining the company's marketing plan.

## The importance of targeting sales activity

Many businesses have what they consider a comprehensive *marketing plan*. However, to be effective, the plan must be directed and targeted.

Accordingly, a marketing plan will usually have within it a *target market* plan. This is an integral part of the overall plan, but targets the specific groups of customers that the market research indicates are the prime users of the business's *product(s)*.

### **Without target marketing:**

At the territory or field level, marketing plans often breakdown, lose their effect because of poor territory planning, and target marketing.

Field activity loses focus and tends to drift along paths of least resistance.

Mount campaigns periodically that tend to take a total market approach.

Consequently, rather than being focused, marketing budgets may be spread too thinly.

The sales staff may appear to be very busy but, in reality, they are often spinning their wheels and not making the best use of their time. The business is better served by concentrating the business and the sales staff's effort on major business segments.

It is particularly important for any business to focus its efforts and generate a consistent revenue stream as soon as possible.

Thus, a major thrust of the market research and analysis should be to identify significant market segments and any target market groups within those market segments.

The business formulates its target marketing plan and considers how that will relate to the overall marketing plan.

By reviewing the effectiveness of previous target marketing plans, you can determine what adjustments, if any, may be necessary.

History is important, but the sales manager or salesperson should keep an open mind and give full reference to current research and analysis and any apparent shift in market trends.

Often, look at the timing of marketing events carefully.

### ***For example:***

A previous marketing approach that was not very successful, may have been very effective if the timing were different

### Summary

In *Sales Territory Management*, we discussed how important it is that the sales manager relates field sales activity directly to the goals and results (objectives) of the marketing plan. To do this, it is necessary for the sales manager to:

Provide the field sales person with the necessary information to help them to prioritize their field sale activity

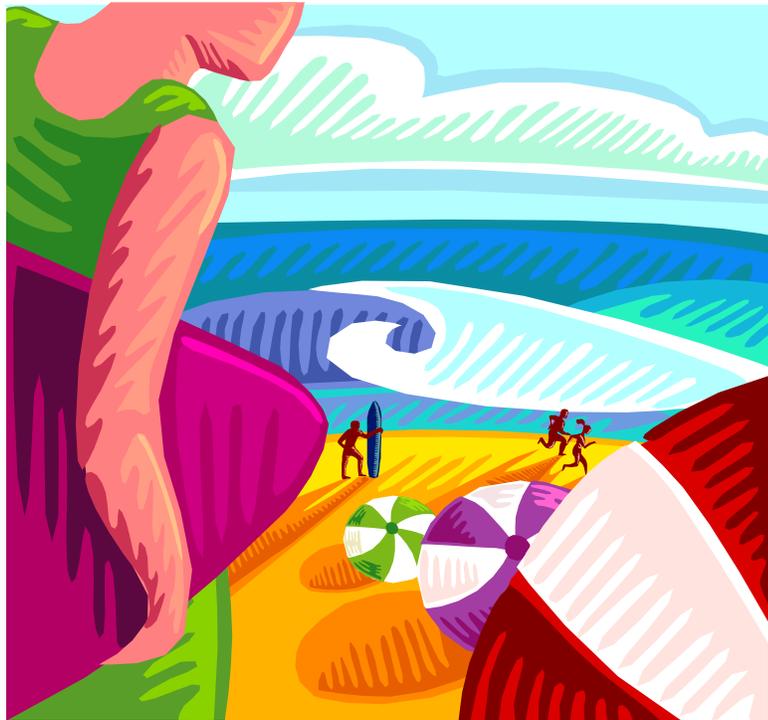
Provide direction and follow up the salesperson's activity

Ensure that the marketing plan of the company stays on track by focusing and targeting the sales activity of all salespersons in the company



*Celebrate!!*

# Take some leisure time



## 2. Target Market

In developing your business plan, you should have extensively researched your market area. As part of this research, you will have defined who are your potential customers and developed profiles on the needs of those customers.

The sales manager needs to take the market research developed during the preparation of the business plan and use this information to direct the activities of the field sales people.



To do this most effectively, define target markets by analyzing the market research information.

The sales manager will then develop a *target marketing strategy* to penetrate those markets and directs the field sales people in the implementation of the strategy.

**Assume that customers also refer to clients and products refer to services**

The following material will indicate the type of information that needs to be gathered in order to determine the potential customers that make up the target market. Probably, you need to review:

- \* Customer base
- \* Financial Feasibility of Business Offerings

You should now have a very good idea of your total market and its various market segments. Now, that research data should be re-examined in even more detail to determine the make up of each of the market segments.

The purpose is to reveal those subgroups within each market segment that have the greatest revenue potential, hence, marketing programs can be designed to target those groups.

Depending on the area, business situation, business resources, and competitive activity, divide a business market into these areas:

Use the ideas below with particular reference to analyzing the market research data you have developed about your customer base

|                       |  |
|-----------------------|--|
| Geography             | Market trends or changes   |
| Kind of customer      | Number of existing customers   |
| Size of customer base | Number of potential customers  |
| Volume contribution   | Offering provided (kinds and numbers of offerings, and offering mix) |
| Profit contribution   |  |

**Identify and describe the target market** (target audience and/or customers) and, as much as possible, prepare lists of potential customers or, in some cases, a geographic location that may be targeted.

***For example:***

If the target group is a type of business such as a plumbing business, small engine repair or a restaurant, then lists of the businesses in the local market are easily prepared.

If the target group were a certain type of homeowner, then urban areas housing those types of homeowners would be identified.

Estimate the size of the target market.

How big is it in terms of the numbers of potential customers and dollar volume?

Estimate the growth potential of the target market. That is, how mature is the market?

What does market research indicate about how many potential users of the offering have yet to be sold?

Is the offering a consumable that would be used repeatedly by the target market group?

The selling cycle of a particular offering used by a target group of customers is very important.

***For example:***

If you are, either selling a product that has a useful life for a few weeks or that the user consumed it in an every few weeks—considered a very short selling cycle.

On the other hand, if you have a product that has a long useful life and consumers do not replaced it frequently (for technological reasons), and then it will have a long selling cycle.

When a business is analyzing the total market in order to develop a target marketing strategy, these are very important considerations.

This is because every business segment will have different needs and the resources necessary to serve those customers are different.

These target market considerations will affect everything the business does.

Therefore, target-marketing analysis is a very important part of preparing a ***marketing strategy*** and the business plan.

Some of the data sources to use in this kind of analysis are:

Existing account information  
Trade journals  
Industry statistics  
The Dominion Bureau of Statistics

Financial Post Survey of Markets  
Contacts influential publication  
Associated companies  
Telephone Yellow Pages  
Government business support agencies

You need to summarize what you know about your target market. You may need to list the various kinds of target markets that you expect to service or are serving and describe each of them.

### **Uses of target market information**

The target marketing information gathered is an essential part of:

- \*\* The development of a market analysis
- \*\* The development of a marketing plan

### **Target marketing plan**

Once you have determined and described your target market or target markets, you need to design a target-marketing plan for each target market or groups of target markets.

**Target marketing** involves the process of analyzing and segmenting the total market to identify, in order of importance, the market segments that will yield the best return on investment of resources, people, and time. It is limited to homogeneous market segments.

Use target marketing to gain a competitive advantage that should be more profitable to the business.

Target marketing is not mass marketing. Here is an example of the difference between target marketing and mass marketing:

#### **For example:**

A business specializing in the installation of new fences might mail a handbill to every household in the city. This would be a small example of **mass marketing**. The results achieved by this sort of mailing are typically as little as .05% of the handbills mailed.

The same business could obtain a list of all the new houses built in the last 18–24 months and then mail only the handbill to those households.

This would be an example of target marketing. The results of this target approach can boost results to 3–5% (or even more) of the handbills mailed.

**There are seven elements in a target marketing plan:**

1. Promotion and advertising plans:
  2. Goals and timetables
  3. Financial projections
  4. Major existing accounts
  5. Pricing policy analysis
  6. Competitors' pricing
7. Supplier service and warranty programs

You need to determine how many of those seven elements apply to your target-marketing plan. You will need to complete the seven elements for each target market.

If you need more details about these elements see *The Business Plan—The Marketing Plan*

The target-marketing plan is part of the overall marketing plan.

### ***Writing a target marketing plan***

You have defined your target market or target markets. You have walked through the seven elements or those that apply to each of your target market.

Now you need to examine the parts and view it as a whole.

Do they fit together, are there conflicting decisions, and are adjustments needed?

From the information that you collected or decisions you made in elements 4–7, prepare a promotional and advertising plan for each of the target markets.

Set your goals and outcomes for the next 3–5 years. Set your goals and outcomes (the results you want) for the following year.

Establish a timetable (in general terms) for the next 3–5 years. Establish a specific timetable for the coming year.

Prepare the financial projections on the cost of implementing the marketing plan (in general terms) for the next 3–5 years and, for the coming year, in detail.

Write an overall statement of your marketing strategy.

### ***Uses for target markets and target marketing***

Target marketing, within the context of the overall marketing plan, results in:

A more cost-effective marketing plan

A better return on investment for the business

Better-designed advertising and promotional programs that are directed towards target markets

Better results because the target market plan is integrated within an overall marketing plan

The ability of sales persons to apply the target-marketing plan at the sales territory level

It is generally true that special or targeted marketing efforts are effective because of the general, on-going marketing activity that supports them.

## Summary

Target marketing is an important part of a marketing plan. There are several key elements of a target-marketing plan. Identifying your target market is an important part of this process: and how to use that information in preparing a target market plan.

There are a number of advantages to the business in preparing a target market plan within the context of the overall marketing plan.



- A key advantage is to focus the resources of the company more effectively in each sales territory.

- Directly relate field sales activity to the objectives of the Marketing Plan

- Ensure that the Marketing Plan stays focused and on track

- Make it very clear to field sales people what are the sales objectives of the company

Finally, you have been given suggestions on how to write target market plans. They become part of the general marketing plan.

*Celebrate!!*

# Take some quality time



### 3. Developing Market & Sales Force Potential

#### Introduction

The sales territory manager is the salesperson who is responsible for the accounts and prospects within a geographic area. This person needs to manage their sales territory in a way that will best realize the objectives of the company's Marketing Strategy and Target Marketing Plan.

In **Developing Market and Sales Force Potential**, we will discuss how:



The sales territory manager relates their territory to the companies target marketing plan

The sales territory manager works in concert with the sales manager to realize the outcomes or results of the target-marketing plan

The sales manager develops the potential of the sales territory manager by ensuring attention is given to the 'five main components to territory management' as outlined below.

#### **How to use these materials**

Examine how you presently organize field sale activity in your business and compare your approach to the ideas presented in the five main components listed below.

Ask yourself what guidance is given the salesperson in your business to ensure that their field sales activity is:

- \*\* Related to the target marketing plan of your business
- \*\* Will develop the potential of the target market

#### **The five main components to territory management are:**

1. Territory analysis
2. Territory organization
3. Adapting to changing market conditions
4. Territory time management
5. Projecting results

We will discuss these five components and related subjects in the following segments. Implementing the ideas presented in these segments will provide control and give direction to your field sales activity and **it will get results.**

### **1. Territory analysis**

Analyze each territory with reference to the target market plan.

Often it is found that as much as 80% or more of the business is generated from as few as 15–20% of customers. This may be because of a number of factors that are evident in the target marketing analysis.

*Nevertheless, it also can reflect:*

- The analytical strengths of the territory manager
- The organizational skill of the territory manager
- The weaknesses of the territory manager
- The selling skills of the territory manager
- How the territory manager views the potential of existing accounts
- How the territory manager views the potential of prospects

It remains for the sales and marketing manager to determine whether the sales territory manager is realizing the potential of his/her territory. Examine each account and prospect in a territory in consultation with the salesperson with reference to:

- The range of products or services purchased by the account
- The proportions of the purchased product-mix
- What is the potential for improving or adding to the product or services purchased? Expressed in both unit quantities and dollar amount
- What is the **gross margin** generated on each product line or service purchased?

Estimate the potential for improvement in *gross sales volume improvement* and gross margin contribution. Complete this for each product or service group and then for total *potential sales and gross margin improvement*.

A detailed analysis such as this requires that the territory salesperson and the sales manager keep good records. This type of analysis, completed on a regular basis, is vital to good territory management. It is essential to the development of *personal performance outcomes (PPO)*. (Discussed later)

## 2. Territory organization

It is very common for a change of salesperson in the territory to result in an increase in sales. It isn't that the previous salesperson was not a good employee.

### *The reason for the sales increase is:*

The new salesperson sees the territory through fresh eyes

They don't have the same biases that the previous salesperson may have developed over time

A different personality will naturally appeal to a different group of people

Consequently, moving salespersons to different sales territories periodically is a common practice in many industries.

### *For example:*

A sales manager is spending a few days making calls with the field salesperson. The salesperson has been working that territory for 10 years. They arrive in *our town* and the sales manager reviews the existing accounts and prospects with the salesperson.

In addition, as they drive through town, the sales manager sees a number of business names he has never heard of before and they look like they would be good sales prospects.

When he asks the salesperson about some of the businesses, the response is typically, "Oh, I called on them a number of times a couple of years ago. They weren't interested in our products. They said they were committed to the products supplied by their buying group."

This sort of comment will raise a red flag with any sales manager. It indicates that the salesperson may be:

Settling into a rut  
Taking territory conditions for granted  
Not recognizing changing market conditions  
Not keeping in touch with possible changes occurring in the businesses of prospects

The salesperson may be a good employee and have a good track record. However, frequently a new salesperson on the territory would discover with the prospect in the example that:

Ownership may have changed  
There are new people in key, decision-making roles  
The company is no longer satisfied with suppliers they have had for many years  
The management is interested in taking the company in some new directions

Of course, these are only a few examples of things that the new salesperson may discover.

### **3. Changing market conditions**

Market conditions can change rapidly. A sales and marketing manager must be sensitive to change and be able to react quickly to adjust to the changing market.

As well, conditions can vary greatly between sales territories. As a result, it is necessary to be regularly updating the business plan and target market analysis to ensure a flow of new business.

New business is the lifeblood of any organization. It is, therefore, important that sales managers train salespeople to:

Do thorough territory analysis and planning  
Concentrate on and reinforce areas of strength  
Control and minimize areas of weakness before they become problems  
Eliminate weak areas altogether in some cases  
Lessen the impact of weak areas of the business by diversification or addition of new business segments

### **4. Territory time management**

A territory manager will commonly have one hundred or more clients and prospects. In some businesses, the number could run to two hundred or more. To handle this, many clients and prospects require efficient time management as well as directed and motivated activity.

It is normal, in a week, for most businesses in a metropolitan area to make:

Make five to eight physical face-to-face calls per day  
Make ten to twenty phone calls per day to arrange future appointments  
Call on twenty-five to forty clients and prospects per week  
Make fifty or more cold phone calls per week

Naturally, there will be some differences between businesses and their type of product or service.

Each territory manager should break down the customers and prospects in their territory as outlined for the target market exercise and plan the call frequency that each will receive. The frequency can vary greatly in some businesses depending on the selling cycle for the clients and services.



A normal call frequency could be every two weeks, two months, six months, or one year, but it should be a planned activity. The plan should allow for special projects that will come up occasionally and require deviation from the plan.

The call plan is a rough working paper and should be reviewed at least three times per year. Update it when necessary.

Below is an example of a two-month call plan:

*Example of a two-month call frequency plan*

|         |  |  |   |  |  |
|---------|--|--|---|--|--|
| Week #1 | Western Builders<br>Highway Lumber<br>Crosstown Builders<br>Westside Paint | First Choice Lumber<br>Central Hardware<br>Xpert Wallpaper<br>Robertson Builders | Jones Hardware<br>Family Hardware<br>Johnson Hardware<br>Chapman Decorators | Bigtown Supplies<br>Uptown Paint<br>Peabody Hardware<br>Economy Hardware | Universal Decorators<br>Watson Interiors<br>Discount Decorators<br>Creative Decorators |
| Week #2 | Western Builders   | First Choice Lumber  | Jones Hardware  | Bigtown Supplies   | Universal Decorators   |
| Week #3 | Western Builders<br>Highway Lumber   | First Choice Lumber<br>Central Hardware  | Jones Hardware<br>Family Hardware   | Bigtown Supplies<br>Uptown Paint   | Universal Decorators<br>Watson Interiors   |
| Week #4 | Western Builders<br>Crosstown Builders                                     | First Choice Lumber<br>Xpert Wallpaper   | Jones Hardware<br>Johnson Hardware  | Bigtown Supplies<br>Peabody Hardware                                     | Universal Decorators<br>Discount Decorators  |
| Week #5 | Western Builders<br>Highway Lumber<br>Westside Paint                       | First Choice Lumber<br>Central Hardware<br>Robertson Builders                    | Jones Hardware<br>Family Hardware<br>Chapman Decorators                     | Bigtown Supplies<br>Uptown Paint<br>Economy Hardware                     | Universal Decorators<br>Watson Interiors<br>Creative Decorators                        |
| Week #6 | Western Builders   | First Choice Lumber  | Jones Hardware  | Bigtown Supplies   | Universal Decorators   |
| Week #7 | Western Builders<br>Highway Lumber<br>Crosstown Builders                   | First Choice Lumber<br>Central Hardware<br>Xpert Wallpaper                       | Jones Hardware<br>Family Hardware<br>Johnson Hardware                       | Bigtown Supplies<br>Uptown Paint<br>Peabody Hardware                     | Universal Decorators<br>Watson Interiors<br>Discount Decorators                        |

|          |  |   |   |  |   |
|----------|--|---|---|--|---|
| Week #8  | Western Builders                                     | First Choice Lumber   | Jones Hardware  | Bigtown Supplies                                     | Universal Decorators  |
| Week #9  | Western Builders<br>Highway Lumber<br>Westside Paint | First Choice Lumber<br>Central Hardware<br>Robertson Builders | Jones Hardware<br>Family Hardware<br>Chapman Decorators | Bigtown Supplies<br>Uptown Paint<br>Economy Hardware | Universal Decorators<br>Watson Interiors<br>Creative Decorators |
| Week #10 | Western Builders<br>Crosstown Builders               | First Choice Lumber<br>Xpert Wallpaper                        | Jones Hardware<br>Johnson Hardware                      | Bigtown Supplies<br>Peabody Hardware                 | Universal Decorators<br>Discount Decorators                     |

Every territory manager should develop a target prospect list of at least 10–20 prospects. Derive these prospects from the target market exercise and in consultation with the sales manager. These prospects will be a part of the personal performance outcomes. The list should be changed and updated each year as market conditions and priorities change.

Here is an example of a daily call record sheet. This is a simple working paper used by the territory manager to track the week's activity.

At the beginning of each week, pull down the week's calls on to this sheet from the **call frequency plan**.

Spread the calls over the days of the week allowing plenty of time for current happenings in the territory and special projects. At the end of the week, the data may be broken down as follows:

Weekly Activity Summary report to the sales manager  
 Daily Call Record report to the sales manager  
 Some data transferred to the Customer Record Book  
 Some data carried forward to the next week's Daily Call Record for action

The sheets are filed temporarily but usually not kept for more than two months.

*Example of a Daily Call Record*

| Daily Call Record |                     |           |          |           |           |          |
|-------------------|---------------------|-----------|----------|-----------|-----------|----------|
| Salesperson       |                     | Territory |          |           |           | Date     |
| Call              | Contact & Telephone | E/A       | Prospect | Last call | Next call | Comments |
|                   |                     |           |          |           |           |          |
|                   |                     |           |          |           |           |          |
|                   |                     |           |          |           |           |          |

*Example of a Weekly Activity Summary*

| Weekly Activity Summary                |             |              |              |
|--|-------------|--------------|--------------|
| Sales territory                        |             |              |              |
| Sales achieved                         |             |              | Week of ____ |
| Customer                               | Product/job | Job location | \$ Value     |
|  |             |              |              |
|  |             |              |              |
| Job quoted/quoting                     |             |              |              |
| Customer                               | Product/job | Job location | \$ Value     |
|  |             |              |              |
|  |             |              |              |
| Prospects identified                   |             |              |              |
| Customer                               | Product/job | Job location | \$ Value     |
|  |             |              |              |
|  |             |              |              |
| A. Complaints, problems & solutions    |             |              |              |
|  |             |              |              |
| B. Competitive activity                |             |              |              |
|  |             |              |              |
|  |             |              |              |
| C. Administration problems & solutions |             |              |              |
|  |             |              |              |
|  |             |              |              |
| D: New product/promotional ideas       |             |              |              |
|  |             |              |              |

Provide the sales manager a monthly report on the progress with target prospects and special projects. Discuss this report regularly.

Keep an alphabetical **customer record book** with detailed information on all clients and prospects. A loose-leaf form is best because it is easy to add pages.

There are many customer recordkeeping systems available. However, it should include a page for each customer and prospect to record the following information:

Business name, address, postal code  
Telephone numbers, Fax numbers, e-mail addresses  
Owner's names and titles  
Decision maker's names and titles  
Sales volume last year  
Potential sales volume  
Product lines carried by main competitors  
Your product lines carried  
Call frequency and best time to call  
Space provided to note personal likes and dislikes  
Recreation activity of key people  
Notes area to keep update on special events that they are involved in  
(such as birthdays, trips, births in the family, or anniversaries)  
Provide a large space also for topical general comments on current  
business activity

Keep the customers separate from the prospects. The prospects can be moved to the customer section when their status changes.

This information is invaluable in developing a personal relationship with the customer.

It could be that some of these headings do not apply in some service businesses, so the headings should be adapted. The customer record is a key part of good territory planning and keeping it up-to-dated is very important.

*Example of customer record*

|  |                      |                        |                 |
|--|----------------------|------------------------|-----------------|
| <h1>Your Company</h1>                        |                      |                        |                 |
| <h2>Salesperson Customer Record</h2>         |                      |                        |                 |
| Account Name:                                |                      | Terr. No.              | Cust. No.       |
| Street:                                      |                      | Salesperson:           |                 |
| City:  | PostalCode:          | Phone:                 |                 |
| Owner:                                       | President:           | Buyer:                 |                 |
| Decision Maker(s) :                          |                      | Call Frequency:        |                 |
| Competitive Lines:                           | Estimated Purchases: | Prov. Sales Tax:       |                 |
| Product Lines Carried:                       | Discount/Product:    | G.S.T.                 |                 |
| Purchases Last Fiscal Yr./Product:           |                      | Purchases YTD/Product: |                 |
| Purchases Y #2/Product:                      |                      |                        |                 |
| Customer Special Interest-Business&Pleasure: |                      |                        |                 |
| Future Development Plans:                    |                      |                        |                 |
| Last Call Results:                           |                      | Date:                  | Date Next Call: |
| Special Events/Promo's-Business & Pleasure:  |                      |                        |                 |

Handle all of this customer management and territory management information electronically.

*For example:*

ACT! A contact management product from SYMANTEC is an excellent example. As well, they market a suite of business utility and sales territory management products that will interface with ACT!

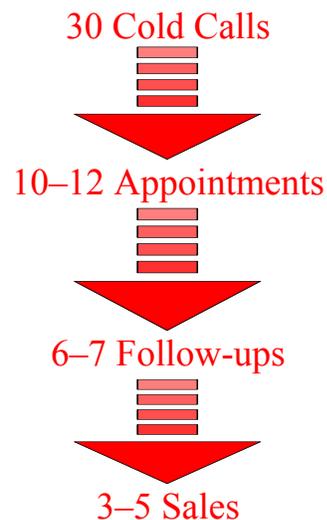
Visit the ACT! Web site for more information [www.actaddons.com](http://www.actaddons.com)

Such software makes it much easier to edit the information or produce mailing lists. The salesperson will be able to interface the central database with a laptop computer or a hand-held data collection tool.

### 1. Projecting results

Even with good target marketing in place, projecting results is a numbers game. The difference is that your results will be increased usually by 3–5 times by targeting your marketing activity.

Whether you are making physical cold calls or telemarketing, a *rule of thumb* for projecting results is:



It is important to organize all regular clients and prospects on a planned call frequency schedule. There is no mystery in getting results.



The above chart also reinforces the importance of targeting your marketing activity. Targeted marketing can almost move you from the completely cold call stage to the appointment making stage.

Networking and referrals is a powerful business generation tool.

Getting involved with your local business and community organizations can be a powerful business generator.

Business leads and referrals resulting from networking can move you quickly to the second or third level (on this chart) or even result in an immediate sale.

### ***Putting the sales projection together***

You can see from the above chart that with:

|   |        |
|---|--------|
| Cold calls, the sales result is approximately                   | 10–15% |
| Referred/qualified prospects, the sales result is approximately | 25–50% |

To get a good, qualified estimate of probable sales results, the territory manager would take the prioritized listing of accounts and prospects developed for the Call Frequency Plan.

The number of contacts with the various account groupings can be translated (using the above chart) to an estimate of the sales volume that may be developed in time.

There can be changes in market conditions that can affect the estimate of the territory manager. As a result, it is necessary for the territory manager to consult with the sales manager before the sales projections become part of the Personal Performance Outcomes (PPO) of that salesperson.

## Summary

**Plan your work and work your plan!**

The effective territory manager keeps very detailed records on regular clients and prospects. It is the one very important way to ensure a regular flow of business.

In **Developing Market and Sales Force Potential**, we have shown how the territory manager develops the market through implementing the ideas discussed in the five main components of territory management. Moreover, we have shown methods that can be used by the salesperson to develop their potential as a territory manager.



It is extremely important that the sales and marketing manager translates or expresses the marketing plan and the market strategy of the company to the company's staff.

Target marketing is an expression of the marketing plan.

**Every salesperson needs to know:**

What part their territory plays in the target-marketing plan?

What results are expected of them?

How those results will be achieved?

How the results will be measured?

What support they will receive in order to accomplish the goals set?

With appropriate target marketing and good sales territory management, your business will have fewer peaks and valleys.

With suitable target marketing, your marketing activity will be much better than throwing darts at the wall in hopes of hitting the target.

The ideas presented in **Developing Market and Sales Force Potential** will help you to hit consistently the target.

*Celebrate!!*

# Family time



## 4. Maximizing Customer Sales & Staff Potential

### Introduction

When times are tough, the natural reaction of many businesses is to batten down the hatches and wait until the storm blows over. However, the business climate in recent years has been very unsettled, and there are no signs that it is going to change in the near future.

In a tough business climate, often the first reaction is to reduce expenses. Cutting staff, reducing advertising, and examining every part of the business for ways to reduce expenditures.

In the process, making cuts that are regretted later could result hurting the business.



Before making reductions in staff, you should first look for ways to get more sales volume from each and every customer. The key to accomplishing this is to train and motivate your staff to provide better customer service.

In **Maximizing Customer Sales and Staff Potential**, we will discuss how you can

- Maximize customer sales

- Maximize staff potential

**Assume that customers also refer to clients and products refer to services**

### **How to use this information**

As you move through this material, think about how to apply these ideas in your business to improve customer sales. As well, consider how to use these ideas to improve the productivity of the staff in your business.

It is a very good idea to do regularly a review of your business with reference to ways of improving customer sales and employee productivity. Consider using the ideas presented here as a guide when you are doing such an analysis.

## Maximize customer sales

Maximizing customer sales means getting the most sales possible from the customers who deal with your business.

**There are four parts to maximizing customer sales:**

- 1. Be aware of how your market is changing**
- 2. Examine your business**
- 3. Understand the business climate**
- 4. Understand customer attitudes and preferences**

Other information that needs to be related to the previous four points is:

**Know what the developing needs are in your market**  
**Be able to identify the specific needs of each customer**  
**Have the products or services that your customers want available in a timely fashion**  
**Have the knowledgeable and trained staff that can effectively satisfy your customers' needs**

Let's examine these four points more closely.

### 1. *Be aware of how your market is changing*

Global factors like rapid technological change and free trade are going to keep the job markets in turmoil for some years to come. This will result in fluctuating consumer spending power and periodic mini recessions.

The consistent annual growth days of the 60's and 70's are long gone and, therefore, businesses must:

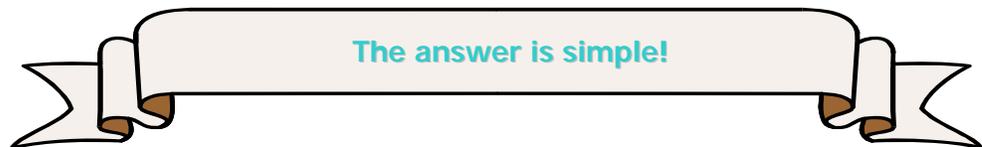
- \*\* Be smarter marketers
- \*\* Be in tune with changing consumer needs and wants
- \*\* Capitalize on changing consumer needs/wants and ensure that staff is trained and motivated to respond to them

### 2. *Examine your business*

Many businesses like yours should pay close attention to the *nuts and bolts* issues such as:



However, often forgotten is the real secret of success!



Maximize sales from the customers that you now have. It is far cheaper to spend money and effort on keeping existing customers than it is to spend all the effort and money bringing in new customers.



The key is training, managing, and motivating your staff in a sophisticated and professional manner.

During either a tough business period or when business in the market is very competitive, customers are frequently:

A light blue rectangular box with a decorative border of vertical and horizontal lines. It contains a list of four customer characteristics in bold black text.

- Fewer in number**
- Better informed**
- More selective than ever before about their purchases**
- Looking for sales or competitive pricing**

However, they are still buying, and notwithstanding sales/wage ratios, if you want to maximize sales they must be served well by sufficiently trained competent salespeople.

If they are not served adequately, they will simply go somewhere else and you are unlikely to see them again for a long time.

### **3. Understand the business climate**

In recessionary times, the first cuts in costs made are staff cuts. They can be made quickly and see the results immediately.

Nevertheless, cutting back in customer service can be devastating to your business.

In fact, the key to making your business recession proof is by providing superior customer service.

Surveys of consumers across Canada and the U.S.A. consistently confirm that many salespeople shock consumers by exhibiting:

A light blue rectangular box with a decorative border of vertical and horizontal lines. It contains a list of three negative salesperson behaviors in bold black text.

- Apathy**
- Incompetence**
- Rudeness**

Consequently, after you have spent *big bucks* on advertising, promotional materials, and attractive point-of-sale presentations, unprofessional salespeople can turn off the customer or client and effectively scuttle your marketing program.

Worse yet, how many times have you visited a store and could not find salespeople to assist you? Management has cut staff but they likely have cut sales, too.

#### 4. Understand customer attitudes and preferences

Customers today are smarter than ever and they are keenly aware of the power they wield in the marketplace.

##### Customers' expectations

Customers don't just expect to be served well; they demand to be served well.

By selecting your business, they are saying:

- \* I've selected your business out of the many that are available to me
- \* I expect to be served by knowledgeable, competent, and courteous staff

Today, consumers are not just looking for a bargain—they are looking for value from the businesses they patronize and that include superior service.

When you think of it, as a businessperson, you can't do too much about fixed costs or outside forces like:

However, you can directly affect the quantity and quality of service that your customers receive.

|                       |
|-----------------------|
| <b>Energy costs</b>   |
| <b>Inflation</b>      |
| <b>Interest Rates</b> |

##### How to maximize customer sales

There are a number of ways that you, as a business, can improve the attitudes of customers and, at the same time, achieve increased levels of satisfaction.

Some of them are:

1. Complete a detailed marketing study at regular intervals, not just at the beginning of a new business.

You need to analyze regularly

- \* Who are your customers
- \* Where do they come from
- \* What are their needs

2. Put yourself in your customers' shoes and pretend that you have come into your place of business for the first time.

It is a good idea to ask frequently your customers for their input on how they view your business.

***Remember to:***

**Assist the customer to reach the right area of your business by providing clear signage**

**Don't take the appearance of your business for granted because you see it every day**

**Don't allow your business to become cluttered, confusing, and unfriendly**

3. Make it easy for the customer to buy.

Get in the habit of measuring everything you do in your operation in terms of:

Does this make it easier for the customers to buy?

4. Take the hassle out of the shopping process.

Make sure that their needs are met efficiently and pleasantly.

Impress the customer today and they will tell their friends.

5. Show respect and appreciation for their patronage.

Leaving the customer with a good feeling about their purchase will ensure their return.

**There are a number of ways of showing customer appreciation:**

**Small gifts** (rewards for frequent purchases, at special events or holidays)

A **sales event** may include a preferred customer event by special invitation, an additional discount for preferred customers, or pre-sale invitations for preferred customers

**Special events** are possible, such as an Open House with a BBQ, a Grand Opening, an Anniversary Sales Event, and events commemorating special holidays

***Maximizing your employee potential***

A key part of maximizing customer potential is ensuring that:

You have hired the right people to provide the kind of customer service that makes it easy for customer to buy and encourages customers to deal with your company again.

You ensure that employees are adequately trained to provide good customer service

You meet regularly with employees to discuss ways that customer service can be improved

These are essential factors in maximizing your employees' potential to provide good customer service.

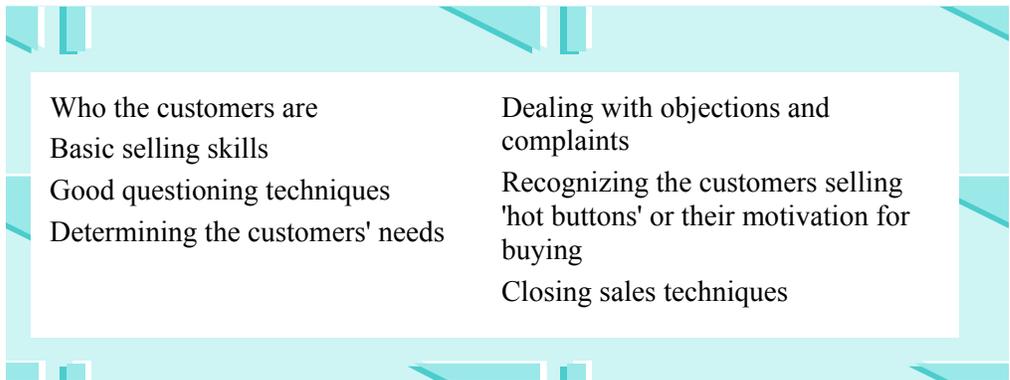
Let us look in more detail at how you can do this:

1. **Take a hard look at your staff scheduling** to ensure that you have adequate personnel on duty at all times.

Part of understanding customers is to know when they come into your business and to make sure that you have the right people there to serve them.

We all have heard the saying; '*You can't sell from an empty wagon.*' Similarly, you can't serve your customers satisfactorily at peak traffic times if you have too few or untrained and uncommitted staff.

2. **Regular refresher training** is very important. It is extremely important to keep staff focused on:



|                                  |  |
|----------------------------------|--|
| Who the customers are            | Dealing with objections and complaints   |
| Basic selling skills             | Recognizing the customers selling 'hot buttons' or their motivation for buying |
| Good questioning techniques      | Closing sales techniques   |
| Determining the customers' needs |  |

Staff may feel inadequate in a selling situation if they have not had refresher training recently.

Nobody wants to do a poor job.

When salespeople fail, it is often due more to a lack of confidence than anything else is.

3. **Praise staff for a job well done**

Don't take your staff for granted.

Everyone likes to be recognized, in front of his or her peers for good performance.

When was the last time you did something to make your staff feel positive and proud about themselves and their place of work?

**4. Have weekly staff meetings** to get valuable feedback from staff

Schedule these meetings for the convenience of staff, not for the management's convenience.

The meetings should be at the beginning of a shift rather than the end of one. As well, they should be on business time.

Hold three or four meetings to include all staff members.

Staff meetings should be short (15 minutes or so)

An agenda should be prepared for these meetings.

Staff should feel free to provide input to the agenda.

If an issue is too involved to cover in these brief meetings, defer it to a special meeting.

The weekly meetings should always include the following general areas of discussion:

**Feedback on customer concerns and needs**

**Ways to remove any perceived barriers that do not make it easy for the customer to buy**

**Improvement of systems or procedures to make it easy for customers to buy**

**Merchandising ideas that may improve the presentation of products or services and make it easy for customers to buy**

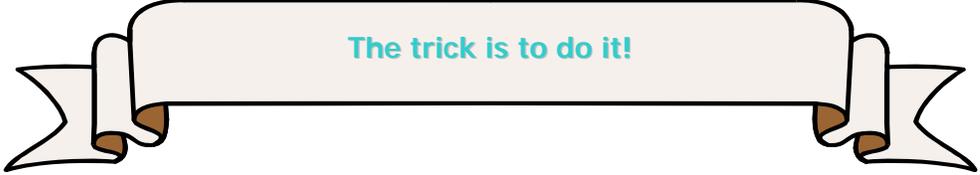
**Visual presentation ideas such as colours, interior and exterior signage including corporate, product and directional signage that will get the consumers' attention and make it easy for them to buy**

**Feedback on competitive activity**

**Issues of general concern to employees**

## Summary

The principles and suggestions outlined in **Maximizing Customer Sales & Staff Potential** are fundamental to maximizing customer potential and staff potential.

A horizontal banner with a light beige background and a black outline, featuring a ribbon-like effect at both ends. The text "The trick is to do it!" is centered in a teal, sans-serif font.

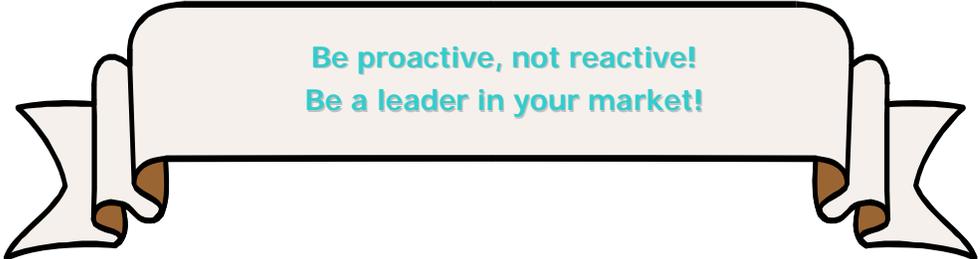
**The trick is to do it!**

Executing the basics that we know in our heart must be done is one of the biggest problems in business today. Don't get bogged down with a lot of things that won't have any effect on our bottom line.

Get your priorities straight and achieve outstanding customer service.



In these competitive times:

A horizontal banner with a light beige background and a black outline, featuring a ribbon-like effect at both ends. The text "Be proactive, not reactive!" and "Be a leader in your market!" is centered in a teal, sans-serif font.

**Be proactive, not reactive!**  
**Be a leader in your market!**

Start today and work with your staff to improve their skills and customer service and capture those precious sales.

All the cost cutting in the world will make no effective contribution to the bottom line if there is no revenue coming in to write the black ink in the first place.

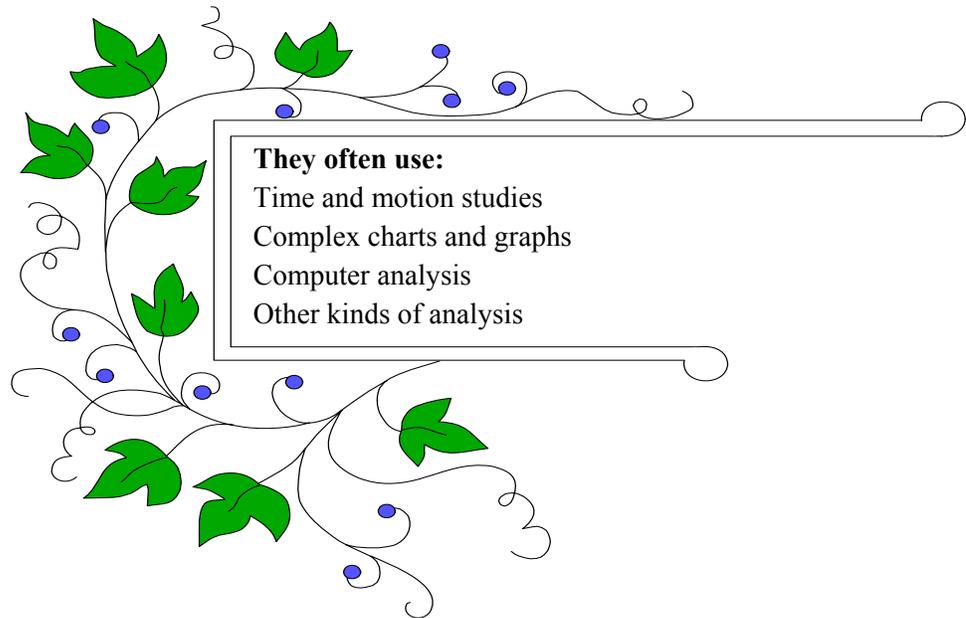
*Celebrate!!*



## 5. Maximizing Sales Force Potential

### Introduction

Businesses try to quantify, dissect, systemize, and otherwise control every aspect of business in an effort to improve performance.



It is assumed that once discovering the magic bullets, you will only have to push a button and out comes the desired answer or human response.

For the most part, direct these efforts towards internal operations. Even if operations are under constant scrutiny, there seems to be no end to the tinkering and fine tuning efforts to improve efficiency.

In the process, often owners and managers lose sight that:



In **Maximizing Sales Force Potential**, we will explode a few myths about salespeople and sales management.

Furthermore, we will examine some of the ways in which businesses can better motivate their sales force and maximize their potential.

### **How to use this information**

When you move through this information, compare some of the examples to situations in your company. **Be honest and objective in your comparisons!**

Ask yourself whether you have handled similar situations the same way. If not, what were the results? If nothing else, the message of this section is, to be sensitive and creative in your approach to solving business situations that rely on people for success.



**Please note:** Personal Performance Outcomes (PPO) is already a plural so PPO will be followed by a plural verb.



### **Myths about how to manage the sales force**

Often overlooked is the sales force in organizational planning and systems analysis. Often there are two basic viewpoints for management to take regarding their sales force: management fears the sales force or feels the need to control them.

### **Myth #1—Salespeople know best**

Some businesses are afraid to meddle with the sales force and rationalize the hands-off approach by arguing that the salesperson:

- \* Is closer to what the customers' needs are
- \* Knows best what the customers' needs are
- \* Can best determine how receptive the customer is to the business' products
- \* Income is tied to their sales performance and, therefore, they will just naturally do whatever is necessary to move as much product as possible

### **Myth #2—Salespeople must be controlled**

There are businesses that hold this point of view: to strictly control the sales force. Salespeople in these businesses are:

- \* Suspected of *giving away the farm* to get a sale
- \* Not completely trusted so they must be controlled to the 'nth degree'

In both situations mentioned here, we have a negative rather than a positive direction of the sales force. Both situations will often result in a high turnover of sales staff.

### **Sales and marketing—the driving force of a business**

In most organizations, the sales force is the key to realizing the sales and profit goals of the business.

The sales force should be involved as true partners in the realization of the business' outcomes.

If left to drift with no direction or guidance, the sales force will often take a line of least resistance and sell what is easiest to sell rather than what would be most profitable for the business.

Salespeople want and need guidelines. They need to be part of the big picture. They need to have an understanding of things like:

Production capability and costs  
Shipping and handling capability and costs  
Internal paper flow and controls  
Break-even analysis of departments and product lines  
Minimum gross margin requirements  
And much, much more

Salespeople don't have to be experts in all these areas of the business, but they need a basic understanding of these areas. Never forget salespeople are a vital part of the team, without whose efforts none of the bills will get paid.

### ***Creating the climate for good sales performance***

Management needs to provide the key ingredients necessary for sales force success.

**The key ingredients are:**

**Strong direction and focus upon the business' production needs**

**Frequent communication and monitoring of the employees' progress**

**Provide appropriate well-structured incentive programs that have a major employees' input component**

**Integrate these incentive programs with the production needs and capabilities of the business**

**Eliminate the *we vs. they* mentality that often exists between the sales force and operations staff and arrange for them to work together as a team**

### ***Common sales management situations***

Now all of this sounds easy but in practice, it takes a sensitive and creative manager of people to do it. Managers need to recognize the problem areas before they get out of control and apply the appropriate solutions to fit the situation.

All of the next scenarios are related to salespeople in some way even if the scenarios appear to centre on other people.

### ***Seven common salespeople situations***

Seven typical situations are encountered by businesses related to salespeople. Each scenario has three parts: a description of the scene, the problem, and finally the possible solution/solutions.

### Scenario #1:

Allow salespeople to sell what they want rather than what the business needs most to sell or have directed them to sell.

#### *Problem*

This is the result of a breakdown in communication between the sales manager and the sales force.

It is very common for companies not to inform the sales force about internal business problems in such areas as:

- \* \* Production capability
- \* \* Availability of inventory
- \* \* Break-even point (BEP) analysis for product lines or departments—what the business must sell to break-even
- \* \* What minimum profit margins are required

Consequently, salespeople go into the field armed with only a vague knowledge of what is expected of them and what must be achieved overall to be successful. They can make promises to the customers that cannot be kept.

This secretive approach taken by some companies is a huge mistake.

#### *Possible solution*

Don't solve this problem by the usual pep talk from the president, business owner, or sales manager at the next sales meeting.

The only way to eliminate the problem is for the business owner or sales manager to write clearly for the sales force.

The sales manager, in consultation with the salespeople, prepare a set of **personal performance outcomes (PPO)** that

collectively fulfill the business's goals and outcomes and provides firm guidance to field operations. Properly crafted PPO is a dynamic force throughout the organization. Tying salary reviews and incentive programs to PPO maximizes achievement.

| What are the problems?  |   |
|---|---|
| <b>The basic needs and objectives of the business</b>                 | <b>The business' shortcomings or weaknesses</b> |
| <b>The minimum profit margins required meeting company objectives</b> | <b>The business' capabilities</b>               |
|   | <b>The business' priorities</b>                 |

### Scenario #2:

Salespeople often concentrate on the big orders and give little attention to other prospects that, with a little attention, may blossom into a significant source of additional sales revenue.

#### *Problem*

In some cases, this policy is even condoned or encouraged by sales managers. Sales managers have been known to:

- \*\* Instruct that accounts below a certain volume are not to be called on
- \*\* Ignore that the salespeople are not servicing the small accounts

Often, salespeople will be content to *babysit* a few large accounts and try to maximize their potential. This may even look good for a time as the big orders roll in but, in the long term, it inevitably will leave the business in a vulnerable position.

#### *Possible solution*

To survive, a business must generate a constant flow of new business to replace the business lost every year by normal attrition.

To do this effectively, a business owner/manager must always be aware of the various types of customers that make up the business and the contribution that each type makes to the business.

|  |   |
|--|---|
| <b>Remember:</b>   |   |
| Five years from now, up to 50% of the accounts that presently make up 80% of the business will be gone   | <b>If there are too many eggs in one basket, the business can be devastated by the loss of even one of the eggs</b>   |
| <b>The mix of the customer account base is very important to profitability</b>   | The small account normally generates much higher gross margins and, if the business has enough of them, it can be a powerhouse of profit.   |
| Large accounts can be high volume, but often they can be very low gross margin business and sometimes very demanding and dictatorial. They know the power that they can sometimes wield. | <b>When diversifying the business, it is much harder to be displaced by a competitor in the market. It is easy to forget that eventually some little accounts will become big accounts.</b> |

### *Scenario #3:*

Salespeople may be very well versed on the features, benefits of their products, and possess good selling skills but they sometimes lack a comprehensive knowledge of the industry.

#### *Problem*

Salespeople have not usually *grown-up* in an industry. Good selling skills are transportable and many times a good salesperson comes from a related field and is successful by simply applying good selling techniques.

#### *Possible solutions*

Management should provide educating and training for the sales staff by:

- \*<sup>\*</sup> Providing training on industry structure and background
- \*<sup>\*</sup> Involving the salesperson with key customers and other business associates who are very knowledgeable about their industry
- \*<sup>\*</sup> Providing ongoing training on their market and their competitors

If salespeople have a good background and understanding of the industry, they are better able to anticipate customers' needs and solve their problems.

These same salespeople will be able to gain more quickly the confidence and trust of the customers.

### *Scenario #4:*

Frequently, salespeople are paid on the basis of *gross sales* rather than on the profit margin realized by the business.

#### *Problem*

In this situation, salespeople may be criticized for *giving away the farm* to get a sale. They may concentrate on the items that are the cheapest and easiest to sell. The problem is one of management and direction of the sales activity.

#### *Possible two solutions*

Rather than compensating purely on the basis of gross sales, basing a commission structure on gross margin yield is more effective. It will ensure that all the business' products receive the proper emphasis. However, although this approach will yield bigger dividends for the business, it does require some bookkeeping.

Alternatively, a system of rewards based upon PPO is much easier to administer and much more flexible. PPO allow the Sales Manager to:

- Tailor the outcomes to each salesperson and the needs and potential of their specific territory or account base

- Apply just the right emphasis on *gross sales* and *gross margin*

- Promote product development

- Focus on new account activity

- Encourage employee personal development

Good salespeople respond positively to this approach because it reflects the differences that exist between sales territories and rewards them on the basis of a broader range of positive accomplishments.

Besides, they are motivated by the feeling that they have more control over their results rather than just having arbitrary goals thrust upon them by management.

### *Scenario #5:*

Salespeople can sometimes seem to be working for themselves rather than for the business or as part of a team with others.

#### *Problem*

Field sales are highly competitive and, by nature, good salespeople must be aggressive and highly motivated. These positive traits can emerge in a negative way, if not channeled properly.

#### **For example**

**New promotional ideas and new ways to exploit opportunities may be withheld for personal benefit rather than shared with the group. This is particularly evident in businesses that pit one salesperson against the other in sales contests.**

**Periodically, a contest can be fun and a morale booster. However, if contests are too frequent and become the normal way of stimulating sales results, they can be damaging to the organization in terms of the effects on people and the distortion of the mix of product movement.**

#### *Possible solutions*

Solve the problem in the following ways:

Better communication and involvement of the sales force in realizing the business' goals

PPO are an excellent way to reward individual performance within a team concept of sales management

Regular sales meetings are another way to promote interaction of salespeople and the exchange of ideas

It can be very effective to have a top performer or perhaps just a different salesperson at each meeting make a presentation to their peers and to management on competitive situations encountered and the techniques employed to achieve success.

The advantages of this approach are:

It can stimulate a lot of positive discussion that produces new and innovative approaches to familiar problems.

It can be a real motivator for a salesperson to strive to make the best presentation, particularly when they know senior management is present.

It further provides a good forum for management to interact more with field salespeople and be more in touch with the real problems encountered in the field.

Another method that can be extremely effective is to spend time at sales meetings doing some role-plays.

These role-plays could be common or uncommon situations encountered by the salespeople. The salespeople should discuss the role-plays as to handling the situation or other ways of handling the situation.

### *Scenario #6:*

Burdening salespeople with excessive paperwork

#### *Problem*

When times are tough, businesses will often cut down the overhead by reducing office staff. This sometimes results in shoving extra reporting and paperwork down the pipe on to the salespeople's shoulders.

In this case, not enough thought has been given to the results of this action. Without sales, the business will not survive and, in tough times, maintaining, and increasing sales is even more vital.

If the sales force has to take on office tasks such as:

Doing credit checks

Pricing and extending invoices

Some other duty formerly performed by office staff

They will be much less effective in the field selling the product. Often the salespeople are not qualified or experienced to do this clerical work. They may not have the computer skills to complete the work in a timely fashion. The result is that the business is paying an extremely high price in relation to the savings realized when salespeople are left to do these kinds of tasks.

### *Possible solutions*

As far as paperwork is concerned, field salespeople should only be required to do three activities:

Sales orders

Sales activity reports

Expense reports

In this scenario, we are talking about the paperwork salespeople are required to do as part of their field activity. Customer follow up is a personal contact, field activity.

Burdening salespeople with paperwork takes time away from their aggressively following up customers in the field. That is where business will be developed and the results will be reflected in the salespersons' Sales Activity Reports.

### *Scenario #7:*

Salespeople who make too many promises that can't be kept.

#### *Problem*

This is a perennial complaint in many organizations. In their zeal to get the sale, salespeople will frequently put unnecessary pressure on the organization to fulfill their commitments.

The possible results are:

Unnecessary expense to fulfill the commitment

An erosion of *gross margins*

Untimely use of resources that may affect other customers

A greater risk of costly errors

The negative effect on business morale because of the unrealistic pressure on the organization

It can create potential problems with customers because not all of the promises can be kept. The salespeople and the business soon acquire a reputation for not following through on their commitments.

#### *Possible solution*

The business owner or sales manager has to ensure that the sales force has a better awareness of how production, material handling, and other aspects of business operations function.

*Salespeople should:*

Communicate better with internal operations

Consult with department heads before making promises

Remember in almost not all cases sales will be lost because of a minor delay

The customer appreciates the honesty of the salespeople and will simply schedule accordingly.

Salespeople who are in the habit of communicating with internal operations will find them willing to pull together, cut through the red tape, and do whatever has to be done to get the job completed if there is a genuinely urgent situation and if it does not occur too often.

### ***Common sales manager situations that affect salespeople***

Sales managers regularly encounter three typical situations when managing salespeople. Each situation has three parts: a description of the scene, the problem, and finally the possible solution/solutions.

#### ***Situation #1***

Sales managers frequently lack the qualifications to provide meaningful leadership to the sales force they are supposed to direct.

##### ***Problem***

Very often sales managers are top salespeople that were promoted from the field. They may have been terrific salespeople but they can frequently be terrible sales managers. This is known as the 'Peter Principle.'

This is a double tragedy for the business because:

The sales results of a top salesperson are hard to replace

By the time the problem with the sales manager is evident, it is usually too late to do anything about it

The result of this situation can be the loss of a formerly good employee

In this situation, the sales manager lacks the training and skills to do the job and:

They are content to function as a figurehead

They do not develop the sales policies and guidelines

They do not do the hands-on coaching necessary to produce results

They may be carried along for a while by the sales momentum of the organization but, after a few months, the lack of direction will start to be evident in eroded sales.

Although this type of new sales managers' background is in field operations, they often tend to forget the necessity to spend time in the field, listening first hand to the concerns of customers and experiencing the challenges the sales force is facing.

*Possible solution*

The solution to this problem is that businesses must pay more attention to employee career development. They must have a coordinated, long-term plan for training employees and moving them along a professional path throughout their work.

Businesses know that:

They eventually will need to replace the managers

They will likely be creating other management positions

Businesses must ask these questions:

Where will these new managers come from?

Will inadequately trained people be thrown into these new positions?

Will they have to hire future managers from outside the business?

In any case, the potential risk and cost to the business is huge compared to the cost of on-going training and development of existing employees.

It is extremely cost effective in the long term for a business to identify potential candidates for future management positions, even years in advance, and gradually provide them with the training they will need to be good managers.

When salespeople finally get that big promotion, rather than being *a fish out of water*, they will have all of the following skills needed to be a successful sales manager:

The business management training

The analytical skills

The organizational skills

The time management skills

The people management skills

## *Situation #2*

This is an example of a typical situation encountered by businesses related to management:

Management often fails to inform adequately the sales force about changes that are occurring in the industry. Good salespeople will have their *antenna up* at all times and will be quick to pick up on *winds of change* in the field.

### *Problem*

This problem is two pronged. Salespeople are not aware of changes, nor are they always aware of *the big picture*. Second, management has not kept them informed.

### *For example*

**There may be governmental or international pressures that can influence the way the business does business.**

### *Possible solution*

At regularly scheduled staff meetings, management should circulate trade journals or press releases about changes going on in the industry that could affect the company.

Discussion of the issues should be encouraged. Getting issues out in the open gives the company and the employees an opportunity to put rumors to rest and inform employees about the company's plans to deal with any changes.

### *Situation #3*

This is another example of a typical situation encountered by businesses related to management:

There are under utilization of equipment, resources, or specialized people skills within the business because the sales force is not directed and motivated to maximize these potentials.

Many companies have:

- Pieces of equipment that is underused

- A department that could handle much more work or different work

- Special people skills and capabilities that are not fully exploited

Not taking advantage of these potentially useable people skills is not the fault of the salespeople but it is a management problem.

#### *Solution*

Managers must ensure that the sales force is well aware of the production needs of the company.

They must know how important it is to the company to sell the complete range of company products and not just the top ten movers.

Then, through focused activity, using PPO and regular communication on any changes in the business' position motivate the sales force as a team to maximize the efficient use of all the business' resources.

### **Business considerations**

It is important, therefore, that the business recognize that the sales force is a vital part of operations.

That the sales force input can be significant to making major decisions on such issues as:

|  |  |
|--|--|
| <b>Future business outlook in a region</b> | <b>New competitive activity</b>  |
| <b>Pricing situations</b>                  | <b>Policy changes</b>  |
| <b>New competitive activity</b>            | <b>Any other issues that ultimately will have an effect on customers</b> |
| <b>Policy changes</b>                      |  |

By keeping the sales force well informed and involved in the decision-making process, the business will promote a dedicated and committed team that will improve the strength of the entire operation.

### **Summary**

This chat of some common sales management problems covers only the most obvious areas of difficulty encountered by sales managers. Two major factors stand out. They are:

1. People make businesses successful, not programs, not policies, and not procedures.
2. In the long term, businesses will succeed to the extent that they invest in, and develop quality people, and then communicate effectively with them.



*Celebrate!!*



## 6. Personal Performance Outcomes (PPO)

### Introduction

*Personal performance outcomes (PPO)* for key personnel are extremely important at all levels of an organization.

PPO are a formalized list of goals that should always include:

- \*\* Key corporate goals
- \*\* Personal goals
- \*\* A special project

Corporate goals will reflect a direct interfacing of overall business outcomes for the year with the individual's area of responsibility.



PPO are like a bike built for many.

Each person on the bike is part of the whole team. The bike has to move in the direction that the business owner or management determine.

Each person has a role to play and knows what that role is. It is important that everyone pedal together.

Collectively, all the PPO in the business express the will and direction of the enterprise. Administered properly, they are both prime motivators and planning tools.



### **How to use this information**

As you move through this section, think about how you would express your key corporate goals on a PPO for each position. Also, think about how the PPO for each position would relate key corporate goals to personal goals.

Furthermore, think of special projects for each person in your business. Special projects are a great way to develop the abilities of employees and, at the same time, perhaps show that you value their contribution to the company.

**Please note:** Personal Performance Outcomes (PPO) is already a plural so PPO is followed by a plural verb.

### **Key purpose of personal performance outcomes (PPO)**

There are at least two key purposes of PPO:

1. They provide a way of measuring the efforts of the individual and a group.
2. They are an organized way of monitoring and rating the performance of people in the organization for the purpose of compensation.

It is not necessary for everyone in the organization to have a PPO but each year they should be established for personnel such as:

- \*\* Outside salespeople
- \*\* Department managers

It is recommended that even for many people who do not require formal PPO; their department manager should provide them with specific short-term and long-term goals that they are responsible for achieving within a certain time frame.

*There are several tips that we can offer regarding using PPO:*

**Good people will respond to the challenge of meeting PPO.**

**A personal goal or project is a great motivator.**

**It is usually seen as an opportunity to test or prove themselves.**

**Business owners or managers should always personally congratulate employees for good performance.**

**Business owners or management should make sure that individual achievements are always recognized publicly within the organization.**

**A good way to recognize people is through a business newsletter, business sales meeting, or a seminar.**

## What is included in personal performance outcomes (PPO)?

PPO can be divided into several kinds of goals:

- \*\* Corporate goals
- \*\* Personal goals
- \*\* Special projects goals

### Corporate goals

The items included in PPO vary a great deal depending on the person's responsibility.

|   |   |
|---|---|
| For an outside salesperson, this would usually include items like | <b>Net sales</b><br><b>Gross margins</b><br><b>Expense control</b>  |
| For an office manager, it might include:                          | Installation of a new computer system<br>Implementation of a new office organizational structure<br>The introduction of new credit controls |

All of these items can have several sub-categories that are part of the overall objective.

### Personal goals

Personal goals are those directly related to the individual's area of responsibility and should be aimed at achieving something specific to that area.

#### *For example*

In a sales territory, the personal goals might be:

- Selling a major target account
- Market participation into a new area
- Introduction of a new product line

### **Special projects goals**

Special projects as part of PPO are a good way of allowing the employee to express their individual talents. Whenever possible, the project should be something in which:

- \* \* The employee has shown a special interest
- \* \* The employee has a special aptitude

There are positive benefits of assigning special projects.

**They can be great motivators.**

**They can be morale boosters for the employees.**

**They can be morale boosters for the entire organization.**

**People will naturally work hard at something of special interest to them.**

**The employees' drive and enthusiasm spins off to all areas of their work.**

**The employees' enthusiasm rubs off on others in the organization.**

A horizontal ribbon graphic with a light beige background and a black outline. The ribbon has decorative folds at both ends. The text inside is in a blue, sans-serif font.

**Management's prominent recognition of the achievements is very important**

## Preparing personal performance outcomes (PPO)

There are two parts to this section:

- Preparation steps
- Staff involvement

### *Preparation steps*

There are four steps in preparing PPO:

1. Management, before the end of a fiscal year, should prepare an outline of PPO. These will reflect the management goals that will be in keeping with the long-range Business Planning of the business.
2. As soon as the results for the fiscal year are known, managers at all levels should discuss PPO with their employees. Integrate the collective PPO at each level of the business into the next level, thus producing a consolidated PPO for the business.

#### *For example*

The field salespeople forecast the next year.

The department managers base their forecasts on the forecasts of the field salespeople.

The division managers base their forecasts on the forecasts of their department managers.

The owner of a business will base business forecasts on the total forecasts of the division managers.

Integrate the forecasts of one level into the next level.

*For example:*

Management may have an overall goal for the company of a 20% increase in sales but not all areas of the business probably can do this.

Management conveys their *wish* to all of those people in the company that will have a PPO. On an individual basis, they design a personal PPO with the goal of a 20% increase in mind.

However, more importantly, that person's PPO should reflect realistic goals that will stretch the person's capability but be seen by all concerned as achievable.

In an individual case, it may turn out that a 12% increase in sales may be a realistic goal but, for another person, a 22% increase might be realistic.

After all, of the PPO for the field salespeople in a business division are completed, the manager of the division bases his or her PPO for their division on the total of the PPO of their field salespeople.

If the division managers reported to a general manager, the general manager would base his or her PPO on the total of the division managers PPO.

Therefore, the process of preparing PPO starts with goals expressed by senior management. It then starts at the bottom and moves up through the ranks of the company until, ultimately, it would reach the CEO of the company who, in turn, has to answer to the Board of Directors and the shareholders.

At each level, the managers have to realistically factor that only 75–80% of the overall PPO will be achieved if they have been crafted properly.

By the time, the process is completed, what started as a desire on the part of management for a 20% increase in sales may now be modified to 15%.

This *realistic* projection provides a more reliable basis for the company committing funds to the necessary raw materials, etc., to support the expected performance in the field.

3. It should be accepted by all parties that there will be some flexibility in establishing PPO in different areas or divisions of a business because there can be great differences in the potential or capabilities of each division.
4. In the main, PPO must be consistent with the overall business plan requirements of the business and its marketing strategy.

There are six important criteria to keep in mind when establishing PPO in order to avoid confusion or resentment at the time of the assessments.

We discussed these criteria for business goals and outcomes in *The Business Plan*.

- \*\* The outcomes must be very clearly defined
- \*\* There must be no grey area or room for misunderstanding as to what is required
- \*\* The outcomes must also be achievable
- \*\* The outcomes must be time phased. It must be clear what period is being measured
- \*\* The outcomes must be measurable in a clearly understood way
- \*\* The method of measurement should be defined

***For example***

If a goal were set to increase sales by a certain percentage or amount, without defining whether sales meant ***gross sales or net sales***, it would lead to controversy at the time of assessment.

Consider these four other points:

1. All parties should understand what sources of information would be used to retrieve the data for PPO measurement.
2. PPO must always be timed so everyone understands the period of performance to be measured and when the deadline or cut-off period will occur.
3. PPO are often point weighted to reflect the difference in emphasis that the business puts upon various PPO categories.

4. The PPO rating then is a matter of adding the points achieved and expressing it as a percentage of the total to arrive at the performance rating.

There should not be too many PPO or the process becomes too complicated.

Too many PPO may make it impossible for employees to achieve all the PPO. A realistic number of PPO is eight or nine but these could be made up of two or three relevant sub-categories.

### **Staff involvement**

Involving the employees in this process is very important. If you want them to *buy* into the process, then they must have ownership of the process. Ownership comes because of assisting in the development of the PPO.

Before sitting down with the employee to discuss PPO for the coming year, the manager should:

Give advance notice to the employee that it is time to start preparing their PPO.

Make a definite appointment with the employee to discuss their PPO.

Provide the employee with any records they will require such as sales reports, commission reports.

Ask the employee to come prepared with data and ideas of his or her own to contribute to the formulation of the PPO.

It should be understood that this is a co-operative exercise and that PPO will be negotiated within certain guidelines

It will be a serious discussion: not a crystal ball session.

Grossly underestimating or overestimating PPO can be very serious for the business because much of the consolidated data will be used as the basis for budgeting and deploying the business assets.

#### ***For example***

Poor forecasting could result in gross imbalances in inventories with resulting problems in production and customer service or perhaps excessive financing charges.

In the PPO preparation steps section, we noted that the forecasts of each level of the business form the basis for the forecast of the next level of the business.

Therefore, in the interest of all concerned, the manager must control the direction of the discussion to avoid the sandbagger (the person who grossly underestimates their future results) or the blue sky (overestimating) forecasting of the over-zealous salesperson.

Consider that if each person overestimated their results by only 5%, by the time the figures pass from the salesperson to the department manager, to the sales manager and to the general manager, the data is inflated by over 20%.

### **How is personal performance outcomes used?**

After the PPO are written and agreed upon, there are at least two times during the year that PPO should be reviewed: fiscal year mid point and year end.

#### ***The initial agreement***

Once PPO are agreed upon, they should be typed, signed and dated with a copy for filing and a copy given to the individual involved. It is a good idea to set a time of six months into the fiscal year to review the progress made in achieving the PPO.

#### ***Year mid-point review***

Sometime around mid point of the fiscal year or mid point of the time assigned to the PPO, there should be a review of them.

**The reasons for the interim review are:**

**Some counselling or help from the manager may be necessary.**

**Something extraordinary may have occurred beyond the employee's control.**

**It may be necessary to adjust the PPO.**

The manager has to be careful, though, not to allow these review meetings to devolve into an excuse session. Again, employees are given plenty of notice of the meeting and advised to come prepared.

### *The year-end review*

At the end of the fiscal year, review the results in the same way as at the interim review and the actual performance rating established.

Again, some counselling or help from the manager may be indicated.

*The performance rating of the PPO is then used directly in:*

**Determining the bonus earned, if applicable**

**Determining the appropriate amount of salary increase on the anniversary hiring date of the employee**

A brief period should occur between a final PPO review and the setting of next year's PPO to allow all parties to digest the results and consider the next year's forecasting.

At the discretion of the business owner or manager, partial points may be awarded for a particular PPO on a pro rata basis or the entire PPO may have to be achieved.

#### *For example*

If, in the PPO example, 80% of the new business goals, item 5 were achieved, the manager may elect to award 8 points.

If this is to be completed with some PPO, the employee should understand this in advance.

It is recommended that this should not be brought about unless a minimum standard of achievement is in effect.

An acceptable standard, before the pro rata formula would apply, would be 60% or more of the goal achieved.

### ***Combining personal performance outcomes with salary administration***

In the **Unified Salary Administration Program** section, we referred to PPO being used in conjunction with established salary ranges to determine appropriate salary increases.

To assist you in relating PPO performance ratings to the salary grid, here are some suggested guidelines:

| <i><b>Ratings</b></i> | <i><b>Explanation of Ratings</b></i>  |
|-----------------------|---|
| <b>Outstanding</b>    | Must greatly exceed every PPO category  |
| <b>Excellent</b>      | Over 95% of the PPO achieved and the one missed must be a minor-rated item in the view of the manager   |
| <b>Good</b>           | 60 to 95% of PPO achieved but performance in the 60% range should not be accepted on a consistent basis<br>However, anyone can have a bad year  |
| <b>Fair</b>           | 45 to 60% of PPO achieved<br>This is not acceptable performance and counselling and assisting the employee to try to improve is in order  |
| <b>Marginal</b>       | Less than 45% of PPO achieved and, again, serious counselling of the employee is indicated<br>A formal warning that performance must improve within a certain time frame should also be issued<br>Assistance should be offered the employee to try to improve |



The sample PPO included below is a typical PPO for an outside salesperson. PPO can, and should be, established for key inside people.

***An example:***

A typical PPO for an office or plant manager might include outcomes like the following:

- Inventory deficit/increment within \$1,000 of budget
- Bad debts written off maximum \$1,000
- Receivable days outstanding (RDO) not to exceed 50 days
- Maintain office supplies within budget of \$3,000
- Implement new computer system by September 1, 2004
- All systems on line by December 31, 2004

A typical PPO should:

Conduct two staff training seminars on the new computer system—October/03 and March/04

Enroll in and successfully complete intermediate accounting course at a local college.

Notice that in both cases, stated above, of the salesperson and the inside person, we tried to include key corporate goals, personal goals, and special projects.

Notice that in both cases, stated above, of the salesperson and the inside person, we tried to include key corporate goals, personal goals, and special projects.

***Example of personal performance outcomes and salary administration***

The example illustrated below relates to the foregoing detailed discussion of personal performance outcomes. The PPO for positions in your business will have different general categories and sub categories. In addition, every business will place a different emphasis in assigning point weighting to the outcomes.

In the example below, we have clarified several abbreviations.

Mtd.—Month to date sales report

Op. Stmt.—operating statement

Mgr.—Manager

Gov't.—Government



Employee: \_\_\_\_\_ Dept: \_\_\_\_\_ Fiscal Year: \_\_\_\_\_

| Outcomes   | Source     | 2003 Actual | 2004 Goals | 20004 Actual | Points              | Results            |
|--|------------|-------------|------------|--------------|---------------------|--------------------|
| Total volume improvement in %  | Op Stmt.   |             |            |              | 10                  |                    |
| Volume improvement Product A in %  | Mtd. Sales |             |            |              | 3 x 3 = 9           |                    |
| Volume improvement Product B in %  |            |             |            |              |                     |                    |
| Volume improvement Product C in %  |            |             |            |              |                     |                    |
| Territory gross margin in %  | Op. Stmt.  |             |            |              | 3                   |                    |
| Polycarbonate panels \$ volume   | Mtd. Sales |             |            |              | 6                   |                    |
| Total new business volume  | Mtd. Sales |             |            |              | 10                  |                    |
| Target accounts to be sold<br>XYZ Glass<br>Mr. Quickly Auto Glass<br>Association Greenhouses<br>Excellent Window Products<br>Efficiency Property Management<br>Gov't. Project Management | Mtd. Sales |             |            |              | 5<br>Min.<br>4 of 6 |                    |
| Maintain territory expense   | Op. Stmt.  |             |            |              | 2                   |                    |
| Design & prepare display booth for school convention for March 10/00   | Mgr.       |             |            |              | 5                   |                    |
| <b>Total</b>   |            |             |            |              | <b>50 points</b>    | <b>X/50 points</b> |

Supervisor: \_\_\_\_\_ Date: \_\_\_\_\_

Employee: \_\_\_\_\_ % Achieved: \_\_\_\_\_

### Summary

A personal performance outcomes (PPO) system can be a dynamic and motivating force within a business. If the system is properly managed, employees feel empowered. They feel that they really do have input and some measure of control over their job and their future.

Everyone should pedal together in the same direction. Management determines the direction.



*Celebrate!!*



## 7. Manager Assessment Tools

Every business should have a policy of conducting periodic reviews of employee job functions and employees' performance. The reviews need to be structured and employees' attitudes towards reviews need to be positive. Both the business and the employee must view reviews as a way of:

- \*\* Examining the employee's job function and responsibility to see how it may have changed since the last review
- \*\* Discussing ways in which the job function and responsibilities could be structured to improve efficiency
- \*\* Assessing the employee's personal performance
- \*\* Discussing an employees career objectives and personal growth
- \*\* Looking at ways that the business might help the employee to attain personal career and growth objectives

Don't allow review meetings to become nothing but a forum for complaining and making excuses. To avoid this is one very good reason for the review process to have a structured format.

In this subsection, we will present and discuss two typical employee review tools.

Employee Review Questionnaire

Senior Employee Position Assessment

These range from a very simple annual review to a detailed assessment that is really designed for employees in very senior positions.

The use of these tools is not a one-sided affair. It is interactive. Take notes throughout the review meetings, summaries are prepared, and proposed actions are noted. Some of the conclusions or actions may or may not be part of the employee's future Personal Performance Outcomes (PPO).

Give the employees the review form some time prior to the review meeting. This will enable them time to consider all of the questions and come to the review meeting able to participate in a meaningful way.



The *Employee Review Questionnaire* would be used for most employees in a business while the *Senior Employee Position Assessment* is a very detailed assessment tool that would usually be put to use with a senior employee or contractor in special circumstances, such as:

- \*\* Employment contract renewal
- \*\* When the employee feels that they deserve a significant increase in compensation
- \*\* When the employee is being considered for promotion to a very senior position

With the shorter employee Review, the manager would discuss each of the answers to the questions as well as explore in more depth things like attitudinal issues and, of course, a review of the PPO.

It isn't practical to do this item-by-item review with the much longer more detailed Senior Employee Position Assessment. Prior to a review meeting, the employee's immediate supervisor will usually prepare notes summarizing key points to be covered at the meeting.

#### ***How to use this information***

Every business is different but also similar. You need to customize the questionnaire and the assessment tool to fit your business. Add names where possible (business, person doing the assessing, and employee). Change to questions to fit your business. Add questions that address your business and employees' job/position needs.

The questionnaire is written to provide you with ideas and possible areas of concern when assessing employees. It is not meant to fit all businesses and employee situations.

## 7.1 Staff Review Questionnaire

### Introduction

A staff review is a very useful communication tool between management and employees.

It provides a formal way for both management and staff to discuss issues of mutual concern.

Conducting staff reviews at regular intervals should be seen as a very healthy and positive process.

Complete reviews at least once a year. In some organizations, they perform them quarterly.

In this section, we will present a typical staff review meeting format. Of course, every business would customize the questionnaire by adding or modifying the questions to suit their business.

### *How to use this information*

Compare the ideas and methods presented in this section to the way you conduct staff reviews now.

#### *Ask yourself:*

1. In what way are these ideas different from the way you handle staff reviews now?
2. In what way are these ideas similar to the way you handle staff reviews now?
3. How would the ideas and methods presented in this section benefit your company?
4. How do you feel your staff would react if you implemented a staff review system similar to that presented in this section?
5. What steps would you have to take in order to implement a staff review system similar to the way it is discussed in this section?

## How to conduct a staff review

Below is a list of nine tips of how to conduct a staff review:

1. Give this form to the staff some time in advance of the meeting. The individual staff can then consider all the areas to be discussed and come to the meeting adequately prepared.
2. Both parties should bring a copy of the previous review to the meeting.
3. Both the employee and management should come prepared to take notes during the meeting.
4. It is a very interactive process.
5. The manager and the employee would discuss each of the answers to the questions.
6. The manager will explore in more depth things like attitudinal issues and, of course, a review of the PPO.
7. At the conclusion of the meeting, there should be a review and summary made of the:
  - \* \* Points of agreement
  - \* \* Points of disagreement
  - \* \* Plans for resolution of disagreements
  - \* \* Plan of action for attainment of mutual goals and outcomes
8. It is a good idea to hold the meeting in a 'neutral' location such as a boardroom rather than the employee's workstation/office or the manager's office.
9. The meeting time should be planned so that there will be no conflicts with other business activities. You do not want either party to feel rushed or under pressure during the meeting. In addition, other key employees should be aware of the meeting so that there will be no



### Sample staff review questionnaire

Name: \_\_\_\_\_ Conducted by: \_\_\_\_\_

Position: \_\_\_\_\_ Position: \_\_\_\_\_

Date: \_\_\_\_\_

1. How has your job changed or not changed based on your expectation since you were hired?
2. Provide some examples of how you are able or not able to use your training and experience.
3. What changes in the way you perform your job would make you more effective?
4. What factors do you encounter in your daily work that enhance or inhibit your effectiveness?
5. How would you improve the situation?
6. Are there any resources or equipment that you lack that would make you more effective or efficient?

Give an example for each resource and/or equipment you think is required.

What return on the investment would be derived for each?

7. What project do you feel was your best in the past year? Why?  
How could the project be improved if it were implemented again?
8. What project do you feel was your worst in the past year?  
Why was it your worst?  
What could have been changed to improve the situation?

For questions 9, 10, 11, and 12, rate yourself on the following scale of 1–5 (5 is the highest).

9. How would you rate your ability to work on your own? 1 2 3 4 5

Explain your selection. \_\_\_\_\_

10. How would you rate your ability to work as part of a team? 1 2 3 4 5

Explain your selection. \_\_\_\_\_

11. How task oriented are you? 1 2 3 4 5

12. How would you rate your relationship with your co-workers? 1 2 3 4 5
13. Do you put extra pressure on yourself to meet deadlines by putting off disagreeable tasks to the last minute?  
If so, give an example.  
Describe how you could improve matters.
14. How do you feel about your achievements this past year (up to the present time) versus your Personal Performance Outcomes [PPO]?
15. Knowing what you know, now what would you do differently to affect your PPO achievement?
16. What direction or assistance from management would have helped to improve your performance?
17. What training would you like to take to improve or upgrade your skills?
18. What direction or assistance from co-workers would have helped to improve your performance?
19. How available is management to consult with you when it is needed, and how can this communication be improved?
20. Describe how you get enough or too much direction from management.
21. What problems or concerns, if any, have you had with co-workers?
22. Please give examples of these problems/concerns.
23. What do you feel you can do to improve communication and relations with your co-workers?
24. What past training have you had in interpersonal relations in the workplace?
25. How would you improve the physical working conditions (for example, light, heat, atmosphere, storage, records, or office/workplace arrangement)?
26. How do you feel about flextime in the workplace?
27. What do you see yourself doing in your career 3–5 years from now?
28. What would you like to be doing 3–5 years from now?
29. What are you doing to prepare yourself?
30. What are your longer-term career goals?



31. What other issues would you like to discuss at this review meeting?

32. How do you feel this review process could be improved?

### **Summary**

A detailed review such as we have discussed here would take about an hour to complete. Sufficient time has to be given to each part of the review but it is important that both parties approach the meeting in a businesslike fashion and not allow the meeting to 'degenerate into a socializing or excuse session.'

Properly handled employee reviews are an important part of managing, motivating, and directing personnel.

## 7.2 Senior Staff Position Assessment

### Introduction

Periodically, it may be necessary to complete a very detailed assessment of an employee and her/his position. This is usually only in the case of a person holding a very senior position in the business. However, it may also be used for a contract employee involved in important business projects.

### *How to use this information*

The Senior Employee Position Assessment is a very detailed assessment tool that would usually be put to use with a senior employee or contractor in special circumstances such as:

- \* \* The individual staff's employment contract is due for review and possible renewal
- \* \* The individual staff is being considered for promotion to a very senior position
- \* \* An individual staff feels that they deserve a significant increase in compensation
- \* \* The business is changing its organizational structure
- \* \* The business is separating into more divisions and key responsibilities have to be reviewed
- \* \* The business is considering a merger or a sale of the business

## How to conduct an employee review

*Below is a list of seven tips of how to conduct an employee review.*

1. This form is given to employees some time in advance of the meeting. The employees can then consider all the areas to be discussed and come to the meeting adequately prepared.
2. Both parties should bring a copy of the previous review to the meeting.
3. Both the employee and management should come prepared to take notes during the meeting.  
It is a very interactive process
4. Prior to a review meeting, the employee's immediate supervisor will usually prepare notes summarizing key points to be covered at the meeting.
5. At the conclusion of the meeting, there should be a review and summary made of the
  - Points of agreement
  - Points of disagreement
  - Plans for resolution of disagreements
  - Plan of action for attainment of mutual goals and outcomes
6. It is a good idea to hold the meeting in a 'neutral' location, such as a boardroom, rather than the employee's workstation/office or the manager's office.
7. The meeting time should be planned so that there will be no conflicts with other business activities. You do not want either party to feel rushed or under pressure during the meeting. In addition, other key employees should be aware of the meeting so that there will be no interruptions.

### Sample senior staff position assessment

There are ten headings in this assessment. You have to customize them to fit your business.

|   |  |
|---|--|
| <ol style="list-style-type: none"> <li>1. Positions</li> <li>2. Tasks &amp; responsibilities</li> <li>3. Skills, knowledge, &amp; experience</li> <li>4. Decision-making &amp; judgment</li> <li>5. Accountability (operational &amp; supervisory)</li> </ol> | <ol style="list-style-type: none"> <li>6. Financial/material accountability (budget &amp; expenditures)</li> <li>7. Material/equipment</li> <li>8. Contacts</li> <li>9. Working conditions</li> <li>10. General questions</li> </ol> |
|---|--|

### Personal Position Evaluation for \_\_\_\_\_

| Position Title or Titles | Length of Service |
|--------------------------|-------------------|
| a.                       |                   |
| b.                       |                   |
| c.                       |                   |

#### 1. Positions

Briefly, outline the purpose of each position or the reason for its existence:

| Positions held in ascending order | Purpose of each position or reason for its existence |
|-----------------------------------|--|
| a.                                |  |
| b.                                |  |
| c.                                |  |
| d.                                |  |

## 2. Tasks and Responsibilities

What are your most significant tasks and responsibilities?

What specifically do you do on a day-to-day basis?

How do you accomplish your duties?

What are the results of your actions?

Using the chart to the right, please prioritize your key tasks and responsibilities. There are four parts:

- \*\* List the key tasks and responsibilities in ascending order of their importance
- \*\* Describe each task or responsibility—what is done and the impact of your actions or the result
- \*\* Indicate the percentage of your time that is taken by this task/responsibility
- \*\* On the 1-5 scale, note the importance of this task/responsibility in relation to all the others. A five would denote the highest degree of importance.

| Description of task listed by importance | % of time taken to perform it | Indicate responsibility in relation to other tasks |
|--|-------------------------------|--|
| a.                                       | %                             | 1 2 3 4 5  |
| b.                                       | %                             | 1 2 3 4 5  |

Add any comments you feel may further define the nature and scope of your duties: \_\_\_\_\_

## 3. Skills, knowledge, experience

What was the specific job skills/knowledge/experience required to perform your tasks/responsibilities?

What special training or experiences are required? Please illustrate your answers with examples.

Are there any specific subject areas where you feel that you bring specialized knowledge or experience to bear that is essential to the discharge of your duties?

If yes, please give examples.

Upon assuming your position, was a lengthy training period necessary or were you expected to take over right away?

Are you responsible for developing or initiating new projects?

If yes, please give examples.

#### 4. Decision making & judgment

Specify with *key* examples the types of decisions you make in your position.

Specify if there are general guidelines established, procedures, or precedents to follow:

| Types of decisions or use of judgment | Guidelines | Judgment | Procedures or precedents |
|---------------------------------------|------------|----------|--------------------------|
| Example 1                             |            |          |                          |
| Example 2                             |            |          |                          |

Describe the access you have to a supervisor or others for advice and guidance when solving problems and/or making decisions.

Please give examples.

State the consequences of errors in judgment exercise.

Please give examples.

## 5. Accountability

a. *Operational* [please circle the letter that represents the best answer]

| During the course of your normal work, are you required to          | N–Never<br>O–Occasionally<br>F–Frequently<br>M–Most of the time |
|---|---|
| Recommend changes to work methods and procedures<br>Describe        | N O F M   |
| Provide input to operational objective/program policies<br>Describe | N O F M   |
| Implement objectives and policies<br>Describe                       | N O F M   |
| Determine objectives and policies<br>Describe                       | N O F M   |

b. *Supervisory*

List the titles of people supervised and indicate type and nature of supervision exercised.

*For example*

Direct, Indirect, Technical Supervision or Functional Guidance

## 6. Financial/material accountability

Indicate and describe the accountability that you have in your position for budgets, expenditures, materials, and equipment:

### c. Budget

| Budget   | Yes | No | \$ Value |
|--|-----|----|----------|
| Are you accountable and/or responsible for a budget?           |     |    |          |
| Do you develop and formulate a budget?                         |     |    |          |
| Do you monitor a budget?                                       |     |    |          |
| Do you administer a budget?                                    |     |    |          |
| Do you record details of budget expenditures? Provide details. |     |    |          |

### d. Expenditures

In your position, do you have the authority to approve expenditures?

Yes \_\_\_ No \_\_\_

If yes, describe the following:

Type of Expenditure \_\_\_\_\_ Maximum \_\_\_\_\_ Frequency \_\_\_\_\_

## 7. Materials/equipment

Describe the equipment you are accountable for, the dollar value, and the nature of the accountability.

Type of equipment \_\_\_\_\_ \$ value \_\_\_\_\_ Accountability \_\_\_\_\_

## 8. Contacts

Briefly, describe the purpose of contacts you are required to maintain within the organization and outside the organization.

Internal—Job position or functions within the organization, but outside your direct line of authority

Contact \_\_\_\_\_ Purpose of Contact \_\_\_\_\_

External—Organization and job levels outside the organization, for example, senior position in industry-related organization

Contact \_\_\_\_\_ Purpose of Contact \_\_\_\_\_

## 9. Working conditions

Indicate how often the job demands you to complete tasks in the following conditions.

Describe the situations:

| <b>How often does your job demand you to:</b>   | <b>N–Never</b><br><b>O–Occasionally</b><br><b>F–Frequently</b><br><b>M–Most of the time</b> |
|---|---|
| Work where the temperature of the room is extreme (cold storage room, boiler room)<br>Describe                          | <b>N O F M</b>  |
| Work where there are unhealthy toxic fumes or material, (photocopy fumes, liquids, but not cigarette smoke)<br>Describe | <b>N O F M</b>  |
| Work with constant noise (office machines, printers)<br>Describe  | <b>N O F M</b>  |
| Work with very loud noise (printing press, machines)<br>Describe  | <b>N O F M</b>  |
| Exert physical effort (lift boxes)<br>Describe  | <b>N O F M</b>  |
| Exert strenuous physical effort<br>Describe   | <b>N O F M</b>  |
| Steady focus on a video display terminal (Computer screen)<br>Describe  | <b>N O F M</b>  |
| Perform work to meet constant deadlines<br>Describe   | <b>N O F M</b>  |
| Deal with customer deadlines on a regular basis<br>Describe   | <b>N O F M</b>  |

| How often does your job demand you to:   | <b>N–Never</b><br><b>O–Occasionally</b><br><b>F–Frequently</b><br><b>M–Most of the time</b> |
|--|---|
| Tell people what they don't want to hear (clients, the public, other employees)<br>Describe  | N O F M   |
| Deal directly with upset or impatient clients or the public (but not co-workers)<br>Describe | N O F M   |
| Travel overnight on the job (client contacts, conferences)<br>Describe                       | N O F M   |
| Day travel (meetings, presentations, workshops)  | N O F M   |
| <b>Risk considerations</b>   |   |
| How much risk of injury is there in your job?  | N O F M   |
| A high degree of unpredictable risk even when safety precautions are followed                | N O F M   |
| A high degree of risk where safety precautions are needed<br>Some risk<br>No special risk    | N O F M<br>N O F M<br>N O F M   |

Describe any other unusual working conditions \_\_\_\_\_

### 10. General information questions

- a. In what ways have you been able to apply directly your educational background?
- b. What have you completed recently to upgrade your skills?
- c. Where do you expect to be in five years?
- d. What do you like best about your job?
- e. What do you like least about your job?
- f. Give an example of your creativity in a business situation.

- g. Give three examples of major accomplishments.
- h. Give an example of a major failure.
- i. What kinds of decisions are the most difficult for you to make?
- j. What is the most difficult assignment you have had?
- k. How do you think your superiors view your performance?
- l. What do you look for most in a job?
- m. Would you say you are better in a staff or a line function?
- n. What are your three major strengths?
- o. What are your three major weaknesses?
- p. What motivates you?
- q. What are the qualities you look for in a job?
- r. What is your management style/philosophy?
- s. Give an example, from your own recent experience, of confronting a problem and providing leadership in solving it.
- t. What kind of supervisors have you had?  
Describe their strengths and weaknesses.  
How do they compare to your own?
- u. How do you spend your leisure time?
- v. How important is money to you compared to job satisfaction? Please rate on a scale of 1-7. (1 2 3 4 5 6 7) with 7 being the highest
- w. How much do you expect to be earning in three years?
- x. How would you describe your ability to work under pressure?  
Give an example.

## Final summary of sales staff management

In the **Sales and Marketing Management** material, we have presented and discussed the important areas of knowledge that are the concern of a sale and marketing manager or a sales manager. We have presented a number of practical tools and methodologies that may be used to:

- \* \* Effectively implement a marketing plan and target marketing plan
- \* \* Train salespeople and maximize their performance
- \* \* Manage, motivate and direct salespeople
- \* \* Improve management and employee communications
- \* \* Improve the people management skills of management

Good sales managers know that it is not easy to implement these ideas and methods because interacting with and motivating people is a complex task and requires analysis, insight, and adaptation to new situations. Managing and motivating the sales staff is the biggest challenge of a sales manager's job!

The range of skills and methods presented here take constant practice to apply effectively.

A good sales and marketing manager or sales manager knows that to realize the goals of the company the employees of the company will have to be motivated and working as a team.

Creating the working environment that will make this happen is the greatest management challenge.

You have learned sales management techniques that you should be able to apply in your business now. You have learned how to handle common sales management situations. Now, you need to practice them. Without practice, you will lose even the knowing.

You should have gained some insight into your own management style and leadership skills. Good managers know they must constantly work on improving their leadership skills and improvement only comes with constant practice in real life situations.

*Celebrate!!*



## 8. Management Styles & Leadership Skills



### Introduction

It is said that successful managers have a knack for managing people. They always seem to be able to motivate people to get the job done. Yet, if you ask them to explain how they do it, they often are not able to describe what they have done. Usually, they say that they have just found what works in different situations and that they use **common sense**.

There is a lot more to it than that. In this section, we will examine the various management styles and their use.

### **How to use this information**

As you work through this section, you should be introspective. Be honest with yourself. Try to assess what type of manager you are and what management style you use most of the time.

Try to remember various types of business situations you encountered and examine what your reactions were in relation to the people you supervise.

Ask yourself during and after this section, if you could have handled the situation better or differently and what the results may have been had you done that.

### **What is the ideal management style?**

Ask yourself the questions:

- \*\* What kind of a manager are you?
- \*\* How effective are you as a leader?
- \*\* What is the ideal or most effective management style?

Most managers may have vague feelings about these questions. Very seldom do most managers really find the answers.

Many people are not good at introspection and self-analysis. Most of us, to one degree or another, tend to downplay or rationalize our shortcomings and failures.

However, if we look at our lives and our careers, we invariably find that real growth in our personal lives and as managers has come by confronting our shortcomings and learning from our failures.

**There is no best management style:** no single, all-purpose leadership approach that meets all situations.

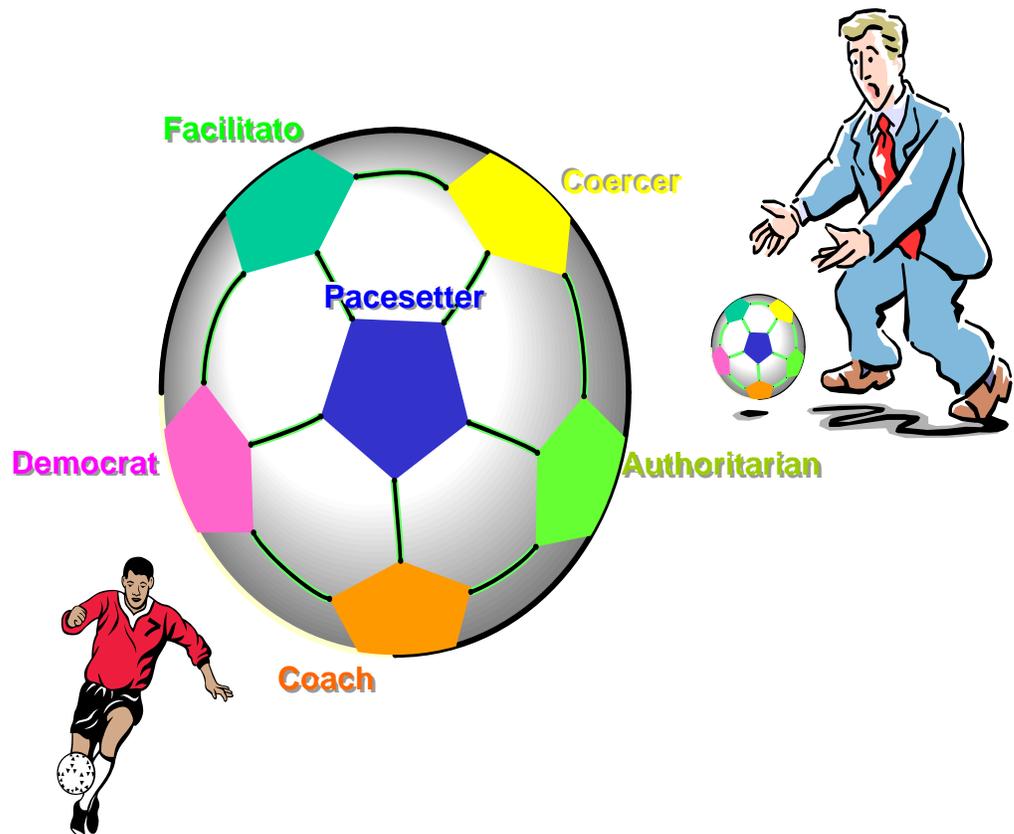
The consistently successful leaders are those who constantly adapt their style to the people and situations that they encounter.

Largely, the management style of managers is the result of how well they master and apply the various leadership styles.

### What are the various leadership styles?

As you read, each description takes an honest look at your own management style. Ask yourself; do you think your staff would agree with your perception?

The six major types of leadership styles are like a soccer ball. They are:



### The Coercer

The **coercer** is a person who controls or restrains by force, a person who want their instructions followed.

Most people would find this approach distasteful whether they are on the giving or receiving end. It is proven throughout history that to take constantly this approach is not an effective way to get long-term results. Berating and intimidating employees with threats of job loss or other dire consequences loses its effect rather quickly and actually is more of a **de-motivator** if continued for long.

However, the coercer is a valid management style and is the style of choice in certain circumstances.

A 3D-rendered soccer ball with white, grey, and yellow panels, positioned to the right of the text box.

#### For instance

In crises, there is no time for discussion. Severe damage to property or individuals may occur if immediate action is not taken.

In these circumstances, often no dissension can be allowed. Typical examples of these situations would be:

- a. Military field operations
- b. Some firefighting and policing operations
- c. Medical emergencies

The leaders in these situations often must take charge and issue direct orders, whether or not they turn out to be right or wrong. There is no time for discussion or interference from others. Failure to act immediately may result in loss of life or major property damage.

Even in a business environment, there can be infrequent occasions when the manager may have to be the coercer and demand immediate action. However, always be aware to use this mode of behaviour very sparingly or it quickly loses its effect.

### The Authoritarian

The **authoritarian** likes to have everything in order and requires strict adherence to rules and regulations.

At times, this style of management may be confused with the Coercer but they are quite different.



#### Authoritarian attributes are:

- They will usually only seek input from others as a *reinforcement* of their vision of how the organization should be run.
- They are not too concerned with being liked or disliked.
- A key concern is obedience to the rules and principles of the organization.
- They demand complete loyalty from everyone in the organization.

Authoritarian managers may be successful for a period but, if you look closer, you will often see that their personal success leaves a trail of destruction.

Do you know an Authoritarian manager? If so, you will recognize the following common traits and business conditions.

| Common authoritarian traits:   |  |
|--|--|
| Costly turnover of good employees  | They are not delegators who will spark people's imaginations     |
| A lack of personal growth among key employees in the organization  | They don't make their employees feel empowered to make decisions |
| They are not good people developers who can groom a successor  | They seldom involve employees in the decision-making process     |
| They find it hard to be a mentor   | They feel that nobody can do it as well as they can              |
| They will go to great lengths to ensure that there is no deviation from the way they personally would do a job |  |

All these aforementioned traits are a control issue in the mind of the Authoritarian who, at the extreme, can even be paranoid. They are afraid of losing control so they implement rigid rules and regulations.

Of course, this can be a stifling environment for employees where there is little opportunity to exercise initiative. Temporarily, in task-oriented situations, an authoritarian approach will appear to work but it is very damaging to the future growth of the organization and people with ideas and energy will go where their talents will be used and appreciated.

An Authoritarian should be very aware that even a benevolent dictator finds it exceedingly difficult to groom a successor!

### ***The Pacesetter***

**Pacesetters** feels that nobody can do it as well as they can but they also view themselves as a point man—a Field General whose job it is to lead by example.

This style of management is commonly (but not exclusively) seen in sales organizations where typically the manager was promoted from the field sales force.



#### **Common pacesetter traits are:**

Pacesetters tend to be high-energy individuals.

They can be very successful in pulling an organization up by its bootstraps.

They are hands-on managers who enjoy being on the front line dealing with field problems.

They will try very hard to help others to do it their way.

They are not content with only giving direction.

They frequently get impatient and jump in to show how it's done.

A downside of the Pacesetter style of management can be:

- \*\* This type of manager frequently burns out from trying to carry the organization on his or her own back.
- \*\* The organization can become too dependent on the efforts of one individual.
- \*\* Administratively, Pacesetters are often a disaster because they are too busy to attend to details.
- \*\* They usually only survive if supported by a strong team of people to make them look good while they are off *leading the charge*.

### The Coach

The **coach** knows that, in the long term, consistent achievement depends on training and motivating other people to get the job done.



#### Common traits of the coach are:

- Good communicator
- Very team oriented
- Feels committed to rise or fall on the results of the team
- Usually supportive of the team even through adverse situations
- Accepts a share of the blame along with the rest of the team
- Has *been there* and knows that experience is the best teacher

The coach often takes a very personal interest in the team and feels that success is never luck or the results of any individual's effort but rather is the result of the team pulling together.

The Coach may take charge occasionally to show how it's done. Nevertheless, he or she is not afraid to let people prove their worth although mistakes will be made. The Coach knows that if controlled properly, making mistakes is a learning experience. It is also more productive to promote initiative than it is to stifle it.

The Coach is capable of showing many faces. During a single situation, the Coach may be:

- |                   |            |
|-------------------|------------|
| ** Conciliatory   | Hard-nosed |
| ** Uncompromising | Hard-nosed |
| ** Uncompromising |            |

### The upside

- The Coach adapts quickly to the needs of the moment.
- The Coach is able to adapt to each individual employee to get the job done.
- The Coach has a talent for motivating the employee and making them feel that their efforts are valued.
- The Coach has a talent for motivating groups of people to work together and feel that their efforts are valued.
- The Coach generally demands and receives great loyalty from staff.

### The downside

- The Coach is frequently not administratively strong.
- There can be a tendency to become too immersed in the team.
- The Coach may tend to become too close to individuals and their problems.

### The Democrat

The **democrat** is team oriented and accepts responsibility for leadership. Nevertheless, rather than giving strong personal direction to the group for setting goals and achieving them, the Democrat chooses to consult with the group to arrive at a consensus on these issues.

**This style of leadership is common among, but not exclusive to:**

- \*\* Groups of professionals where the training, experience, and educational background of the manager and staff are not very different
- \*\* People who are equally talented
- \*\* People who are self-starters in situations that require little supervision
- \*\* Teams of people who are task oriented or have common objectives



However, in all of these instances, the conditions have to be right including good chemistry between the personalities of the people.

A soccer ball with a grey and white pattern and a pink patch, positioned at the top right of the text box.

**Common traits of a democrat are:**

- The democrat always feels that they can solve every problem by consulting with the parties involved.
- They always feel that issues can be resolved by talking it out until a consensus is reached.
- The democrat involves everyone in the decision-making process to the point that each person is not seen as wholly responsible for the decision.
- The democrat usually avoids having to be decisive.
- The democrat can allow things to get totally off the rails.
- People under the directions of a Democrat may all be off 'doing their own thing.'
- Operations may literally grind to a halt because no decisions are being made and no directions are being given.

The democrat is administratively strong as a rule and may be reasonably well liked as an individual but, in many cases, staff will lose respect for them as a manager and colleague.

### *The Facilitator*

The **facilitator** likes everybody and everybody likes her or him. The facilitator would like it to be this way.



#### **Common facilitator traits are:**

To avoid conflict at all cost

The important thing is that everybody be friends and get along well

Social events involving everybody are very important

Picnics, Christmas parties, hockey pools are seen as 'almost' as important as daily business and receive almost as much attention and effort

They think that if everyone is happy, they will naturally be successful without any help or direction from management

The facilitator may have good administrative skills but is so busy pleasing everyone that he or she becomes ineffectual as a decision-maker. Like the democrat, facilitators may be well liked as individuals but nobody has respect for their abilities as managers.

## What can we learn from these leadership styles?

Ask yourself the question. What kind of manager are you?



Did you see yourself in any of these management style descriptions?

The truth is that most of us are parts of all or several of these styles but are predisposed to be a combination of a couple of them.

For example, you may be a:

- \* \* **Coach/pacesetter**
- \* \* **Authoritarian/coercer**
- \* \* **Facilitator/democrat**



If you want to develop your abilities as a manager, it is important:

To know what your inherent style is

To know the strengths and weaknesses of that style

To learn to recognize situations where other styles of leadership should be used

## Management style background and theory

In research and theorizing on recognizing and adapting leadership styles, some studies try to quantify every aspect of data, and rate people on various scales as if leadership and management were an exact science.

Researchers have attempted to prove that all you have to do is use the right management style and you will get the desired effect.

However, in the business world, managers know that there are no textbook cases.

They know that while we can gain valuable insights through some of this research, the application of these management concepts in the workplace is quite a different situation.

People are just too complex to be easily categorized like this and the environments in which they are functioning are changing constantly.

## The reality of the workplace

Managers recognize that all people are at different stages of growth or development in regard to their job skills and their personal growth. Let's look at how management styles may be used by a manager during the career of an employee.

A typical management-style cycle:

Start of employment:

- \*\* The **authoritarian** management style is used when the staff requires strong task orientation because it is important that they know exactly what is required of them.
- \*\* The **coach** management style comes into play occasionally when providing *positive reinforcement* for good performance. This is an important learning tool.
- \*\* The **facilitator** management style is in use when giving people praise in front of their peers. On the other hand, to encourage the staff to be involved in company activities. This is also a useful way to promote positive performance.



In this illustration, you see how a manager would combine three management styles.

The trained employee:

- \* The **democrat** management style may be used, as an employee becomes competent and consistent in their performance. The employee may gradually be more involved in the decision-making process.
- \* The **coach** and **facilitator** management styles would continue to be used as appropriate.

The promoted employee:

The cycle starts again, when promoting the employee to a new position for which they may have little experience. The manager may become the **authoritarian** again to some extent to ensure that the employee gets the direction he/she needs.

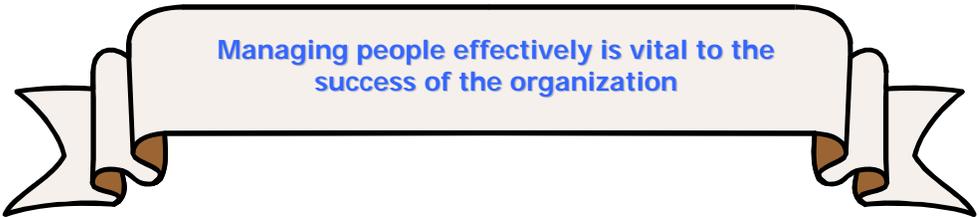
Managing and directing people effectively is a very complex issue. Consider that in the workplace we have:

- \* People at all different levels of the organization
- \* Each person is at a different level of growth
- \* Each person has different job skills
- \* Each person has a different level of experience
- \* Each person has very different personal attributes

At every level, a manager must be sensitive to these differences if they are to get the best performance from their employees.

They must learn to adapt their management styles to the needs of the people and the situation.

The *nuts and bolts* issues of business are simple compared to the effective management of people and managing people effectively is a manager's biggest single challenge.



Managing people effectively is vital to the success of the organization

The nature of that challenge is changing constantly.

*For example*

Just when a manager thinks everything is running smoothly, a mature employee who requires little direction or guidance has a personal crisis in their life. For a period, this seriously affects their performance.

In another situation, two employees who got along well previously are now, for the first time, working together in the same department and the sparks are flying.

These are typical situations where the sensitive manager needs to shift gears, and adapt the management style to meet the demands of the situation. To solve these problems, it may be necessary to use at different times, several of the management styles discussed here.

How would you deal with these problems and what management styles do you think are appropriate?

**Group dynamics**

We have discussed management styles in general and their application to individuals. However, there are group dynamics at work in any organization.

Group dynamics are the sum total and result of the predominant management style(s) of the senior management in the organization.

### *A typical scenario in typical group dynamics*

We hear it said all the time that the CEO sets the *tone* of the organization and it is very true that usually:



A chain reaction occurs from the top down.

This then is translated into a groundswell of positive or negative influence and response throughout the company.

Effective leaders must know their staffs well enough to meet their ever-changing abilities and the demands being put upon them.

However, sometimes leaders are not *in tune* with the changes occurring within their staff.

Over time, staff members, as individuals and as a group, develop their own patterns of behaviour and ways of operating in response to the style of leadership and the *tone* being set from the top.

These become the accepted standard or customary modes of behaviour in the organization and they are not easily changed.

Because of the level the individual is at, the leader may use a specific management style or styles.

However, the leader would likely have to take a quite different approach with a group.

This above example is particularly true with a manager coming to a new position in a different organization. Changes may be needed.

It may be the reason why they were placed in the position.

Nevertheless, to make drastic changes in the management style and the corporate culture can be disastrous. Such changes must be well thought out and implemented gradually if the integrity of the group is to be maintained and good people are not lost to the organization.

## Summary

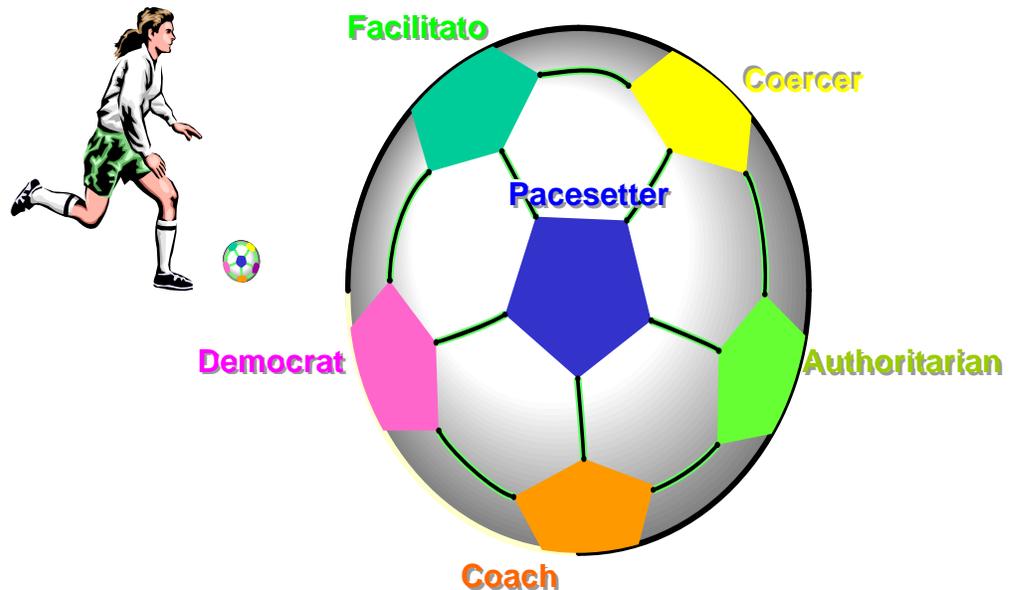
The effective manager cannot afford to alienate key people in the organization but, rather, will gradually build a following of supporters by skillful use of the management styles discussed here.

A true leader is one who:

- \*\* Draws people together
- \*\* Pulls people in the desired direction to achieve a goal
- \*\* Builds a following of loyal supporters

A poor leader is one who:

- \*\* Pushes people towards the desired goal.
- \*\* Invariably alienates many people in the process
- \*\* Does not develop and involve employee participation that results in weak and ineffectual employees and a weakened and ineffectual company.



*Celebrate!!*



## 9. The Use of Positive Reinforcement with Personnel

### Introduction

The use of *positive reinforcement* with employees is a strategy that is often neglected by management.

For many people, working is not worthwhile if there is not regular positive reinforcement.

Staff needs to feel that they have input into the decision-making process that they have some measure of control over their job function, and that management appreciates their efforts. It is very important that management consciously and regularly recognize staff's achievements by using positive reinforcement.



In **The Use of Positive Reinforcement with Personnel**, you will examine how you can create that right climate in your business to promote positive reinforcement. You will see some examples of the implementation of positive reinforcement.

### *How to use this information*

As you study this module, try to be introspective. Examine how you may have or may not have used positive reinforcement in your relations with your staff in the past.

Think of present or future opportunities to use positive reinforcement with staff. Make an effort to use consciously positive reinforcement. You will be pleasantly surprised at the result and your company will reap the benefits.

**Please note:** Personal Performance Outcomes (PPO) is already a plural so PPO is followed by a plural verb.

## Employing positive reinforcement with personnel

There are two kinds of reinforcement: positive reinforcement and *negative reinforcement*.

**Positive reinforcement** is giving staff recognition for their contribution to the company.

The contribution could be anything such as the completion of a project or coming forth with a good idea.

The recognition or reward doesn't need to be tangible. Very often receiving a *pat on the back* is even more effective, particularly if it is in front of the staff's peers.

The purpose of using positive reinforcement is to encourage similar employee behaviour in the future.

### *Some examples*

- The approval of an employer or manager such as a nod of the head, a smile, or someone saying *good work*
- Letting the person know when they were right. This is sometimes particularly effective if said in front of the person's peers
- The privilege of working with greater autonomy
- The opportunity to assist or take over a project from the business owner or manager

The variety of rewards or incentives can be very diverse. The business owner or manager must consider the person's individuality when designing an effective incentive. What may be a strong incentive for one person could mean little punishment to one person or as punishment to another.

### **Structuring positive reinforcement**

In business, structured reinforcement can be an extremely effective tool. Ideally, such a system involves *personal performance outcomes (PPO)* that the employee has a part in preparing.

PPO provide a framework to promote frequent mini-assessments of progress during the measurement period.

#### **Structured positive reinforcement is about:**

Making the employee aware of the business (and division, if appropriate) goals

Involvement of employees in the setting of goals and outcomes

Regular periods of performance assessment

Giving rewards or incentives for making progress towards achieving the goals and outcomes

A structured positive reinforcement system encourages focused and productive discussions on the reasons for the achievements or lack of achievement and what help may be required to fine tune employees' performance.

We can all remember times when things we learned were speeded up or reinforced when some kind of praise or satisfaction accompanied our learning. The same ideas apply to the business world.

Under **negative reinforcement** conditions, even if some learning occurs, it is an unpleasant experience. People then tend to withdraw from participation in the process and build resentment towards the trainer, the manager/business owner, or the organization.

Our role (as people managers) is to stimulate learning and job performance. We should always be aware of the adverse effects of negative motivation.

### *Applying positive reinforcement*

There are at least twelve key points for management to remember:



1. Get to know your staff. Get to know their wants, needs, and attitudes.
2. Don't expect peak performance overnight.
3. Set a series of interim goals leading up to the final goal and use appropriate small rewards as reaching each interim goal.
4. The goal, desired behaviour, or performance level should be clearly defined so that the employee knows when performance is moving in the desired direction.
5. The rewards should be frequent and incremental.
6. A reward is often appropriate even if a goal is not achieved but is substantially achieved.
7. Reinforcement schedules are crucial.
8. **Reinforcement** may be very frequent at the outset, then diminish, and become irregular as improvements are made.

Personal Performance Outcomes (PPO) are an excellent way of managing and directing the training, development, and motivation of employees.

9. Relate positive reinforcement directly to the job performance itself.
10. Seldom or never use negative reinforcement
11. An undesired response can often be eliminated by not reinforcing it or by simply reinforcing desired behaviour.
12. **Neutral reinforcement** (using silence during the teaching process) is non-harmful but it can be an effective strategy.

Silence, if used properly, can be effective but the manager must be aware and careful that it does not pave the way towards negative reinforcement.

*Absence of reinforcement* is another form of neutral reinforcement.

If undesirable behaviour or performance is ignored and there is no reinforcement either positive or negative, the behaviour will often disappear if, at the same time, positive behaviour or performance is rewarded.

Many people, whether consciously or unconsciously, will move towards the positive behaviour. This is particularly effective in a group situation at a meeting or with people working together in a team environment.

*Example*

In staff meetings, if an individual is excessively talkative and frequently jumps in with irrelevant comments, simply ignore the interjections and only recognize comments that are on the topic and contribute something meaningful to the discussion.

### Summary

The goal of managers should be to create a climate with a minimum of anxiety and a maximum of openness to new ideas.

The resulting energy, creativity, and dynamic participation by employees pay big dividends to the organization not only in terms of immediate profits but also in terms of the longer-term growth and strength of the organization.

Positive reinforcement plays a key role in accomplishing these ends. PPO are a very effective method of implementing a system of positive reinforcement.



*Celebrate!!*



## 10. Commission Sales Agreement

### Introduction

The **Commission Sales Agreement**, like an employment contract, defines terms and conditions of employment. It defines what is expected of both the employee and the business. It is a good way to eliminate any misunderstandings that may occur at some time in the future.

This Commission Sales Agreement will not be needed by all businesses. However, for those of you who have salespeople who work on commission, the agreement will be useful.

### *How to use the commission sales agreement*

You will have to customize this sample agreement to suit your business but this example will provide you with a framework.

This example commission sales agreement has 13 headings:

- |                                   |                             |
|-----------------------------------|-----------------------------|
| 1. Employment                     | 7. Sales leads & referrals  |
| 2. Remuneration                   | 8. Commission payments      |
| 3. Vehicle allowance & conditions | 9. Performance              |
| 4. Sales territory & accounts     | 10. Advertising & promotion |
| 5. Sales agreements               | 11. Conflict of interest    |
| 6. Sales prices                   | 12. Terms                   |
|                                   | 13. General                 |



## Sample Commission Sales Agreement

**Between: [employee name] hereinafter referred to as employee and business name] hereinafter referred to as \_\_\_\_\_**

\_\_\_\_\_ wishes to employ the employee as a commissioned salesman and the employee wishes to take on employment with \_\_\_\_\_ as a commissioned salesman;

The \_\_\_\_\_ and the employee agree on the following terms and conditions of employment:

### Employment

1. \_\_\_\_\_ hereby employs the employee as a commission sales clerk commencing the day of \_\_\_\_\_, 2000 to sell specific products as may be designated from time to time by \_\_\_\_\_ and the employee hereby agrees to diligently and faithfully use her/his best efforts to sell such products on behalf of \_\_\_\_\_.

### Remuneration

2. \_\_\_\_\_ shall pay to the employee a commission on sales as set forth in the attached commission Schedule "A".
3. \_\_\_\_\_ reserves the right to make changes in the schedule as it may determine from time to time but \_\_\_\_\_ will give two months' notice of any change. Commission payments will be payable monthly on the \_\_\_\_\_ of the month following the date in which commissions were earned.
4. In order to assist the employee at the beginning of her/his employment \_\_\_\_\_ may allow the employee to take a draw during the first three months as an advance in the amount of \_\_\_\_\_ per month on the anticipated earned commissions.

An example of the draw might be:

|                |         |
|----------------|---------|
| June 20th      | \$1,000 |
| July 20th      | \$2,000 |
| August 20th    | \$2,000 |
| September 20th | \$1,000 |

The September draw balances the June draw to make the amount advanced \$2,000 per month and

\$6,000 in total. After three months, if the earned commissions are less than the advances and commissions paid, the employee shall repay \_\_\_\_\_ the difference and, for this purpose, authorizes \_\_\_\_\_ to deduct advances from earned commissions.

5. For the purpose of this agreement, a commission is earned when the employee receives full payment on the sale.
6. The employee will be eligible for Medical Services Plan (MSP), including dental coverage and extended health benefits after a three-month waiting period. The employee will not be eligible for MSP, the group life insurance program, or the pension plan.

#### **Vehicle Allowance and Conditions**

7. \_\_\_\_\_ shall pay the employee a vehicle allowance of \_\_\_\_\_ per month in advance as an allowance for the use of the employee's own vehicle, if the vehicle displays designated advertising. Such advertising shall be provided at \_\_\_\_\_ expense and shall be removed by \_\_\_\_\_ on the termination of this agreement.
8. The employee understands and agrees that it is a condition of employment that she/he maintains her/his driver's licence in good standing. The failure to renew such licence or the loss of such license may result in the termination of employment. The employee shall operate at no time her/his vehicle on \_\_\_\_\_ business without a valid BC license and valid insurance as specified herein.
9. The employee shall insure any vehicle used on \_\_\_\_\_ business for business use and shall maintain, at her/his own cost, at least \$2,000,000 in third party liability coverage. \_\_\_\_\_ may require from time to time, proof of such coverage.

#### **Sales Territory and Accounts**

10. \_\_\_\_\_ shall assign to the employee a specific sales territory and may assign specific client accounts whether inside or outside such territory. \_\_\_\_\_ may alter or reassign such territory or such accounts from time to time if, in its opinion, such would further the interests of the business but \_\_\_\_\_ will confer with the employee before such reassignments if such will affect the work of the employee.
11. \_\_\_\_\_ assigns to the employee the territory and accounts specified in Schedule "B".

### Sales Agreements

12. The employee shall use the forms prescribed by \_\_\_\_\_ from time to time in contracting for sales. The forms provided shall include a requirement that a departmental manager approves sales and no sale is eligible for payment of a commission unless so approved.
13. It is understood and agreed that \_\_\_\_\_ may at any time:
- \*\* Refuse or reject an order for good cause
  - \*\* Cancel any order, in whole or in part, for good cause
  - \*\* Consent to the cancellation of an order for good cause either before or after the shipment of the merchandise
  - \*\* Accept any return of merchandise for good cause
  - \*\* Grant an allowance on merchandise or a service for good cause and for the purpose of this clause 'good cause' shall include good business and customer relations and \_\_\_\_\_ shall be the sole determinant of whether such good cause exists.
14. If \_\_\_\_\_ cancels or revises a contract for good cause then any commission payable will be paid on the basis of the revised contract price.

### Sales Prices

15. The employee in making sales contracts shall calculate prices based on sale prices in schedules provided from time to time by \_\_\_\_\_. Such schedules may provide some discretion in pricing to the employee.

### Sales Leads and Referrals

16. Maintenance sales leads: The business will rotate all general maintenance sales leads to each commissioned salesperson. When a specific salesperson is requested, the lead will be given to that salesperson. It will not be count as a general lead subject to rotation. Any general lead rejected by a salesperson will be offered to the next sales person in rotation. A salesperson rejecting a sale's lead will not be offered another lead until their next turn comes up in the rotation.
17. For the purpose of paragraph 14, a rejection includes a verbal rejection or non-performance on the lead for one business day.

18. **New business leads:** \_\_\_\_\_ will assign, as per Schedule "C," a list of customers who it will be the employee's responsibility to serve. New business customers will be added to the employee's list when prospected for by the employee and approved by the sales manager. The sales manager may add or remove from the employee's list customers where the sales manager is of the opinion that such is in the best interest of the business, but the sales manager will consult with the employee affected prior to any such change.
19. **Territory leads:** Leads originating in the employee's territory that is not customers assigned to other employees shall be assigned to the employee with responsibility for that territory. In the event that the salesperson does not accept or perform on the lead within one business day, the lead will be reassigned as part of the rotation.
20. The employee agrees to sell a minimum dollar value of jobs as set forth in Schedule "D". Failure to achieve such sales shall be grounds for termination, if no unusual circumstances exist and the failure continues for three consecutive months.

### **Commission Payments**

21. The commission on sales shall be paid as follows:
- \*  
\*\* Fifty percent of the commission payable shall be paid as an advance in the payroll period in which the contract was signed and accepted, providing that the contract deposit exceed 25% of the contract price.
  - \*  
\*\* The remaining 50% of the commission is due upon receipt of the final payment from the customer. In the event, the contract price is adjusted; the commission payable shall also be adjusted to reflect the revised sale price.
  - \*  
\*\* Notwithstanding the foregoing, \_\_\_\_\_ may (at its discretion) advance the employee funds prior to the receipt of the final payment from the customer. The employee does not earn such an advance until final payment is received and, in the case of non-payment for a period of four months, is repayable. If payment is ultimately received, then the employee shall be paid the balance of the commission payable under this agreement.

### **Performance**

22. The employee shall use her/his best efforts to effectively and professionally perform her/his duties under this agreement, Without limiting the generality of the foregoing, the employee shall:
- \*\* Provide prompt follow-up to all leads which are accepted
  - \*\* Prepare and present to the customer, estimates and contracts at sale price levels set by \_\_\_\_\_
  - \*\* Present all contracts for acceptance by the sales manager
  - \*\* Maintain contact with the customer throughout the project
  - \*\* Use best efforts to ensure the customer is satisfied with the project throughout it
  - \*\* Collect promptly all deposits and obtain funds following the completion of the project

### **Advertising and Promotion**

23. The amount of advertising or promotion spent in any territory or on any product is the sole responsibility of the sales manager. The employee is encouraged to give the sales manager ideas to enhance product sales and shall meet with the sales manager from time to time as may be required by \_\_\_\_\_ to plan or consider such activities.

### **Conflict of Interest**

24. It either is a conflict of interest for the employee to directly or indirectly sell or offer to sell services or merchandise in competition with \_\_\_\_\_. Conflict of interest is a ground for termination of this agreement. The employee shall inform \_\_\_\_\_ of any current or future employment with any third party and \_\_\_\_\_ shall determine whether the same is or could become a conflict of interest.
25. Notwithstanding paragraph 22, the employee shall use their best efforts to maximize sales following this agreement.



## Terms

26. This agreement shall take effect as of the \_\_\_\_\_ day of \_\_\_\_\_, 2000 and continues in force until terminated.
27. \_\_\_\_\_ and the employee may terminate this agreement without cause upon 15 days' written notice or upon notice as provided by section 42 of the Employment Standards Act, as amended, whichever period is greater.
28. In the event of termination of this agreement for any reason, the Employee shall:
  - \*\* Cease to act as an employee of \_\_\_\_\_, and cease using the name of the business or any trade names or trademarks belonging to the business.
  - \*\* Return all leads, sales contracts, and documents pertaining to her/his employment with \_\_\_\_\_.
  - \*\* Return all equipment, brochures, and display materials to \_\_\_\_\_. Moreover, if the former Employee complies with the above may, at its discretion, advance the former employee 75% of the anticipated earned commissions. If \_\_\_\_\_ is not satisfied with the former employee's compliance with this clause, then such commissions shall only be paid when there is full compliance with these provisions.

## General

29. This agreement constitutes the entire agreement between the parties and supercedes all previous agreements, memoranda, and understandings between the parties.
30. Failing to enforce any term or condition under this agreement does not constitute a waiver of \_\_\_\_\_ rights under this agreement.
31. If any part of this agreement conflicts with provisions of the Employment Standards Act, then that clause or provision shall be severed from this agreement. In the place of the conflicting provision shall be inserted any requirement under the said Act and the requirement of that Act shall become a part of this agreement.



**SIGNED, SEALED AND DELIVERED**

**In the presence of:** \_\_\_\_\_

**Name of Business:** \_\_\_\_\_

**Occupation:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**SIGNED, SEALED, AND DELIVERED in the presence of:** \_\_\_\_\_

**Name:** \_\_\_\_\_ **Occupation:** \_\_\_\_\_

**Address:** \_\_\_\_\_

## Summary of Sales & Marketing Management

In **Sales and Marketing Management**, you have viewed the essential knowledge and skills required by any business manager or owner to manage their business from a sale and marketing perspective.

The ideas and methods presented here may be put to use in your business immediately. These ideas and methods are universal in nature and really apply to the operation of any business.

The examples shown and the forms and questionnaires illustrated may need to be adapted to your business.

The success or failure of your business depends ultimately on the sale of its offerings. Developing, implementing, and managing the marketing strategy is about **Sales and Marketing Management**.

As you reviewed the material in this material, we suggest that you frequently consider how these ideas apply in your business and how these help would you to fine-tune your sales and marketing management skills.

If you are the owner or general manager of a small company, you fulfill the roles of both Marketing Manager and Sales Manager.

In medium size and larger companies, the role of Sales and Marketing Manager may be split into two functions, Sales Manager and Marketing Manager.

In practice, there can be a lot of crossover in areas of responsibility and the duties will vary with the company.

One of the primary lessons that you should have learned was the importance of people to any business. Good Sales Managers and Marketing Managers know that it is not possible to implement any of the ideas presented and discussed in this material without the full involvement and support of the people in the company.

## Grande celebrations

"Out of the strain of the  
Doing, into the peace of  
the Done."

--Julia Louise Woodruff



**Certificate**

Print and write in your name and date



**Frist Place Award**



**This Certificate of Achievement  
is awarded to**

*your name*

---

**for completing BizBite's Sales and Marketing**  
Awarded on the \_\_\_\_\_ day of \_\_\_\_\_ in the  
year 2000.

## Glossary of Terms

- Buying groups**—groups comprised of similar businesses that form an association or a company for purchasing on behalf of the group. They may also provide varying degrees of marketing support for the members of the buying group. Some buying groups may also provide distribution services.
- Creative platform**—the creative platform of a company is defined as the foundation from which flows everything the company does to present itself to the market. This means that (business cards, corporate colours, signage, newspaper Ads) **everything** the company does to present itself must be consistent, connected, and conveys a similar image of the company.
- Franchise**—an organization that provides varying degrees of business management, marketing support, and buying power to a member business. In return, the member business usually pays a substantial fee to join the franchise organization as well as annual membership dues and, in some cases, even a percentage of the profit.
- Gross margin improvement**—the degree to which gross margin is improved from one measurement period to another
- Gross margin (GM)**—the money left to cover the expenses of selling the offerings and operating the business. Same as gross profit margin defined below.
- Gross profit margin**—the difference between revenue and the cost of goods or services sold.
- Gross sales**—the total amount charged to all customers/clients during a time period.
- Gross sales volume improvement**—the degree to which gross sales to all customers is improved from one measurement period to another
- Market**—is a place where buyers and sellers come together. The number of people and their total spending—actual or potential—for your offering(s), within the geographic limits of your distribution capability
- Market segment**—a relative homogeneous group of customers who will respond to a *marketing mix* in a similar way.
- Marketing plan**—a written statement of a *marketing strategy* and the time-related details for carrying out the strategy.
- Negative reinforcement**—is when an employee receives a penalty or a punishment for their actions or performance

**Personal Performance Outcomes (PPO)**—is a way of measuring the efforts of the individual and a group. An organized way of monitoring and rating the performance of people in the organization for the purpose of compensation. Ideally, PPO are prepared with employee input and include key corporate goals, personal goals and special projects that will develop and enhance individual abilities.

**Product**—the needs satisfying offering of a business. It includes physical goods, services, features, quality level, installation, instruction, warranty, product lines, packaging, and branding.

**Point of sale (POS)**—This term is used to describe anything that occurs at the point where goods are displayed or a transaction is made.

**Potential sales**—are sales that are estimated to be achievable for a measured period of time

**Reinforcement**—is to add to, strengthen an object, or in the context of this course the encouragement of behaviour.

**Target market**—is a homogeneous (similar) group of customers to whom a company wishes to appeal.

The specific individuals, distinguished by socio-economic, demographic, and/or interest characteristics, who are the most likely potential customers for the goods and/or services of the business.

**Target marketing strategy**—is a marketing strategy designed to reach a certain group or groups of customers

**The end**