



Sales Management

Lesson 4

- **Consumer and organisational buyer behaviour**
- **Sales settings**

Consumer buying vs Organisational buying

Organisational buying:

- May be to specific requirements, often 80 per cent of output, in the former case, will be sold to perhaps 10–15 organisations
- It makes sense for suppliers to invest in long-term relationships with them
- Is more rational
- May be to specific requirements (product tailoring)
- Reciprocity is very important (A buyer of tyres for a car manufacturer may demand that, in return for the contract, the tyre producer buys its company cars from the car manufacturer)
- Involve many people at different levels of the organisation (managing director, product engineers, production managers, purchasing manager and operatives)

Consumer buyer behaviour

Understand the customer in 5 questions (valid for both consumer and organisational buyer)

1 Who is important in the buying decision?

2 How do they buy?

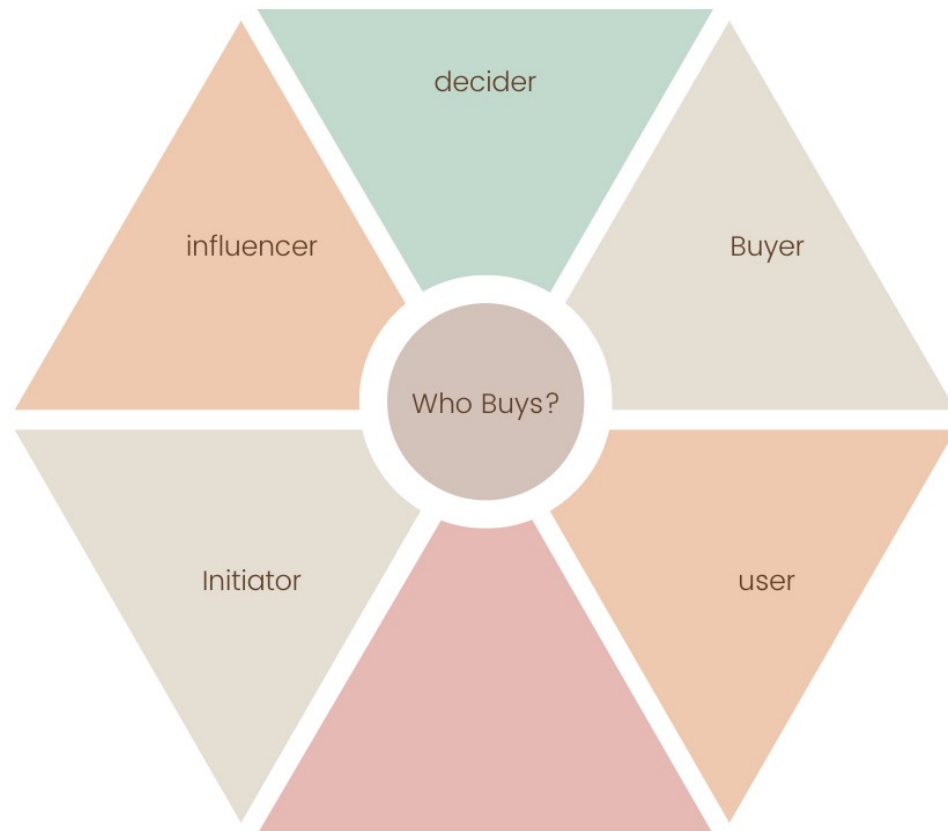
3 What are their choice criteria?

4 Where do they buy?

5 When do they buy?

1 Who is important in the buying decision?

the players in decision-making process



Initiator: the person who begins the process of considering a purchase. Information may be gathered by this person to help the decision.

Influencer: the person who attempts to persuade others in the group concerning the out- come of the decision. Influencers typically gather information and attempt to impose their choice criteria on the decision.

Decider: the individual with the power and/or financial authority to make the ultimate choice regarding which product to buy.

Buyer: the person who conducts the transaction, calls the supplier, visits the store, makes the payment and effects delivery.

User: the actual consumer/user of the product.

1 Who is important in the buying decision?

the consumer decision-making process

Need identification/Problem Awareness

Information Gathering

Evaluation of alternative solutions (products)

Selection of an appropriate solution (products)

Post-purchase evaluation of decision

Needs

- *Functional*
- *Emotional*
- *Psychological*

How do needs arise?

They may occur as a natural process of life; for example, the birth of children in a family may mean that a larger car is required.

Live-task: Consumer vs
Organisational buying. Do you
remember 3 differences?

**Please, raise your hand! (1
difference per student)**



2. Information Gathering



This search may involve visiting car showrooms, watching car programmes on television, reading car magazines and Which? reports and talking to friends. Clearly, many sources of information are sought besides that provided by the salesperson in the showroom.

3 Evaluation of alternatives and selection of the best solution

Evaluation may be thought of as a system

Evaluation criteria
economic, social or personal

Beliefs

Attitudes

Intentions

4 Post-purchase evaluation of decision

Salespeople often try to reassure buyers, after the order has been placed, that they have made the right decision, but the outcome of the post-purchase evaluation is dependent on many factors

Importante: an effective marketing leads to customer satisfaction. may not be in the salesperson's long-term interest to pressure buyers into buying higher priced items which possess features not really wanted



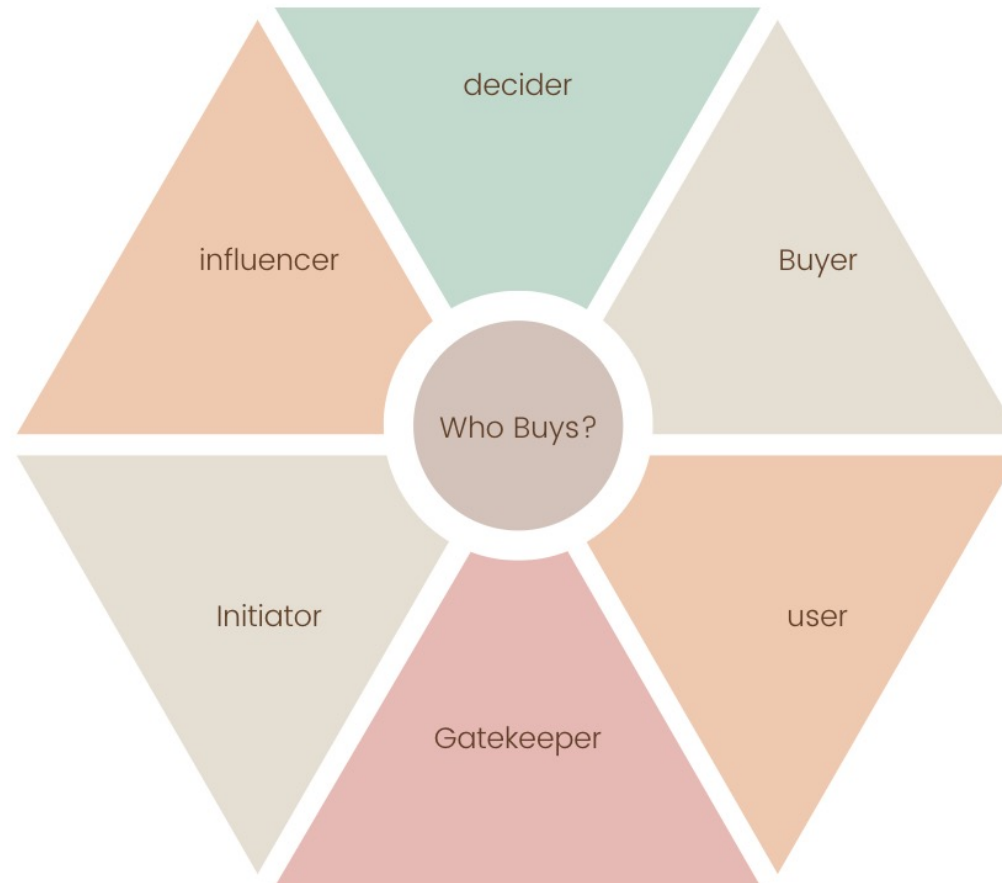
Organisational buyer behaviour

Can be divided in:

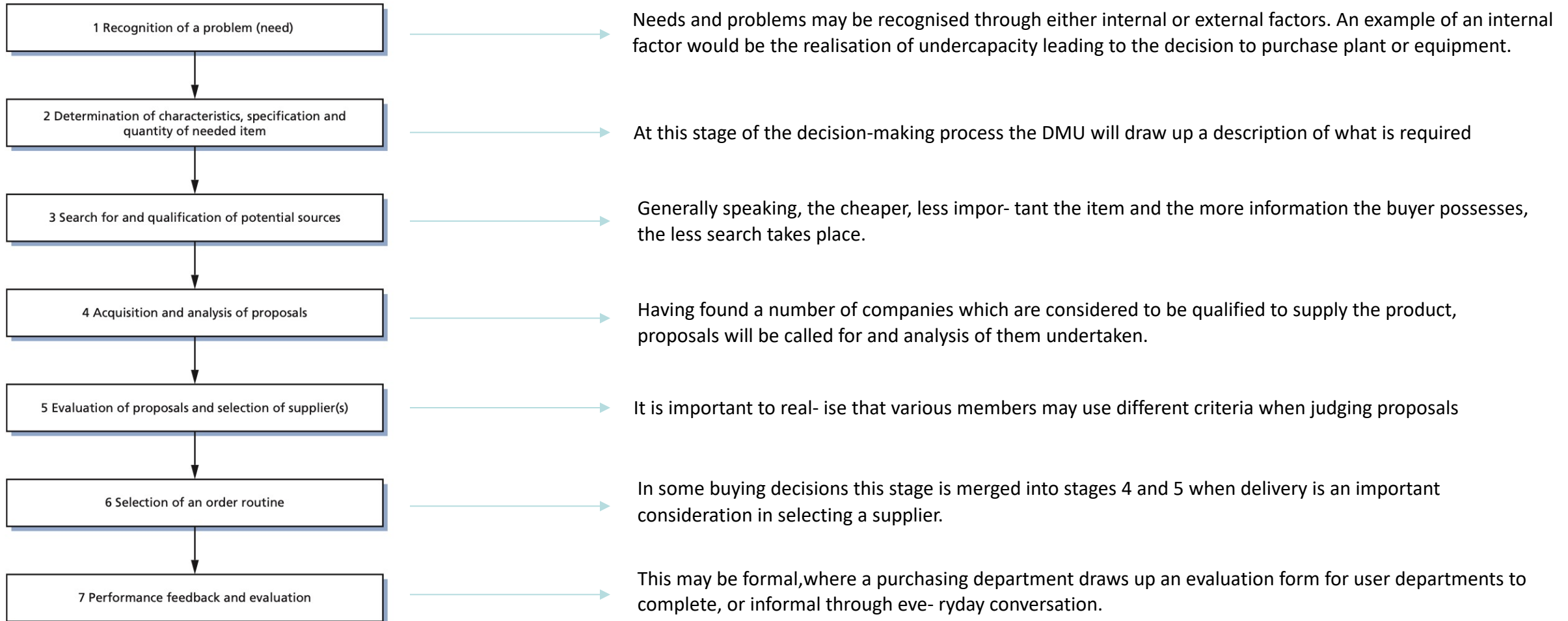
1. Structure 2. Process 3. Content

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The decision is in the hands of a decision- making unit (DMU), or buying centre as it is sometimes called.
This is not necessarily a fixed entity. Bonoma and Webster have identified six roles in the structure of the DMU:



1. Structure 2. *Process* 3. Content





1. Structure 2. Process 3. Content (the what factor)

A purchasing manager who is judged by the extent to which they reduce purchase expenditure is likely to be more cost-conscious than a production engineer who is evaluated in terms of the technical efficiency of the production processes they design. As with consumers, organisational buying is characterised by both functional (economic) and psychological (emotive) criteria (see Table 3.2)

Quality

Many buying organisations are unwilling to trade quality for price. emergence of total quality management (tQM) and just-in-time (JIT) delivery systems which rely upon incoming supplies being quality guaranteed.

Price and life-cycle costs

Increasingly buyers take into account life-cycle costs, which may include productivity savings, maintenance costs and residual values, as well as initial purchase price, when evaluating products.

Continuity of supply

Organisational customers are demanding close relationships with 'accredited suppliers' who can guarantee reliable supply, perhaps on a just-in-time basis.

Office politics

Because department X favours supplier A, department Y automatically favours supplier B. The outcome not only has purchasing implications but also political implications for the departments and individuals concerned.

Personal liking/disliking

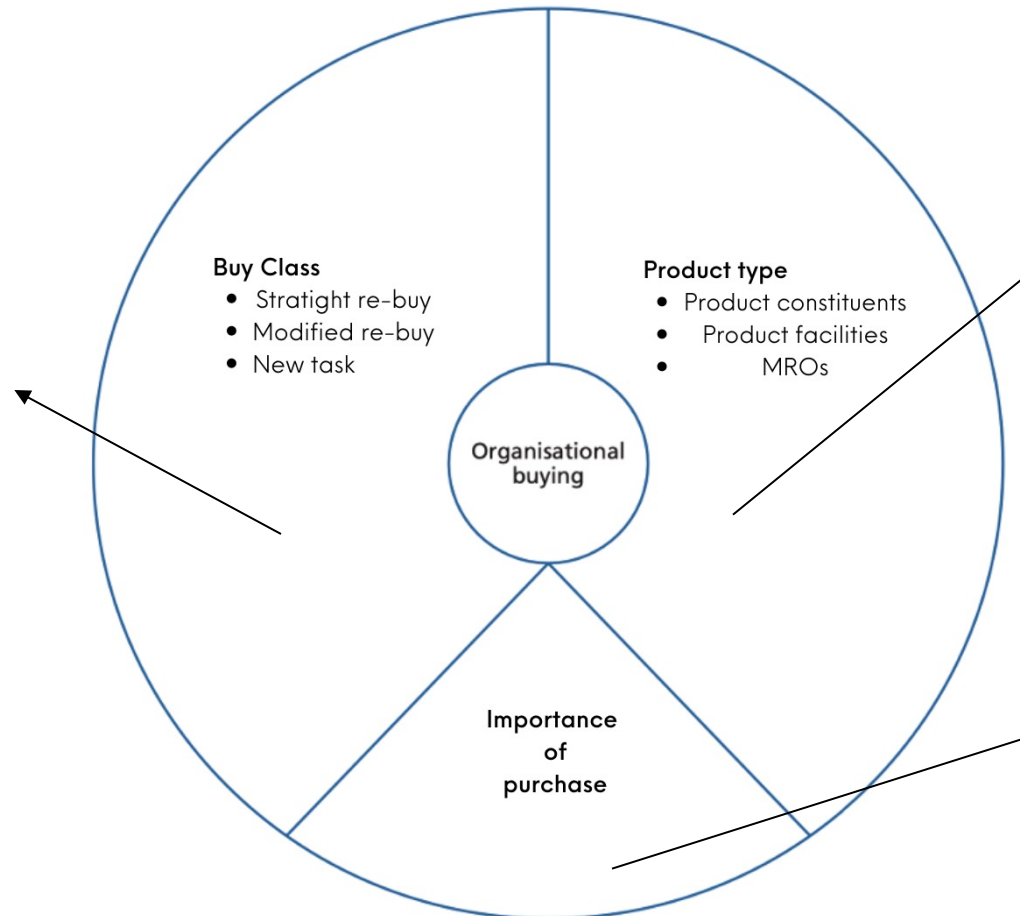
selective exposure: only certain information sources may be sought; *selective perception*: only certain information may be perceived; *selective retention*: only some information may be remembered.

3 Factors affecting organisational buyer behaviour

A new task occurs when the need for the product has not arisen previously

The modified re-buy lies between the two extremes.

A regular requirement for the type of product exists and the buying alternatives are known, but sufficient change has occurred to require some alteration of the normal supply procedure.



Product constituents

Materials to be used in the production process, e.g. steel; *Components* to be incorporated in the finished product, e.g. alternator;

Production facilities

Capital plant and equipment; Products and services for *maintenance, repair and operation (MROs)*

If important, many people at different organisational levels are likely to be involved in the decision and the process is likely to be long, with extensive search and analysis of information.





Live-task: The 6 rules of DMU. Do you remember them?

Please, raise your hand! (2 rules per student)



Developments in purchasing practice - JIT (Just in time)

Aims to minimise stocks by organising a supply system which provides materials and components as they are required.

A number of JIT practices are also associated with improved quality. Suppliers are evaluated on their ability to provide high-quality products.

Purchasing inventory and inspection costs can be reduced, product design can be improved, delivery streamlined, production down-time reduced and the quality of the finished item enhanced.

The implementation of JIT requires integration into both purchasing and production operations.



Centralised purchasing

Centralisation encourages purchasing specialists to concentrate their energies on a small group of products, thus enabling them to develop an extensive knowledge of cost factors and the operation of suppliers.

System purchasing

It is widespread in capital goods industries such as IT, telecommunications and trains. For example, Alstom Transport, the train manufacturer, offers solutions for 'train availability', and Thales Training and Simulation, the flight simulator manufacturer, provides military customers with 'flight training solutions'.

Reverse Marketing

The purchaser takes the initiative in approaching new or existing suppliers and persuading them to meet their supply requirements.

Leasing

Many evaluations as lease vs buy, rates, tax advantages, perceived benefits



What is the thing you liked the most till now?

Answer and then a 10 minutes pause



Which forces are affecting selling and sales management?



1. Behavioural 2. Technological 3. Managerial

Rising consumer and organisational buyer expectations

«What makes customer satisfaction so difficult to achieve is that you constantly raise the bar and extend the finish line. You never stop.» Technological advances have created new higher customer expectations.

Globalisation of markets

As companies expand into new overseas markets, there is a need to understand different cultural expectations and to give thought to various cultural issues

Customer avoidance of buyer–seller negotiations

For example: the purchase of a car is the most anxiety-provoking. some car companies have moved to a fixed price, no pressure and full book value for the trade-in approach

Expanding power of major buyers

Their enormous purchasing power means that they are able to demand and get special services, including special customer status (key account management), just-in-time inventory control, c

Fragmentation of markets

Marketing and sales managers need to be adept at identifying changes in consumer tastes and developing strategies that satisfy an increasingly varied and multicultural society.



1. Behavioural 2. *Technological* 3. Managerial

Salesforce automation

tablets, laptop and palmtop computers, mobile tele- phones, fax, email and more advanced sales software which aid such tasks as journey and account planning, and recruitment, selection and evaluation of sales personnel. In addition, electronic data interchange (EDI) provides computer links between manufacturers and resellers (retailers, wholesalers and distributors), allowing direct exchange of information.

Virtual sales offices and electronic sales channel

The internet has also raised customer expectations regarding salesperson knowledge about their company and responsiveness. In 2013 Salo and Wendelin contended that advances in IT have made communication and transactions in business markets more effective, but its influence on business relationships remains an under-researched area. Digital bonds were found to be drivers of other bonds that benefit the strength of the business relationship.



1. Behavioural 2. *Technological* 3. *Managerial*

Employing direct marketing techniques

Customers can compare features of competitive models, calculate running costs, compute monthly payments, and use the computer to write up the order and transmit this to the factory, without the intervention of a salesperson.

Improving cooperation between sales and marketing

Improved technology has encouraged the creation of virtual offices, allowing sales personnel to keep in contact with head office, customers and co-workers.

Encouraging salespeople to attend training programmes and acquire professional qualifications

Recognize the importance of training and professional qualifications. In Britain, the Chartered Institute of Marketing (CIM) offers qualifications at introductory, professional and postgraduate levels in marketing with the aim of enhancing sales professionalism, skills and competencies.

Strategic Customer Management

Intelligence – deep understanding of customer's business

Interfaces - Customer Relationship Management, Key Account Management

Integration - welding all the company's activities and processes in one point to delivery at the customer

Sales Channels

The route that goods take through the selling process from supplier to customer.

Main points of a good Logistics

1. Order processing 2. Materials handling 3. Warehousing 4. Inventory control 5. Transportation 6. Packaging

When selecting or reappraising channels, the company must take into consideration:

the market - ensure that as many potential consumers as possible will have an opportunity to purchase the product or service

channel costs - A company selling direct may achieve large market coverage, but in addition to increased investment in the salesforce, the firm incurs greater transportation and warehousing costs.

the product - A narrow product line is more suited to a longer channel because along the distribution chain it can be combined with complementary products of other manufacturers, resulting in a wider range of items with which to interest the customer

profit potential - A manufacturer using short channels is more likely to have high gross margins, but equally higher channel expenses.

channel structure - If members of the channel are strong (by virtue of, say, their size), then it will be difficult for a manufacturer to go outside the established channel. In some could also be difficult to entry.

product life-cycle - Consideration must be given to how far the product is along the product life-cycle.

Sales Channels

There are 4 types of sales channels according to their approach

Direct: no use of middleman

Selective: limited number of middlemen

Intensive: maximum exposure

Exclusive: restricted number of dealers.

Channel decisions are strategic mainly because once established, such decisions can be difficult to change, at least in the short term. For example, the selection of target markets is affected by, and in turn affects, channel design and choice



Live-task: Which forces are affecting selling and sales management?

Please, raise your hand! (1 force per student)



Industrial/commercial/public authority selling. Categories with particular characteristics

- **Fewer customers**, for specificity and complexity
- **Concentrated markets**, because of few customers
- **Complex DMU**, since not only the buyer is involved
- **Long-term relationship**, because there is a tendency to build up strong personal relationships over a long time and high- pressure sales techniques could be counter-productive
- **Reciprocal Trading** (can be frustrating)

4 main types of production:

Job (or unit or project) production: an item is produced or constructed to individual customer requirements. It is difficult to forecast demand in such circumstances. Examples are ships, tailor-made suits and hospital construction.

Batch production: a number of products or components are made at the same time, but not on a continuous basis. As with job production, batches are normally made to individual customer requirements, but sometimes batches are produced in anticipation of orders. Product examples are books, furniture and clothes.

Flow (or mass or line) production: this is continuous production of identical or similar products that are made in anticipation of sales. Examples are motor cars, video recorders and washing machines.

Process (or continuous) production: the production unit has raw materials coming into the manufacturing process and a finished product emerging at the end. Examples are chemicals, brewing and plastic processes.



Selling for resale – 7 different types of selling outlet:

Multiples, belonging to a retail organisation with ten or more branches

Variety chains, similar to multiples except that the qualifying number of branches is five

Co-operative societies, owned and controlled by the people who shop there

Department stores, stores with five or more departments under one roof and at least 25 employees

Independents, traders who own their own retail outlets

Mail order, The most popular type of arrangement is the mail order warehouse that carries a large range of goods

Direct selling, like as Avon Cosmetics



Franchising. A recent trend in Europe

It is a corporate vertical marketing system (VMS) and comes in different forms:

From manufacturers to retailers: e.g. a car manufacturer (the franchisor) licenses car distributors (franchisees) to sell its products.

From manufacturers to wholesalers: popular in the soft drinks industry. Manufacturers are the driving force behind the brand image of the product and stringent consistency and control of quality are paramount.

From wholesalers to retailers: the most successful example is the voluntary group 'SPAR', which does not manufacture. Independent retailers join the group and display the SPAR logo.

Service firm sponsored franchise store: fast food, car rental, hotels and resorts



Live-task: The 6 points of a good logistics.

Please, raise your hand! (2 rules per student)



Arrange a Franchise in 6 procedures

The franchisor offers expert advice on such matters as location, finance.

The franchisor promotes the image nationally or internationally and this provides a well- recognised name for the franchisee.

Many franchise arrangements have a central purchasing system where franchisees buy at favourable rates or where a successful 'formula' is central to the operation of the franchise

The franchisor often provides initial start-up and then continuous training to the franchisee.

A franchise arrangement normally requires the franchisee to pay a royalty or franchise fee to the franchisor. However, the franchisee owns the business and is not employed by the franchisor.



What about services? Selling services is different from selling products

the benefits are less tangible than with physical products

Some forms of services:

transportation – air, sea, rail and road

power – electricity, gas and coal

business consultancy – advertising, marketing research, strategic planning

hotels and accommodation

clubs – social, keep fit, sporting, special interests

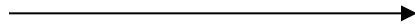
communications – telephone, fax, email, text messages

Better technology has assisted the development and provision of a more comprehensive range of services

Take Note

The 4 unic features of services:

- Intangibility
- Inseparability
- Variability
- Perishability



Considering this feature, marketers should consider 3Ps more than the classic 4 classic ones

People: Employees must be well trained and aligned with corporate identity

Process: Consistency and quality of service must be well planned and managed.

Physical Evidence: Marketing should highlight the nature of the service being offered.

Sales promotions

1 – Consumer promotions (pull technique)

- a. 'x pence off'
- a. BOGOF (buy one get one free)
- c. coupons
- d. discount price offers on new products

1b - Premium offer techniques

- a. *On-pack gifts*. Here the premium is usually attached to the product
- b. *Continuities*. Collect merch through a series of purchases
- c. *Coupon plans*. Coupons, contained within the pack, may be collected and exchanged for a variety of products in a catalogue
- d. *Free samples*. These are sample packs of products offered with brand-related products

Sales promotions

2 – Trade promotions (push technique)

Incentives are offered through extra rewards such as discounts, increased margins on sales, dealer competitions, exhibitions, provision of demonstrators and free holiday.

Goals: spread a new brand, move excess stocks, encourage greater overall stockholding of a product.

3 - Personnel promotions -

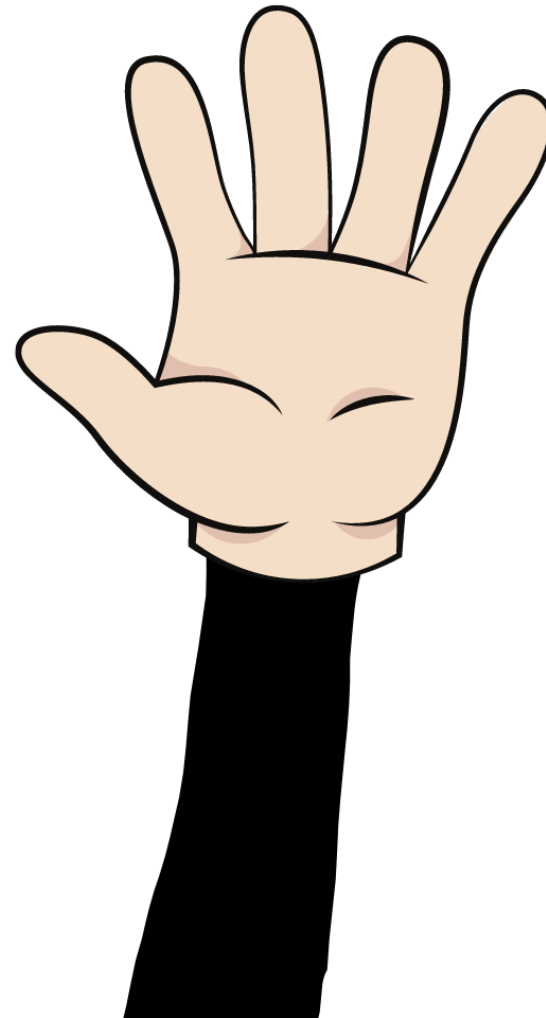
The problem is that average or below-average performers may not feel sufficiently motivated to put in any extra effort if they consider that only top performers are likely to win.

Goals: introduce new product lines, develop new prospects, obtain display.



Just a question:

In the context of sales channels why is it important to engage in segmentation and targeting?



Exhibitions

Where most business takes place.

Characteristics of a good exhibition. Why is that important for a seller? It is an effective communication medium.

- wide range of products
- large number of competitors
- good amount of information
- large number of new products
- nearness to the buyer's home

The use of trade exhibitions is on the increase and companies increasingly need to establish a more scientific method of managing this function, as it requires an understanding of how an exhibition stand communicates itself to the public.



Objectives to define in Exhibitions

- Define the market with which it is intended to communicate
- Define the value of potential purchases
- Define the status of contact at whom to aim
- Define the preference towards company products.
- Define the communication level at which to aim. What should the contact lead to?

Public Relations – What it is

PR practice is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its public.

(Chartered Institute of Public Relations, CIPR)

A more comprehensive description:

1. Anticipating, analyzing and interpreting public opinion
2. Counselling management at all levels with regard to policy decisions
3. Programmes of action to achieve informed public understanding necessary for the success of the organisation's aims.
4. Planning and implementing the organisation's efforts to influence or change public policy
5. Managing the resources needed to perform the functions of public relations

(Public Relations Society of America)



Public Relations – What it is NOT

PR is not free advertising

PR is not propaganda

PR is not publicity



Public Relations – Main Objectives

- attract sales inquiries
- reinforce customer loyalty
- attract investors
- attract merger partners or smooth the way for acquisition;
- attract better employees
- dissolve or block union problems
- minimise competitor advantage while you catch up
- open a new market
- launch a new product
- reward key people with recognition
- bring about favourable legislation
- change perceptions about the company
- alter the image that the company projects about itself.



Do you have any questions? Please,
raise your hand 😊



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