



SALES TYPES, DISTRIBUTION CHANNELS. CUSTOMER SERVICE

CASE STUDY – WORK SITUATION

Once upon a time...¹

Once upon a time there was a man in America who lived along a highway, and earned his living by selling hot dogs alongside the road. He didn't have very good eye sight therefore he didn't read newspapers. The hot dog however that he sold was very tasty, he put billboards on the street and he had a slogan – would you like a hot dog? After a while he increased the order of his sausage rolls. He bought a bigger stove to keep up with the increasing demands. After a while he needed an assistant so recalled his son from school. Then the following happened. The boy said to the man- my father, don't you read the newspaper? Haven't you heard it on the radio? We are in the middle of a huge recession. The situation in Europe is bad enough, but here in America is even worse. Then the father thought: My son went to high school, reads the newspapers, listens to the radio. He certainly knows better – so he decreased the order of the sausage rolls. He took off the billboards, and didn't put efforts to sell hot dogs on the street. From one day to another his business has collapsed. You are right – said to his son – we are really in the middle of a recession.

What is the core message of the story? What mentality do we carry which may hinder our sales behaviour? In what sense do we retain our success path and what changes should we make to change this?

CONTENT INFORMATION

Sale is the oldest form of trading. In the past hundred years economic development has created forms of commerce where the product owner and the sales typically separated.

The personal forms of sales has developed into a more retail sales forms (e.g. Self-service, catalogue, telesales, internet shopping) and with the development of information technology, the presentation of goods and the purchase became increasingly impersonal.

¹ Source: Detlev Blenk: Történetek trénereknek és coachoknak, tanároknak, tanácsadóknak, vezetőknek, Z-Press Kiadó Kft., 2010. 146.o.

The personal selling is when the vendor/seller/ has active participation in the business process. The most important element in the definition of personal selling is the active involvement of the vendor /seller/ which allows the purchaser to form or change buyer preference. In many cases physical presence is not important; with regards to telemarketing personal contact is necessary. Nevertheless, the importance of personal selling has not decreased. In terms of the number of transactions, personal selling is way behind the self-service type of transactions, however the value ratio of personal selling exceeds the impersonal ones.

Personal sales workforce (e.g. shop assistants, customer service, sales representatives, agents) often determine customers' decisions. They role in both, the presentation of goods and shaping customers' choice is really important. Their behaviour has an effect on the service transaction. A service provider can gain advantage by giving prominent service which if often rewarded by the customers through brand loyalty. Sales in the customer service: Normally the company's customer support offices mainly focus on serving existing customers. This could be for example a bank account transaction when the customers ask for bank transfer with a certain amount of money, or when debit card holders request to change their spending limit.

Just to mention an example from another industry, a client of a mobile phone service company would like to change her billing address, or requests another tariff package. Other than focusing on new clients, companies have quickly realized the particular importance of selling additional services to existing customers. On one hand it helps to increase the company's revenue, and on the other hand can help in customer retention. According to this, customer service offices are set up with sales functions to serve existing customers to expand their scope of activity. Sales task performance can be carried out in several ways:

- Few of the customer service officers only focus on sales activity and assist the customers at separate sales counters.
- All customer service officers perform sales activity, and when the customer's needs are explored new products and services can be offered to the clients (on the spot) without making them go to another counter.

We consider as one of the cheapest distribution channels in the **customer service office** is selling to existing clients:

- We don't need to spend time, energy and money on the acquisition of our clients as they are existing clients, and have previously entered into a contractual relationship with our company.
- The client voluntarily comes into the office with service related motives, without any special effort or the influence of advertising of the company.
- The office is not being maintained for the function of sales (its main function facilitates customer service functions) therefore the cost of maintenance does not effect the cost of sales since there is no need for additional infrastructure.

Alternative distribution channels:

Other than the traditional face to face selling, in the last 10 – 15 years companies have created and developed alternative distribution channels.

In order to gain business, companies had to find alternative platforms where client's personal presence is not possible or the personal business environment is unavailable. (Meant by not only the physical environment) These distribution channels are often not able to provide two-way communication, however due to their flexibility they become more common and contribute significantly to the company's sales results.

- Marketing /contacting in a writer format:
 - **Direct Mail** contact in a written format. When the company's only purpose of sending information letters to customers is to introduce a new service or provide them information about new products and to raise awareness with related discounts on the purchase.
 - **Customer correspondence**: In this case the company does not have a direct sales motive, (i.e. monthly bank statements, or utility bills) but takes the opportunity to draw attention to current promotions or introduce new products and services in a leaflet.
 - E-mail: Both the Direct mail and Customer correspondence can be conducted in electronic forms, as well.
 - **Billboards**: The people who commute in the cities (potential buyers) cannot avoid seeing billboards. These advertising boards are built especially in big size and colour and with a striking slogan to catch the people's attention.
 - **Flyers:** Companies usually dot send them to customers through post, they are typically distributed by students in busy city centres or the flyers get placed on racks and shelves in shopping centres so customer can help themselves.
 - Newspaper ads: We can read ads in daily, weekly newspapers and magazines.
 - **Mail-order service**: The catalogues get sent to customers free of charge via post with the hope that customers will choose and make their order.
- Electronic channels: internet, sms, pc based channels
- Multi Level Marketing: Instead of the traditional distribution chain (producer, wholesale, supplier, distributor, retailer, and customer) the consumers themselves get involved in the selling process. The wholesale and retail activities are done by a network of customers therefore they benefit the sales through profit.

In developing the network the customers are depending on their own relationships, the customers can offer the goods to their own family members or friends and can achieve discount or gain profit from it.

- Call centre/Contact Centre/Telemarketing/Telesales

Call centre type of sales activities are distinguished depending on the direction of the call.

- Selling through incoming calls
- Selling through outgoing calls

Telemarketing agents use a preconceived strategy to sell not very complex services. Many activities, like customer care can be addressed more efficiently through telemarketing, than with personal visits.

When **selling through incoming (inbound) calls**: the company ensures that the customers are informed in advance of the currently running promotions of services or products. (e.g.: through commercials, ads, DM). The customers will call the Call Centre by interest from the effect of advertising, on the given number in the most suitable time within the operating hours. With this type of inbound calls the main task of the sales manager is to turn the intention of interest into the intention to buy.

When **selling through outgoing (direct sales) calls**: The companies target potential customers with specific offers of a particular product or service. Sales managers have to arise the interest of the client by demonstrating a product or service. Since through direct sale we are targeting those who are not currently our customers, the company's positive presentation, and the appropriate timing is very important to conduct successful sale.

We call cross selling, when we offer additional products or services to existing customers. In this case the goal is to expand the client's existing portfolio (the range of goods or services already been purchased) thereby increasing the value of the customer.

Summary

The tasks of distribution channels are the communication with the end consumers, and intend to influence them to buy. This includes the sale, the mail delivery, advertising and the sales promotion, too.

In practice, there are two broad categories of distribution channels: the personal selling, i.e.: usually available through selling agents, networks and call centres. And the impersonal sales forms, such as Adverts, Direct Mail, Internet.

In the past most companies targeted one market through only one channel. Today, with ever growing customer segments and channel changes many companies switched to multichannel distribution system.

STUDY GUIDE

1. "It is estimated that to obtain a new customer is five times more expensive, than to satisfy an existing one. Furthermore it costs sixteen times more to achieve the same level of profitability than it was with an existing customer. Therefore customer retention is more important than to acquire new ones. The key for maintaining customers is the customer satisfaction. From the company's point of view the most convenient cross selling opportunity is guaranteed through the existing customers."²

1. What do you think, what benefits can the company accrue from this? List some aspects in writing.

Solution1	

2. Match the two parts to make phrases.3

1 to put out	a quality
2 to promote	b of interest
3 special	c a tender
4 to be	d our new product
5 to place	e an order
6 high	f rates

² Értékesítési alapismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2004.

³ L. Gutjahr – S. Mahoney: English for Sales & Purchasing, Oxford University Press, 2009.

Now use the phrases to complete the sentences below.

- 1. As you have been a client of ours for a long time, we are able to offer you ______ for the first twelve months.
- 2. We will be looking ______, as we need to increase sales.
- 3. It is our policy to accept only _____ products.
- 4. We are hoping this new product of ours will _____ to you.
- 5. Our production department has installed the necessary equipment, and we will therefore be ready ______ next week.
- 6. This will be our largest purchase of the year, and we need to compare as many offers as possible, so we think we should _____.
- 3. Match the following sentences halves.4
- 1 Widespread rumors of a hostile take-over bid are certain...
- 2 The Account Department's very slow payment of invoices...
- 3 The long-term contracts, which will run for next five years,...
- 4 The excellent relations the company enjoys with the local community...
- 5 As a result of the government's imposition of currency controls,...
- a: are a credit to its highly effective PR department.
- b: have cemented relations between the two companies.
- c: Its close relations with several major foreign investors have been jeopardized.
- d: is causing stormy relations with some of the company's suppliers.
- e: to strain relations between the two leading French software companies.

Solutions

- 1. " Advantages
 - Stays loyal longer.
 - Buys more, as the company introduces new products, or improves existing ones.
 - Has positive opinion about the company and the company's products.

⁴ Cotton – Falvey – Kent: Market Leader Upper–Intermediate Business English – Course Book, Longman, 2003.

- Pays less attention to the competitor's products and promotions, less sensitive to price.
- Offers ideas regarding the company's products/services
- Cost less to facilitate the needs than the new customer's as the transitions have became routine.⁵

2. Correct answers:

1	с		
2	d		
3	f		
4	b		
5	e		
6	a		
l spec	ial rates		2 to promote our new product 3 high-quality
4 be o	f interest		5 to place an order 6 put out a tender
3. Cor	rect answe	ers:	
1 e	2 d 3	b	4 a 5 c

⁵ Értékesítési alapismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2004.

CHECK YOURSELF

1. Task

List the benefits of selling through customer service:

Solution 1	

2. Task

Why direct marketing (DM) in known as one of the most effective advertising tool? What are the advantages of direct mail advertising? And why the personal message can be more compelling against mass advertising?⁶

Solution 2

⁶ Ügyfélszolgálati ismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2003.

3. Task

Write some examples on how can various market channels be coordinated and improved in everyday practice.

Solution 3	

SOLUTION

1. Task

It increases the company's revenue and contributes to customer relations. One of the less expensive distribution channel, as it is not about acquiring new customer. The customer walks into the office voluntarily (without us making any special effort) Sales activity does not affect office expenses, no need to provide additional infrastructure.⁷

2. Task

- Selectivity (From all types of customers to target the most appropriate group for the company)
- Personal contact (easier, to establish good relationship with the client)
- Flexibility (direct marketing promotions enable the consumers to respond, and encourage to purchase)
- Individuality (through personal contact, conversation can take place between the company and the consumer)
- Networking (with long term conversations, long-term relationship can be formed, which can increase the consumer loyalty)
- The measurability of results (after the DM promotion, from the conclusion of the sales data we can easily determine the success of the campaign.⁸

3. Task

"<u>Examples:</u>

- Call centre arranges time with the client for the meeting with the sales representative.
- The clients can talk to the call centre by providing them with direct lines in customer service offices.
- Make it available for the clients to send emails to a customer service portal.
- Sales representatives of sales rep network conduct meeting with the customers in the company's customer service office, after the successful sale they hand over the signed documents to the colleagues working in the customer service office.
- Customers buy products through the internet with the help of a customer service support.⁹

⁷ Értékesítési alapismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2004.

⁸ Ügyfélszolgálati ismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2003.

⁹ Értékesítési alapismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2004.

THE PREPERATION OF SALE, PROMOTIONAL CAMPAIGNS.

CASE STUDY – WORK SITUATION

Building a temple...¹⁰

"One day a king had decided to build a church to honour the ultimate god. During the building works three workers were asked what they do there. One of them was packing bricks next to the temple's wall. - What are you doing? - I am packing stones. Another worker was paving the column of the entrance. - What are you doing? - I am learning money for my family. The third worker was carefully carving an arch of a window. - What are you doing? - *I am building a temple*"

Form a group and discuss how you would interpret the responses of the builders into the task of sales representatives? Do you recognize yourself in the mindset of the workers (according to the mood of a particular day?) How do these effect your own satisfaction? What is the message of the story with regards to exploring the needs and habits of the customers, and launching promotion campaigns?

CONTENT INFORMATION

Marketing campaigns are tools to generate corporate profit and to motivate employees/sales staff. Companies spend billions of dollars on promotional campaigns, in order to

- Increase turnover,
- Raising awareness and customer acquisition,
- Encourage and motivate staff to make greater efforts.

The companies usually set specific budget to invest in business incentive tools which is mostly the same on a yearly basis.

¹⁰ Source: Detlev Blenk: Történetek trénereknek és coachoknak, tanároknak, tanácsadóknak, vezetőknek, Z-Press Kiadó Kft., 2010. 146.o.

During the development of a promotional program, marketing experts engage more and more medium in the entire campaigns. To organize and carry out a successful sales campaign is not only based on marketing. Brand managers have the responsibility to adjust the suitable pricing policy to the appropriate product.

When sales and marketing specialists decide the incentives, they have to take several factors into account:

- They have to identify the extent of incentive (e.g. discount rate).
- They have to create the conditions for the participation (if everyone associated with the discount, or only selected groups, or those who return a particular coupon).
- They have to decide the period or the duration of the particular deal. If the incentive period is too short, many potential customers would not benefit from it, because the short time frame does not allow them to rotate back the benefit of the first purchase into the second one. However if the period is too long, the campaign is loosing the "act now" momentum.
- They have to decide on the distribution of assets (for example a 20 % discount coupons to be distributed in shops, at post-offices, or through commercial distribution channels).
- They have to determine the total promotion budget.

Unfortunately, like everything in our environment, our products have lifecycles - PLC



The figure demonstrates the surge of the product, which is called the "Market introduction" and then the "Growth stage". The life cycle reaches the "Maturity stage" and finally goes into a so-called "Saturation and decline stage"¹¹.

¹¹ Értékesítési alapismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2004. p. 33–42.

Brand managers of course will try to maintain the saturation point as long as possible, and try to come-up with new ideas and find gaps in the market to sustain the product's Market position.

Summary:

Overall, sale promotion will work best if it encourages the customers of other competitors to try out our goods and thereafter switch to our product.

If the product is not better than the competitor's, the brand's market share is likely to return to the level the company had before the promotion campaign. Sales promotions will not change the total demand, but it will affect the distribution of demand overtime.

If we need further information with regards to the efficiency of a campaign, we can run a customer survey, which can tell how many people remember the promotion, how many people have benefited form the offer, and how will the promotion influence the customer's further brand preference.

STUDY GUIDE

1. Consider in a group, when you do not succeed in a promotional campaign?

2. Look at the following opinions about open versus closed biddings and Internet auctions.12

A-1: Open biddings are always the best because we get not only the full range of products what the market can offer. but also the sales people compete with each other so we get the best price!

A-2: Open biddings are fun - they challenge my skills as a sales rep. I get to talk to the client's reps in order to find out exactly what they are looking for and what they are prepared to pay for it. Anything else is number crunching.

B-1: At my company we prefer closed biddings because we don't need a large number of offers. We have clear specifications and we are looking for partners that can match our standards.

B-2: Closed biddings are really hard. You need to build trust and you need to show consistent quality to be invited into a circle of potential suppliers.

¹² L. Gutjahr – S. Mahoney: English for Sales & Purchasing, Oxford University Press, 2009.

C-1: Auctions via the Internet are my daily business – and it's great: no long talks and negotiations. Just a simple check of whether a supplier matches our specifications and the rest is an electronic ranking according to the price they offer.

C-2: Auctions on the Internet are a real pain when you compare them to other forms of biddings. There is hardly a chance for building trust because it is also so remote. And most client specifications are not as clear as the clients believe them to be.

Now discuss these questions with a partner.

- Which statement can you most relate to? Which procedure would you prefer to work with?
- How do you think your counterpart likes the way your company deals with offers?

Solution 1

1. "Ideas"13

- Bad communication
- Wrong pricing
- Not the right customer segment targeted
- Sales team is not motivated enough
- The market is overloaded with the product

¹³ Értékesítési alapismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2004.

CHECK YOURSELF

1. Task

List in writing, that during the development of a promotional campaign what aspects should be considered by the sales professionals?

Solution 1	

2. Task

As a conception of a brainstorming exercise list in writing, what incentive methods (during promotional campaigns) do you meet in everyday life?

Solution 2

3. Task

Use the correct form of these words to complete these sentences:14

discounts fees terms and conditions duration calculations interim

1. The board of directors has given us strict guidelines as to the ______ of contracts we make with our partners. We cannot agree to a contract which runs for more than three years.

2. We often give ______ to new customers and hope that we can then establish a long-term relationship with them which will also benefit us in the long term.

3. They've offered to lower their price if we buy the first 100 models within a month. Now we have to do the ______ to see whether our storage costs would increase as a result.

4. We have agreed to all the _____ of the contract, except the delivery dates. They will make us a new offer next week.

5. They want to charge us additional ______ for the maintenance of the units, but we believe this should be included in the overall price.

6. I've sent the ______ report to our client so that they can give it their approval.

¹⁴ L. Gutjahr – S. Mahoney: English for Sales & Purchasing, Oxford University Press, 2009.

SOLUTION

1. Task

- Discount rate
- Terms and conditions of participation
- Duration of the promotion
- Distribution methods
- Budget

2. Task

Examples:

• *Sending samples*: It encourages the customers to try free samples, so they familiarise themselves with the product.

• *Coupons*: It is easier to convince the clients to try a new product if they feel that they gain personal advantage from it.

• *Periodic discounts*: Usually the best between the ranges of 5-20 percent.

• *Consumer refunds*: Subject to the proof of purchase, customers get certain percentage of the purchase price as a refund.

• *Gifts, rewards*: Companies can provide additional gifts as a reward, for the customers who buy their products.

• *Marketing packaging*: The packaging itself is a gift, since after eating the product it may be used in the household. It helps to maintain brand loyalty.

• Consumer contests, games: Built on gambling compulsion.

• *Showrooms*: Usually used in the introduction phase of a product, sometimes with the motive of increasing revenue.¹⁵

¹⁵ Ügyfélszolgálati ismeretek (Tankönyvpótló jegyzet). Humán Erőforrás Alapítvány, 2003.

3. Task

- 1. duration 2. discounts 3. calculations 4. terms and conditions 5. fees
- 6. interim

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SUGGESTED READING

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> Kiadja a Nemzeti Szakképzési és Felnőttképzési Intézet 1085 Budapest, Baross u. 52. Telefon: (1) 210–1065, Fax: (1) 210–1063

> > Felelős kiadó: Nagy László főigazgató