

SALES FORCE MANAGEMENT

Leadership | Innovation | Technology

Thirteenth Edition



MARK W. JOHNSTON
GREG W. MARSHALL



Sales Force Management

In this 13th edition of *Sales Force Management*, Mark Johnston and Greg Marshall continue to build on the book's reputation as a contemporary classic, fully updated for modern sales management teaching, research, and practice. The authors have strengthened the focus on the use of technology in sales management, offered new discussions on innovative sales practices, and further highlighted sales and marketing integration.

By identifying recent trends and applications, *Sales Force Management* combines real-world sales management best practices with cutting-edge theory and empirical research in a single, authoritative source. Pedagogical features include:

- Engaging breakout questions designed to spark lively discussion.
- Leadership Challenge assignments and Minicases at the end of every chapter to help students understand and apply the principles they have learned in the classroom.
- Leadership, Innovation, and Technology boxes that simulate real-world challenges faced by salespeople and their managers.
- Ethical Moment boxes in each chapter put students on the firing line of making ethical choices in sales.
- Role-Play exercises at the end of each chapter, designed to enable students to learn by doing.
- A comprehensive selection of updated and revised longer sales management case studies, in the book and on the companion website.

This fully updated new edition offers a thorough and integrated overview of accumulated theory and research relevant to sales management, translated clearly into practical applications—a hallmark of *Sales Force Management* over the years. It is an invaluable resource for students of sales management at both undergraduate and postgraduate levels.

The companion website features an instructor's manual, PowerPoints, case studies, and other tools to provide additional support for students and instructors.

Mark W. Johnston is the Alan and Sandra Gerry Professor of Marketing and Ethics at Rollins College in Florida, USA, and is a consultant for firms in the personal health care, chemical, transportation, service, and telecommunications industries.

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“This is a comprehensive text that delivers all you need to know about B2B selling from a personal selling and a sales management context. It is instructive with excellent supporting learning materials invaluable in the classroom. I have used this text in both my undergraduate and some postgraduate teaching previously, and will do so again for sure.”

Dr Tony Douglas, Programme Director, Consalia

Sales Force Management

Leadership, Innovation, Technology

Thirteenth Edition

Mark W. Johnston
Greg W. Marshall

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To Grace

—Mark

To Patti and Justin

—Greg



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Mark has been retained as a consultant for firms in the personal health care, chemical, transportation, service, and telecommunications industries. He has consulted on a wide range of issues involving strategic sales force structure, sales force performance, sales force technology implementation, market analysis, sales training, and international market decisions. Mark has conducted a number of seminars around the world on a variety of topics, including motivation, managing turnover in the organization, sales training issues, ethical issues in marketing, and improving overall sales performance.



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Greg is an active researcher in selling and sales management, having published more than 50 refereed articles in a variety of marketing journals, and he serves on the editorial review boards of the *Journal of the Academy of Marketing Science*, *Journal of Business Research*, and *Industrial Marketing Management*. He is editor-in-chief of the *European Journal of Marketing* and is past editor of the *Journal of Marketing Theory and Practice* and the *Journal of Personal Selling & Sales Management*, currently serving on JPSSM's senior advisory board. Greg is past member of the American Marketing Association Board of Directors and past president of the AMA Academic Council. He is a distinguished fellow and past president of the Academy of Marketing Science, and is a fellow and past president of the Society for Marketing Advances. In 2018 he received the Lifetime Achievement Award from the AMA Selling and Sales Management Special Interest Group and in 2019 he received the Circle of Honor Award from the Direct Selling Education Foundation.

In addition to working together on *Sales Force Management*, Mark and Greg are the co-authors of *Contemporary Selling*, also published by Routledge/Taylor & Francis Group.

Preface

INTRODUCTION

The thirteenth edition of *Sales Force Management* carries on the tradition from previous editions, incorporating the latest research and management practices into an easy-to-read yet comprehensive learning tool.

You will notice that we continue to integrate a variety of innovative learning tools with the latest in sales management theory and practice. At the same time, we have taken great care to preserve the excellent framework and principles from editions one through twelve. In short, we have taken the best from earlier editions and added relevant, real-world student learning tools and up-to-date sales management theory and practice to create this thirteenth edition of *Sales Force Management*.

Still without peer, *Sales Force Management* remains the definitive text in the field. Building on the tradition of excellence established by Gil Churchill, Neil Ford, and Orv Walker, in this thirteenth edition Mark Johnston and Greg Marshall maintain the quality and integrity of earlier editions while breaking new ground.

WHY WRITE THIS BOOK?

For many years, the practice of sales management was an unfortunate combination of tradition, folklore, personal experiences, and intuition. Sales managers had very little in the way of research or management theory to help better understand the motives and behaviors of their own salespeople. As a result, there was practically no support for the sales manager in the field.

Fortunately, during the 1970s sales academicians and researchers began to conduct empirical studies and develop theoretical models to explain salesperson behavior and motivation. Sales managers found the information invaluable and added their own insights, further refining and enhancing the sales management knowledge base. Today, sales research appears in all the leading marketing journals, and one journal is singularly dedicated to the field of sales management (*Journal of Personal Selling & Sales Management*).

It is not surprising that, as changes were occurring in sales management, the rest of the organization also was experiencing significant transformation. Concepts like strategic alliances, customer relationship management, and value creation brought

revolution to every part of the organization, including the sales force. Today, salespeople are expected to have new skills, more information, and instant answers. This makes managing the sales force an even more formidable challenge. Old ways will no longer work—sales force management is undergoing change at an increasing rate, and success in the future will be defined, in part, by how well sales managers learn to manage in this new world.

From the beginning, *Sales Force Management* filled the need for a single, detailed summary of sales management theory, analysis of sales force research, and review of its managerial implications for the organization. Other books provide a cursory appraisal of relevant research or fail to keep pace with current knowledge and trends. Our primary goal in the thirteenth edition is the same as it was in the first: offer students a thorough, up-to-date, and integrated overview of accumulated theory and research relevant to sales management.

In writing such a book, however, we know that simply presenting a summary of theories and research would be incredibly dull (we were students, too) and, even worse, would provide little real insight for students interested in learning how a sales manager can *apply* this information in the real world. Put simply, our second goal is to highlight how real managers apply these theories and principles in their own organizations. By identifying recent practices, applications, and the use of state-of-the-art technology, we combine real-world sales management *best practices* with cutting-edge theory and empirical research—all in a single source.

STRUCTURE OF THE BOOK

Over the book's history, a framework has been developed that portrays sales managers' activities as three interrelated, sequential processes, each of which influences the various determinants of salesperson performance. The thirteenth edition continues to use this time-tested and insightful structure.

1. **Formulation of a sales program.** This process involves organizing and planning the company's overall personal selling efforts and ensuring that the selling initiative is integrated with the other elements of the firm's marketing strategy.
2. **Implementation of the sales program.** This involves selecting appropriate sales personnel, providing effective training and development, as well as compensation.
3. **Evaluation and control of the sales program.** This involves employing proper metrics to monitor and evaluate sales force performance so adjustments can be made to either the sales program or its implementation as needed.

Chapter 1 introduces the subject of sales management with an overview of the field, including key aspects of the external and internal environment of selling.

The remainder of the book is divided into three sections corresponding to the three processes described earlier.

- **Part One: Formulation of a Sales Program (Chapters 2 through 5)** This section examines the process of buying and selling, including a strong emphasis on selling as a career and the role of organizational buyers; linkages of sales management to business and marketing-level strategies; organizing for success in sales management; and the strategic role of information in forecasting, setting quotas, designing sales territories, and conducting sales analysis. A continuing feature of this edition is emphasis on customer relationship management (CRM) and its link to sales management. In this edition we have updated and expanded the discussion linking CRM to the use of data analytics in sales organizations.
- **Part Two: Implementation of the Sales Program (Chapters 6 through 11)** This section provides an overview of the determinants of sales performance with the special focus on a salesperson's role perceptions and motivation. It then proceeds to examine decisions involving the recruitment and selection of sales personnel, sales training, and the design of compensation and incentive programs.
- **Part Three: Evaluation and Control of the Sales Program (Chapters 12 and 13)** This section discusses techniques for monitoring and controlling sales force behavior and performance. It examines various approaches for conducting behavioral and other performance analyses.

THE APPROACH OF THE BOOK

Sales Force Management is designed for use in a course on sales management at either the undergraduate or graduate level. It also complements a variety of teaching approaches. Instructors who focus primarily on either a lecture/discussion format or case format will find plenty of material for any teaching calendar in the chapters, enhanced by the end-of-chapter Breakout Questions and discussion-centered Leadership Challenges. For those adopting a more case-oriented approach, each chapter contains a short, thoughtful "Minicase" to highlight key learning elements from the chapter along with guiding questions. If you are looking for more comprehensive cases for your course, our Companion Website houses a variety of longer cases in sales management for your use. Also, an updated sales management role-play is provided for each chapter.

FEATURES OF THE THIRTEENTH EDITION

We subscribe to the old adage, "if it isn't broke, don't fix it." The philosophy in creating the thirteenth edition was to begin by updating and enhancing the best parts of *Sales Force Management*. As a result, those who have used previous editions will be comfortable with the thirteenth edition. But at the same time, with this new

edition we have included numerous updates to chapter content, examples, feature boxes, updated data, and more attention to global and ethical aspects of sales force management.

Learning Objectives

Each chapter has succinct learning objectives based on chapter material. Using active language to emphasize the expected student learning outcomes, these objectives enable professors to guide discussions and develop tests so that students get the most out of the book.

Key Terms

Key terms are listed at the end of each chapter and are highlighted in bold within the body of the chapter to help students focus on key ideas and concepts. Professors find these terms can create the basis for assessing students' understanding of the chapter.

Updated Feature Boxes: Leadership, Innovation, and Technology

These three themes drive much of sales management theory and practice today and form the basis for the feature boxes throughout the thirteenth edition. These boxes highlight the latest trends in sales management and are designed to illustrate material presented in the chapters in an applied context. Professors will benefit from incorporating these features into class discussion and exercises, and students will find it easier to apply the concepts they are learning in the chapter.

Updated Feature Box: Ethical Moment

The thirteenth edition of *Sales Force Management* continues a strong emphasis on ethics with an Ethical Moment in each chapter. These interesting and engaging vignettes touch on a variety of ethics-in-sales issues and each one ends with a question to consider that is sure to spark great class discussion.

Breakout Questions

Timely discussion questions, called Breakout Questions, can be found at the end of each chapter. These make for great discussion starters as well as good review questions for exams. And following along with our increased theme of sales ethics, in every chapter a new Ethical Question has been added to the current battery of Breakout Questions.

Leadership Challenge

Leadership is an essential characteristic of successful sales managers. While we include it as a feature box in the text, our goal is to engage the student even more

deeply in learning and applying leadership issues. As a result (and not found in any other sales management text), a unique set of short end-of-chapter leadership cases will test the student's ability to make leadership decisions. Short and focused on issues from that chapter, the Leadership Challenges ask students to assess a real situation from a manager's perspective, make decisions, and often develop an implementation strategy.

Role-Plays

Both in the field and classroom, it is widely accepted that role-playing is a valuable tool for helping salespeople and students apply what they are learning. Each Role-Play enables students to work together to employ important sales management concepts they have learned in that particular chapter.

Minicases

Each chapter contains a Minicase enabling students to apply directly what they are learning in the chapter. These Minicases, written specifically for *Sales Force Management*, are short and designed to be used in a variety of ways. For example, they are great for discussion starters in class or as individual assignments. Additionally, student teams can be assigned to analyze the case and make a presentation to the class. Feedback from colleagues was a key driver in creating these shorter, more focused cases that will certainly enhance student learning. Key issues from the chapter will be brought out for the students as they analyze the case. And importantly, most of these Minicases have strong global selling implications. Each Minicase ends with a set of directed, action-oriented questions that force the student to integrate the chapter material.

SUPPLEMENTS

New and Updated Companion Website

Both instructors and students will appreciate the book's Companion Website (www.routledge.com/cw/Johnston), which has been built specifically for the thirteenth edition.

New and Updated PowerPoint Slides

Many instructors like using PowerPoint to support their in-class presentations, and students have come to find these slide presentations a valuable learning tool. The PowerPoint package for this edition is presented in an effective and interesting graphic design that complements the graphic elements of the book. The slides are flexible enough for instructors to include their own material yet comprehensive enough to stand alone.

New and Updated Major Cases

For the thirteenth edition, a variety of major cases on sales management are available for use on the book's Companion Website.

ACKNOWLEDGMENTS

Books are the result of hard work by many people, and we very much appreciate the efforts of numerous individuals associated with this new edition. First, as this book is built on the research and hard work of sales management academicians and practitioners, we would like to thank the many scholars and colleagues who have contributed to the body of sales force research over the past years. We reference their work and honor their contributions to the field.

Emmie Shand and Sophia Levine. Working with professionals who are also fantastic people makes the task easier and more enjoyable—thanks again to everyone at Routledge/Taylor & Francis. Finally, Chrissy Schreiber and Christian Panier here at Rollins College, who contributed in an outstanding manner to the updating and integration of literature and references in this edition—your efforts are greatly appreciated.

We want to offer a very special thank you to our families and friends. Without their encouragement and support you would not be reading this book. You are special and you are appreciated. Enjoy the book!

Mark W. Johnston, Rollins College
Greg W. Marshall, Rollins College
September 2020

CHAPTER 1

Introduction to Sales Management in the Twenty-First Century

LEARNING OBJECTIVES

Sales management is one of the most important elements in the success of modern organizations. When major trends emerge, such as a shift in the economy toward small to medium-sized businesses, it is incumbent upon sales managers to react with new selling approaches. And not only is personal selling the most expensive component of the marketing mix for most companies, but it is the firm's most direct link to the customer. While Thoreau may have believed that the world will beat a path to the door of the company with the best mousetrap, the world needs someone to show how that mousetrap is better—and that role usually belongs to the salesperson. Otherwise, that sale may never occur. Therefore, management of the sales force is one of the most important executive responsibilities.

This chapter introduces you to the field of sales management. After reading it you should be able to:

- Identify and discuss key trends affecting sales organizations and sales managers today.
- Present a general overview of the sales management process.
- Identify and illustrate the key external and internal environmental factors that influence the development of marketing strategies and sales programs.

SALES MANAGEMENT IN THE TWENTY-FIRST CENTURY

As reflected in the chapter opener, personal selling and, consequently, sales management are undergoing dramatic changes. These changes are being driven by several behavioral, technological, and managerial forces that are dramatically and irrevocably altering the way salespeople understand, prepare for, and accomplish their jobs. Among the behavioral forces are rising customer expectations, globalization of markets, and demassification of domestic markets; technological forces include sales force automation, virtual sales offices, and electronic sales channels; and managerial forces consist of a shift to direct marketing alternatives, outsourcing of sales functions, and a blending of the sales and marketing functions.¹

Salespeople and those who manage them realize these changes affect every aspect of sales management from the way the sales department is structured to the selection, training, motivation, and compensation of individual salespeople. Sales organizations are being reinvented to better address the needs of the changing marketplace. A number of critical issues have been identified in reinventing the sales organization, including the following: (1) building long-term relationships with customers, which involves assessing customer value and prioritizing customers; (2) creating sales organizational structures that are more nimble and adaptable to the needs of different customer groups; (3) gaining greater job ownership and commitment from salespeople by removing functional barriers within the organization and leveraging the team experience; (4) shifting sales management style from commanding to coaching; (5) leveraging available technology for sales success; and (6) better integrating salesperson performance evaluation to incorporate the full range of activities and outcomes relevant within sales jobs today.²

In the broadest perspective, these new-age issues in sales management represent three key themes: (1) innovation—willingness to think outside the box, do things differently, and embrace change; (2) technology—the broad spectrum of technological tools now available to sales managers and sales organizations; and (3) leadership—the capability to make things happen for the benefit of the sales organization and its customers. The chapter opener provides vivid examples of each of these issues at play as firms modify the way they do business to accommodate the twenty-first-century marketplace. Throughout the chapters in this book, you will find highlighted feature boxes calling attention to industry examples of innovation, technology, and leadership among sales organizations. Now we introduce the themes and briefly address their impact on personal selling and sales management. In addition, we will also introduce the issues of globalization and ethics in sales management.³

Innovation Fuels Success in Selling Today

For many years the dominant sales approach was **transactional selling**—a series of transactions, each one involving separate organizations entering into an independent transaction involving the delivery of a product or service in return for compensation. In today's highly competitive environment, however, customers realize there are benefits in building relationships between themselves and their suppliers and have thus turned to **relationship selling** approaches. For example, Apple has made a strategic decision to reduce the number of vendors it works with from several thousand to several hundred focusing on more strategic relationships with each vendor. As a result of buyers narrowing their vendor pool, salespeople are being asked to do more, working with customers to solve their problems, improve efficiencies, and, in general, add value to their customers' business. More and more companies have salespeople with offices at or near their customers' facilities. For example, P&G has aggressively reorganized its client teams so they are stationed very close to the company's major accounts. Bentonville, Arkansas, home to Walmart, is also home to a team of several hundred P&G employees!

Offering this level of service is expensive, however, and it cannot be provided equally to all customers across the board. As a result, sales managers must prioritize their customers, creating partnerships with some while seeking to maximize efficiencies with others. In essence, organizations are creating a multilayered sales strategy that seeks to create unique and even more strategic relationships with the best customers while streamlining a transaction-based relationship with others who demand less service.⁴ Shell Oil, for example, found that some smaller buyers did not want or have time for personal visits by salespeople. When the company reallocated personal sales efforts to larger accounts and began using only telemarketing to call on smaller accounts, it found that all customers, even those assigned to telemarketing, were more satisfied. Selling costs were reduced, sales increased, and profits soared.

Sales Effectiveness Is Enhanced through Technology

Broadly speaking, technology has had a profound effect on almost every facet of personal selling. Tablets are a great example. Beer salespeople use iPads to show proprietors and customers a video about their brand—say, Heineken—and then ask viewers to answer a question about the video. If you get it right you get a free drink coupon! They also ask if you wanted to provide information, such as e-mail address and age, in order to stay up to date on Heineken news or offers. Such a seamless approach to customers would not be possible without the accompanying technology. Of course, the Internet has taken the interaction between customer and company to a new level, creating the ability to remain in touch with the customer (update information, handle questions, deal with complaints) in ways that have not been possible in the past. Companies are still learning how to best incorporate new technology into the business of selling.

The Internet's ability to inform, persuade, and enhance the personal selling component makes it a critical part of sales management in the twenty-first century. For today's young salespeople and buyers, the Internet is simply a given—they can't imagine what business was like before it! Nearly every company of any size has created an extensive, integrative, and interactive website to sell and service customers. Zappos is a great example of a firm whose sales, customer satisfaction, and loyalty are greatly enhanced by their Web presence. The website has become an important sales tool as account managers work with customers to help them see the benefits of ordering online.

But don't think technology is just about the Internet alone. Electronic data interchange (EDI) systems in manufacturing and efficient consumer response (ECR) systems in retailing enable companies to tie their computers directly to their customers. When a customer's computer recognizes a low inventory, it can generate an order directly to the vendor's computer, which then schedules the product for delivery (and in some cases even schedules the product for manufacturing). Thus, order and delivery systems have become just-in-time delivery systems. In addition, customer relationship management (CRM) systems are driving the overall customer capturing and retention enterprise in many firms.

TECHNOLOGY Social CRM

In [Chapter 3](#) you will learn the basics of customer relationship management (CRM) and how it fits into the world of selling and sales management. At its essence, CRM provides an organization the opportunity to better manage customer relationships through comprehensive, integrated technology capabilities. Today, with the impact of social media, it is important to integrate data from these social media sites with existing customer relationship management systems.

Social CRM apps help salespeople and companies track customer activity and allow them to engage with customers quicker and more effectively. Social CRM apps are now common among salespeople. Companies' social media presence helps build their brand and build trust among customers. As customers use social media sites to interact with companies, salespeople need to be able to easily communicate with them and track their satisfaction rate.

The social CRM app market is growing, but the apps are only useful if it ties into a company's bottom line. The apps have been shown to help business objectives and increase the productivity of salespeople. Mobility is an important factor today and is considered a reason for the success of social CRM apps. As conversations between salespeople and customers move to the world of social media, salespeople must be equipped with the proper technology to best interact with and understand the customer.⁵

Chapter 3 provides a more extensive discussion of CRM and how it fits into various elements of sales management. For now, take a look at the Technology box for some insights on the status of CRM.

Leadership Is a Key Component in Sales Management Success

In the sales environment of the twenty-first century, traditional work relationships are being questioned and are often replaced with new ones. Nowhere is this more prevalent than in the relationship between salesperson and sales manager. In the traditional top-down bureaucratic style, managers were the supervisors responsible for administering the sales force. Conversely, they were held directly accountable for the actions of their salespeople. Words like *control* and *manage* were used to describe their activities.

The highly dynamic and competitive environment of the twenty-first century demands a more responsive, flexible approach to sales management. Sales forces are becoming less hierarchical with fewer layers of management while more responsibility is being given to the salesperson. **Leading versus managing** is an important distinction for today's successful sales manager. Effective sales management is now more often defined by how good a leader you are than how good a manager. Effective leadership of salespeople includes (1) communicating with salespeople rather than controlling them, (2) becoming a cheerleader and coach instead of a supervisor or boss, and (3) empowering salespeople to make decisions rather than directing them. Common across these items is an approach of mentoring, rather than directing, salespeople.⁶ Being an effective leader requires new and different skills from the traditional manager role. One way to begin the journey toward being a good leader is summarized in the concept of servant leadership, which is discussed in the Leadership box.⁷

Sales Management Is a Global Endeavor

Innovation, technology, and leadership are pervasive themes in sales management today. Because companies now operate in a global marketplace, these themes play out on a global stage. Products are designed in one country, manufactured in another, and marketed around the world. In some cases, competitors in one part of the world are partners in another. Global suppliers have increased the importance of vendor relationships not only around the country but around the world. The internationalization of business was, for many years, considered a process of big multinational corporations. However, in today's global society even small domestic companies are doing business in international markets as a result of independent distributor relationships, trade shows, and the ability of the Internet to generate awareness and interest literally anywhere in the world.

This global focus is driven by a number of factors. As noted earlier, the ability to communicate anywhere in the world with relative ease has opened new markets. Potential customers worldwide can call, fax, or e-mail questions or orders easily. Even more significant is the realization that, for many companies, significant growth opportunities lie outside domestic markets. This is especially true in the United States as companies as diverse as DuPont, Microsoft, and Coca-Cola acknowledge that most of their growth, and consequently much of their investment over the next few years, will be outside the United States. Finally, many companies have become more international because their customers are global.

All of these changes have led to dramatic transformations in the focus of personal selling and the way the sales force is managed. Diversity in the sales force has

LEADERSHIP **Servant Leadership**



In recent years, approaches to leadership have taken on nearly mystic qualities. One new-age approach is *servant leadership*. Research suggests that servant leadership provides some unique benefits in the workplace and, particularly, the sales environment.

Servant leadership is based on ten key characteristics that he viewed as central to the development of servant leaders: (1) listening, (2) empathy, (3) healing, (4) awareness, (5) persuasion, (6) conceptualization, (7) foresight, (8) stewardship, (9) commitment to the growth of people, and (10) building community. The power of the concept of servant leadership can be stated in five points:

- The servant leader takes his or her people and their work very seriously. The leader believes that the work exists for the people as much as the people exist for the work.
- The servant leader listens to his or her people and takes his or her lead from them. The leader believes that he or she will not have all the answers but that the people who are working with the customers will have the answers.
- The servant leader heals and builds trust. The leader is open with his or her people and lets them vent.
- The servant leader is self-effacing. The leader allocates the rewards and glory to his or her people.
- The servant leader sees him- or herself as a steward. The leader must have a long-term perspective and must be a visionary. The leader leads the conversations, the visions are shared, and a stronger shared vision emerges from the dialogue.

Given the complexities of modern sales organizations and their environment, sales managers can gain substantial insight from learning how to create an environment for success among their salespeople through servant leadership.⁸

created new challenges for sales managers. In addition, managers need to understand a wide range of environmental differences (cultural, legal, behavioral) in the selling process. Indeed, a number of companies require managers to spend time overseas because they believe it is important for the individual to learn an international perspective.⁹ The Innovation box provides a nice illustration of the innovations needed for a successful global selling strategy, especially from a cultural perspective.

Ethics Underlies All Selling and Sales Management Activities

Characterizing sales as trending toward more ethical behavior may be unfair to the many ethical salespeople of the past. But it is true that ethical selling practices, just like ethics in all aspects of business, is more prominent due to the seemingly endless business ethics debacles that dominate the news. Increasingly, people are making employment decisions based, in part, on the a company's ethical practices. Research suggests that people want to work for ethical companies and leaders who demonstrate strong ethical principles are more effective. Ethics is not only the right thing to do, it is also good sales strategy. For example, the U.S. government has developed Federal Sentencing Guidelines that are designed to punish firms that allow salespeople (and other employees) to engage in unethical behavior. Penalties are reduced for firms that have required ethics training and have adopted other policies that encourage ethical behavior.

Even without encouragement from the government, the increasingly long-term nature of business relationships requires higher ethical standards than did earlier transactional selling approaches. A sucker may be born every minute, but if your business depends on repeat purchase and word-of-mouth advertising, you can't sucker customers and hope to stay in business. Put another way, long-term relationships and customer loyalty are impossible to maintain in an atmosphere of distrust brought on by unethical sales approaches. Throughout this book you will notice a strong theme of highly ethical practice in selling and sales management. We encourage all sales organizations to develop a formal code of ethical conduct to attempt to engrain ethical behaviors in their organizational culture.¹⁰

WHAT IS INVOLVED IN SALES MANAGEMENT

Two key points should be made at the outset about sales management in the twenty-first century. First, modern companies realize that selling is an indispensable component of an effective marketing strategy. In fact, it has become popular to discuss selling as a "boardroom topic." That is, top management acknowledges the critical role of personal selling in building customer relationships, and customers have come to rely on the problem-solving capabilities of a well-trained sales force. As a result, the management of these seller–customer aspects of the firm—sales management—has become a more exciting and challenging career opportunity than ever before.

Second, managing a sales force is a *dynamic* process. Sales management programs must be formulated to respond effectively to a firm's environmental

INNOVATION Bridging the Culture Gap in Global Selling

To achieve sales success on a global scale, you have to begin by bridging the culture gap.

As technology and transportation make the world smaller and smaller, today's business environment calls for a multicultural selling strategy. Even if your territory is limited to the United States, you may sell to customers with cultural backgrounds very different from yours. With these customers, strong relationships come from understanding and honoring those differences, not denying them.

For instance, in certain parts of Asia, the number four is considered unlucky to a large enough extent that local companies will avoid packaging their products in groups of four. It is imperative that these different customs are embraced and accounted for if selling to these cultures is to be a success.

The approach to selling must also be adapted. While using certain types of humor or platitudes with U.S.-based customers will aid results, it may be difficult for other cultures to comprehend, so care should be taken. This is especially important when dealing with customers from countries such as Germany, where English is a strong second language for most. The temptation is to assume that, because they speak the language, they will understand the humor, which is not the case. With this particular cultural group, it is better to skip the humor and concentrate on business.

A misconception exists that assumes people from other cultures all want to be treated the same and do not want their differences identified or their culture discussed. In fact, discussing the cultural difference, and portraying a genuine interest, can help form the strong relationship that many sales professionals seek with their customers.

circumstances (both external and internal, or organizational, environment), and they must be consistent with the organization's marketing strategies. At the same time, good sales management practices are essential for the successful implementation of a firm's competitive and marketing strategies. To help understand the scope of the sales management task, we define **sales management** as all activities, processes, and decisions involved in managing the sales function in an organization.

Managing a sales force well involves understanding the complexity of selling activities as well as the decisions involved in managing those activities. The purpose of this book is to provide you with an understanding of the role of the sales management function in marketing and the entire organization, as well as in the marketplace. In addition, the book carefully examines the activities and decisions that comprise an effective sales management program.

Selling Process

Many people have misconceptions about the selling process, the activities carried out by salespeople, and the personal characteristics necessary for a successful sales career. To complicate matters even more, various selling jobs can involve very different tasks and require different skills and abilities. Just imagine the differences involved in selling across the many divisions of a diversified company such as General Electric, which sells an amazingly wide array of products and services from light bulbs to jet engines to home appliances to financial services. Each has its own sales force and its own markets. Selling skills and requirements can vary greatly among the different businesses due to the different buying processes and needs in the various markets, as well as different levels of product complexity.

To reduce misconceptions about personal selling, and to establish a solid foundation of knowledge for our subsequent discussion of sales force management,

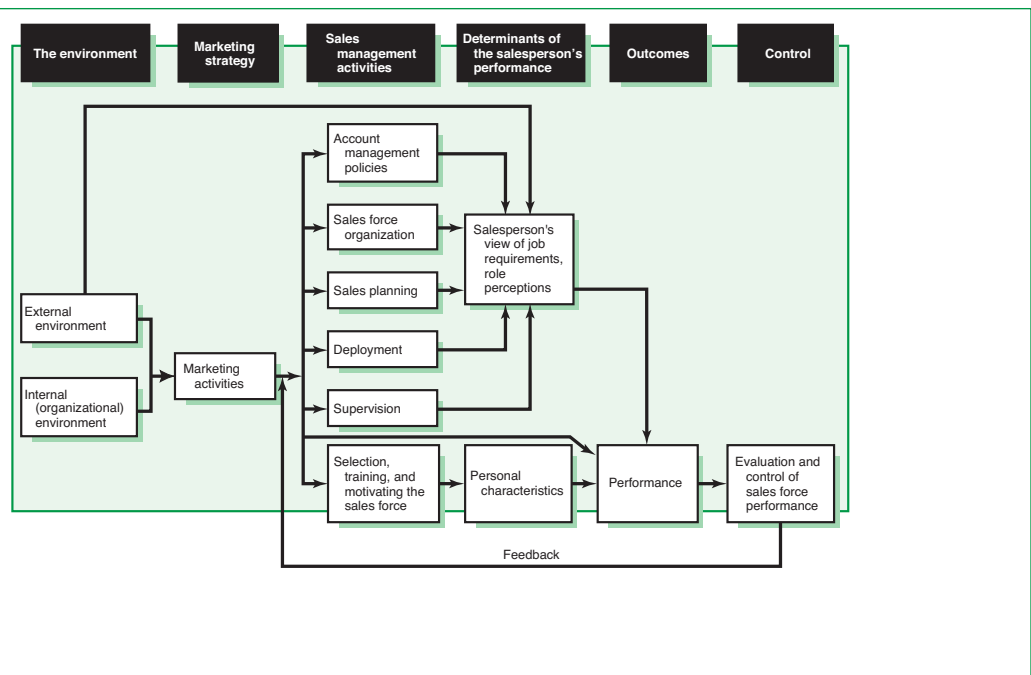
Chapter 2 examines buying processes and selling processes in detail. Then, Chapter 3 broadens the sales role to a more strategic level, emphasizing key aspects of customer relationship strategies.

Sales Management Process

The **sales management process**, or process of effective management of a company's sales force, involves three interrelated sets of decisions or processes.

1. The **formulation** of a sales program. The sales program should consider the environmental factors faced by the firm. Sales executives organize and plan the company's overall personal selling efforts and integrate these with the other elements of the firm's marketing strategy. The formulation process is represented by Part One of this book.
2. The **implementation** of the sales program. The implementation phase involves selecting appropriate sales personnel and designing and implementing approaches that will direct their efforts toward the desired objectives. The implementation process is represented by Part Two of this book.
3. The **evaluation and control** of the sales program. The evaluation phase involves developing methods for monitoring and evaluating sales force performance through appropriate metrics. Evaluation and control allows for adjustment of the sales program or the way it is implemented when performance is unsatisfactory. The evaluation and control process is represented by Part Three of this book.

EXHIBIT 1.1
An overview of sales management



The specific activities involved in these three processes, along with the variables that influence those activities, are summarized in the model of sales management in [Exhibit 1.1](#). This model serves as a road map for the overall sales management process: formulation, implementation, and evaluation and control of the sales program for the organization. You will be introduced to each of these three major aspects of sales management at the beginning of each of the three major parts of the book.

For now, peruse the model and get a feel for the flow. You will note that the external and internal (also known as organizational) environments flow into the other aspects of the model. Before we can begin to learn about formulation, implementation, and evaluation and control of a sales program, we first need to gain a clear understanding of the key external and internal (organizational) factors in the environment that may affect the sales manager's ability to execute the remaining aspects of the model. On the external side, the demands of potential customers and the actions of competitors are two obvious environmental factors. Other external environmental factors such as energy prices, technological advances, government regulations, and social concerns can affect a company's selling initiatives. For instance, when gasoline prices spike, you'd better believe sales managers caution their salespeople about making unnecessary trips in company cars.

On the organizational side, environmental factors such as human and financial resources, the firm's production capacity, and its expertise in research and development can either help or hinder the sales force's ability to pursue customers or expand its market share.

ENVIRONMENTAL FACTORS IMPACT SUCCESS IN SELLING

External and internal (organizational) environmental factors influence sales managers in four basic ways.

1. *Environmental forces can constrain the organization's ability to pursue certain marketing strategies or activities.* An example is when the government declares the sale of a product to be illegal or when a well-entrenched competitor makes it unattractive for the firm to enter a new market.
2. *Environmental variables, and changes in those variables over time, help determine the ultimate success or failure of marketing strategies.* The focus on healthier food choices, for instance, helped ensure the success of Stouffer's Lean Cuisine, ConAgra's Healthy Choice, and other quality brands of convenient frozen entrées.
3. *Changes in the environment can create new marketing opportunities for an organization,* as when a new technology allows development of new products. The emergence of electronic commerce software, for instance, enabled HP to develop solutions to problems such as security, design, and flow of data over the Internet,

some of the more important challenges that customers face. As one customer said, “There is a lot of value in companies like HP offering to help customers put up electronic commerce sites.” Not surprisingly, HP has reorganized to shift its main emphasis from printers to enterprise systems.

4. *Environmental variables are affected and changed by marketing activities*, as when new products and promotional programs help change lifestyles and social values. In view of the increased activity by consumer groups, environmentalists, and other public interest groups and agencies, marketers today must consider how proposed programs will affect the environment as well as how the environment will affect the programs.

Consequently, one of the most important—but increasingly difficult—parts of any sales manager’s job is to monitor the environment, predict how it might change, and develop strategies and plans for the sales function that are suited to the environmental conditions. Because selling is but one part of the overall marketing initiatives of the firm, the sales program must be adapted to the environmental circumstances faced by the firm as a whole. [Chapter 3](#) ties the sales manager’s role to overall marketing and business planning.

EXTERNAL ENVIRONMENT

By definition, factors in the **external environment** are beyond the control of the individual manager; however, companies do try to influence external conditions to the extent they can through political lobbying, public relations campaigns, and the like. But for the most part, the sales manager must take the environment as it exists and adapt strategies to fit it.

Markets consist of people. As the demographic, educational, and other characteristics of the population change, market opportunities change. This also affects opportunities in business markets, since an organization’s demand for goods and services is derived from the demand for its own products. Further, economic systems are becoming more open, meaning that there is ever-increasing competition from global companies. External environmental factors can affect the way a company competes globally, which will then influence how the company competes locally.

As indicated in [Exhibit 1.2](#), variables in the external environment that affect sales and marketing may be grouped into five broad categories: (1) **economic**, which includes competition; (2) **legal and political**; (3) **technological**; (4) **social and cultural**, focused on ethics; and (5) **natural**.

Economic Environment

People and organizations cannot buy goods and services unless they have the money. The total potential demand for a product within a given country depends on that

country's economic conditions—the amount of growth, the unemployment rate, and the level of inflation. These factors must be considered when analyzing market opportunities and developing sales forecasts. Keep in mind, though, that global economic conditions also influence many firms' ability to earn a profit. Companies as diverse as Intel, Caterpillar, and DuPont have been adversely impacted at the bottom line in their European operations due to the variability in exchange rates between the U.S. dollar and the euro.

A second aspect of the economic environment is the existing distribution structure in an industry. This includes the number, types, and availability of wholesalers, retailers, and other intermediaries a firm might use to distribute its product. Much of a firm's personal selling effort may be directed at trying to persuade such intermediaries to stock and provide marketing support for the company's products.

Understanding Competitors

Another critical economic variable is the amount of competition in the firm's industry—both the number of competing firms and their relative strengths in the marketplace. Ideally, a company's marketing and sales programs should be designed to gain a differential advantage over competitors. For example, rather than trying to compete with the low prices of foreign competitors such as Komatsu, Caterpillar has been successful in the heavy construction equipment business by providing superior product quality and excellent service, while charging prices as much as

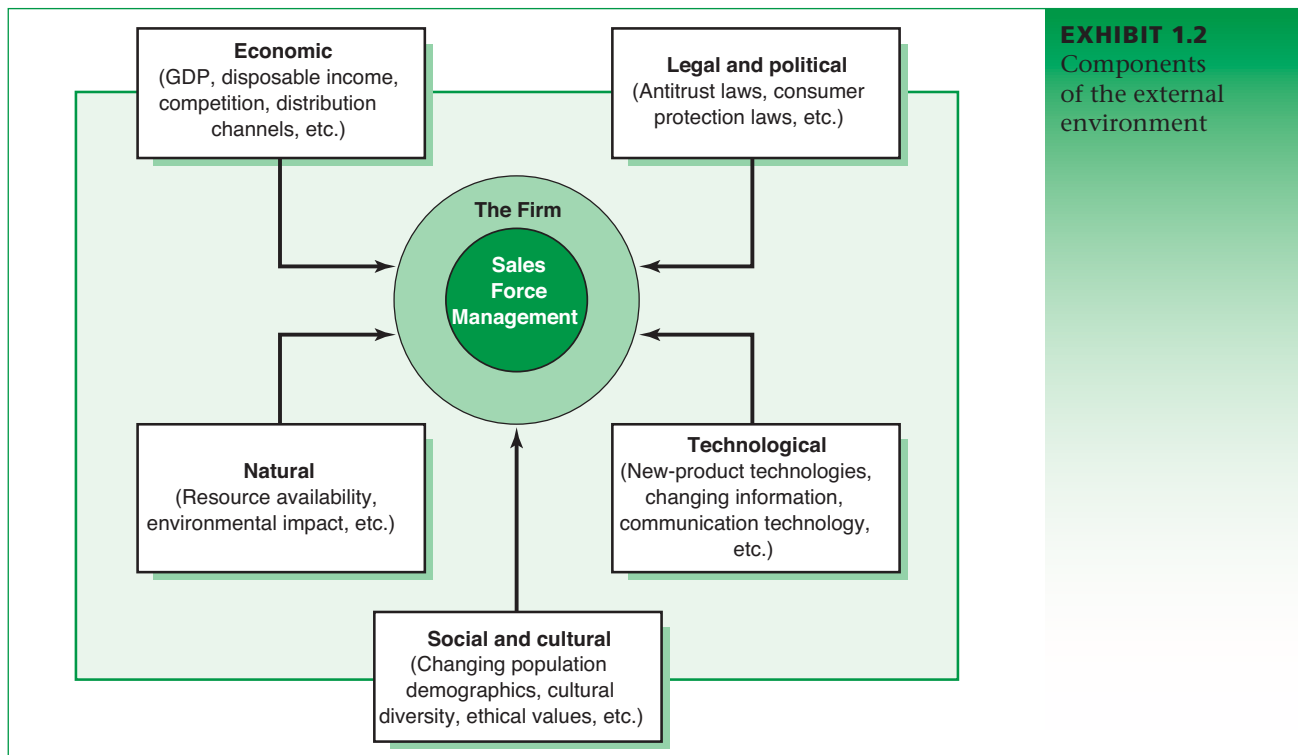


EXHIBIT 1.2
Components
of the external
environment

10 to 20 percent higher than its competitors. Salespeople go head to head with competitors on a daily basis; as a result, the sales force is often the first to observe changes in competitive strategy and activity. One of the critical issues is getting information from the sales force to strategic planners so that the company can act on those observations. Reports that detail competitive activity, such as analyses of lost sales, can summarize competitive activity for sales and marketing management. Sophisticated customer relationship management (CRM) software systems can greatly aid in facilitating information collection, analysis, and dissemination.

Salespeople are particularly important when exploring market opportunities in other countries. Given the added risks involved when selling in a foreign country, accurate and timely market information may be more important than in domestic marketing. In many cases, foreign salespeople are the only link the company has to the customer. Companies with international sales forces survey their salespeople, with either formal written surveys or informal telephone surveys, in order to assess foreign markets.¹¹

Global Legal and Political Environment

Many of the changes in society's values are eventually reflected in new laws and government regulations—that is, where the social-cultural-ethical environment intersects the legal-political environment. In recent years, the number of laws regulating the conduct of business, including personal selling, has increased dramatically at all levels of government. Three broad categories of laws are particularly relevant to sales programs: (1) antitrust, (2) consumer protection, and (3) equal employment opportunity. These laws vary greatly by country and can be very complex. Salespeople themselves can hardly be expected to know all of the legal details, hence most sales organizations of any size employ HR and legal experts to advise sales managers on these matters.

Antitrust laws are aimed primarily at preserving and enhancing competition among firms in an industry. They restrict marketing practices that would tend to reduce competition and give one firm a monopoly through unfair competition. To give you a sense for the issues, several U.S. antitrust and consumer protection law provisions of particular relevance to sales management are outlined in [Exhibit 1.3](#). A number of other countries have their own version of these types of laws and regulations.

The restrictions on anticompetitive behavior spelled out in the antitrust laws apply to firms selling goods or services to intermediaries, business users, or ultimate consumers. When a firm sells to consumer markets, however, it faces additional restrictions imposed by consumer protection laws at all levels of government. These laws are aimed more directly at protecting consumer welfare by setting standards of quality and safety. They also require that consumers be provided with accurate information to use in making purchase decisions. Since personal selling is one means of providing consumers with information, many laws requiring full disclosure and prohibiting deceptive or misleading information have a direct impact on selling activities.

Misrepresentation of a company's product by a salesperson can have both ethical and legal consequences, whether the salesperson is dealing with end-user consumers or organizational customers. Many salespeople are unaware that they assume legal obligations every time they approach a customer. By making certain statements, they can embroil their companies in a lawsuit and ruin the very business relationship they are trying to establish. But recent court cases around the world have held firms liable for multimillion-dollar judgments for misrepresentation or breach of warranty due to statements made by their salespeople, particularly when the sale involved big-ticket, high-tech products or services.

Over the past few years, so-called "no-call" lists have become prevalent, blocking the ability for firms to do telemarketing to customers who choose to be listed. In some countries, severe fines are imposed on sales organizations that violate these no-call lists. While this legal development may not directly affect salespeople in business settings through personal contact, because telemarketing and teleselling are often used to support in-person selling approaches, many companies have had to adjust their overall sales programs to comply with these regulations.

One other type of legislation has a direct effect on sales managers as they attempt to implement their sales programs: equal employment opportunity laws. It is unlawful to discriminate against a person in either hiring or promotion because of race, religion, nationality, sex, or age. For this reason, certain types of aptitude tests are illegal if they are culturally or sexually biased or if they are not valid predictors of a person's job performance. The legal aspects of recruiting and selecting sales representatives, as well as other issues related to the increasing cultural diversity of the labor force, are examined in [Chapter 9](#).

Technological Environment

As mentioned earlier, technology not only influences sales strategies, it often drives the firm's capability to effectively sell. Of course, the impact of technology is obvious with companies like Amazon and HP. But in the generally low-tech world of propane sales, Blue Rhino is one company that has used technology to capture significant market share. By improving the processes of filling and storing tanks, the company has begun to dominate a market that was largely populated by small, independent dealers. Blue Rhino dominates by distributing through the country's largest and fastest-growing retailers (Walmart, Home Depot, and Lowe's), a distribution strategy made possible by better technology.

The most obvious impact of the technological environment on marketing is in providing opportunities for product development. Technology advances have been occurring at a rapidly increasing rate, and new products are accounting for an increasing percentage of total sales in many industries. For example, historically at 3M more than half of the current sales volume is generated by products that were not in existence five years ago. Most analysts believe the importance of new products and services to the marketing success of many firms will continue to accelerate. Rapid development of new products requires adjusting a firm's sales programs.

EXHIBIT 1.3
Selected U.S.
antitrust and
consumer
protection laws

Antitrust Provisions

Conspiracies among competing firms to *control their prices*, or to *allocate markets* among themselves, are per se illegal under the Sherman Act.

The Robinson–Patman Act prohibits a firm and its representatives from *discriminating in the prices* or *services* offered to competing customers. The major purpose of this law is to protect smaller customers from being placed at a competitive disadvantage by “key account” programs or price promotions that offer special incentives to larger buyers. However, the law does allow a marketer to grant discounts to larger buyers based on savings in the costs of manufacturing or distributing the product. Thus, some quantity discounts are legal.

Tying agreements, where a seller forces a buyer to purchase one product to gain the right to purchase another, are illegal under the Clayton and Sherman Acts. A personal computer manufacturer, for example, cannot force a customer to agree to buy extra drives, a scanner, a printer, and so forth as a precondition for buying the computer itself.

Reciprocal dealing arrangements, the “I’ll buy from you if you buy from me” type of agreements, are illegal where the effect is to injure competition. Such arrangements do tend to be anticompetitive because large companies—which are large buyers as well as large suppliers—tend to have an advantage over smaller firms.

The Federal Trade Commission Act prohibits *unfair methods of competition* in general. Thus, deceptive product claims, interfering with the actions of a competitor’s sales representative, and other unfair acts are illegal.

Consumer Protection Provisions

The Fair Packaging and Labeling Act makes *unfair or deceptive packaging or labeling* of certain consumer commodities illegal.

The Truth-in-Lending Act requires *full disclosure of all finance charges* on consumer credit agreements.

State *cooling-off* laws allow consumers to cancel contracts signed with door-to-door sellers within a limited number of days after agreeing to such contracts.

The Federal Trade Commission requires that door-to-door salespeople who work for companies engaged in interstate commerce clearly announce their purpose when making calls on potential customers.

Many cities and towns have so-called Green River Ordinances, which require all door-to-door salespeople to obtain a license.

New sales plans must be formulated, the sales representatives must be retrained, and, in some cases, new reps must be hired.

Advancing technology also affects sales management in more direct ways. Improvements in transportation, communications, and data processing are changing the way sales territories are defined, sales reps are deployed, and sales performance is evaluated and controlled in many companies. New communication technologies—together with the escalating costs of a traditional field sales call—are changing how the personal selling function is carried out. Salespeople no longer need to be with customers face to face but can effectively meet them from practically anywhere in the world.

The satchel full of samples has given way to the laptop computer; and telemarketing, teleconferencing, and computerized reordering have replaced the face-to-face sales call in a growing number of situations. Consequently, the nature of many sales jobs—and the role of the sales manager in supervising the sales force—has changed dramatically in recent years. We will explore the impact of these new technologies in highlighted feature boxes throughout this book.

Social and Cultural Environment: Ethics

The values of a society affect marketing and sales programs in a variety of ways. Firms develop new products in response to trends in consumer tastes and preferences. In the United States, the well-documented demographic trends of an aging society, greater influx of minorities as a percentage of total population, two-income households, greater mobility, and ever-increasing desire for more leisure time and more convenience-oriented products all have greatly affected selling.

In twenty-first-century sales management, nowhere is the impact of societal values more important than in the way social values set the standards for ethical behavior. **Ethics** is more than simply a matter of complying with the laws and regulations we will discuss later in this section. That is, a particular action may be legal but not ethical. For instance, when a salesperson makes extreme, unsubstantiated statements such as “Our product runs rings around Brand X,” the rep may be engaging in legal puffery to make a sale, but many salespeople (and their customers) view such little white lies as unethical.

Ethics is concerned with the development of moral standards by which actions and situations can be judged. It focuses on those actions that may result in actual or potential harm of some kind (e.g., economic, mental, physical) to an individual, group, or organization. Thus, ethics is more proactive than the law. Ethical standards attempt to anticipate and avoid social problems, whereas most laws and regulations emerge only after the negative consequences of an action become apparent.¹²

Two sets of ethical dilemmas are of particular concern to sales managers. The first set is embedded in the manager’s dealings with the salespeople. Ethical issues involved in relationships between a sales manager and the sales force include such things as fairness and equal treatment of all social groups in hiring and promotion, respect for the individual in supervisory practices and training programs, and fairness and integrity in the design of sales territories, assignment of quotas, and determination of compensation and incentive rewards. Ethical issues pervade nearly all aspects of sales force management.

The second set of ethical issues arises from the interactions between salespeople and their customers. These issues only indirectly involve the sales manager because the manager cannot always directly observe or control the actions of every member of the sales force. But managers have a responsibility to establish standards of ethical behavior for their subordinates, communicate them clearly, and enforce them vigorously.

One might ask why a manager should be responsible for providing moral guidance to subordinates. One might even question whether setting and enforcing standards of ethical conduct for the sales force infringes on the freedom of its individual members and their right to make their own moral choices. While such questions may be legitimate topics for philosophical debate, there is a compelling and practical organizational reason for a firm to impose ethical standards to guide employees’ dealings with customers: Unethical selling practices make buyers reluctant to deal with a supplier and are likely to result in the loss of sales and profits over time.

Not all customers or competing suppliers adhere to the same ethical standards. As a result, salespeople sometimes feel pressure to engage in actions that are inconsistent with what they believe to be right—in terms of either personal values or formal company standards. Such pressures arise because the sales reps, or sometimes their managers, believe a questionable action is necessary to close a sale or maintain parity with the competition. This point was illustrated by a survey of 59 top sales executives concerning commercial bribery—attempts to influence a potential customer by giving gifts or kickbacks. While nearly two-thirds of the executives considered bribes unethical and did not want to pay them, 88 percent also felt that not paying bribes might put their firms at a competitive disadvantage.

Uncertainty about what to do in such situations—often due to a lack of direction from management—may lead to job stress, poor sales performance, and unhappy customers. Many selling situations involving ethical issues are not addressed by management directives, and many sales personnel want more explicit guidelines to help them resolve such issues. Management can help salespeople avoid the stress and inconsistent performance associated with ethical dilemmas by developing written policies that address problem situations.

The important thing, however, is not just to have a formal policy but to have one that is helpful to the sales force. Such policies should provide clear guidelines for decision making and action so that employees facing similar situations will handle them in a way consistent with the organization's goals. To further reduce uncertainty, policies must be clearly communicated to both sales personnel and customers. The most effective way for managers to influence the ethical performance of their salespeople, however, is to lead by example. Formal policies do not have much impact when top management gives lip service to one set of standards while practicing another. Sales managers who expect ethical behavior from their employees should apply high ethical standards to their own actions and decisions.

The level of ethical standards in the sales force ultimately is a reflection of the integrity of the firm, as manifest in its culture and value system.¹³

Natural Environment

Nature influences demand for many products. Of course, natural disasters such as tornados and floods can influence demand for building products and the like. But unseasonable weather can damage or enhance sales, depending on the type of product. Even one snowy Friday during a peak holiday sales season can negatively impact sales for those retailers that rely on the date's usual high customer traffic.

The natural environment is an important consideration in the development of marketing and sales plans. The natural environment is the source of all the raw materials and energy resources needed to make, package, promote, and distribute a product. Over the past three decades, firms in many industries—such as concrete, aluminum, plastics, and synthetic fibers—have encountered resource or energy shortages that have forced them to limit sales of their products. Some of these

shortages in developed nations are partly attributable to the extreme growth rate in developing areas of the globe, such as China. One might assume that sales representatives could take life easy under such circumstances, letting customers come to them for badly needed goods. But the sales force often has to work harder during product shortages, and well-formulated account management policies become even more crucial for the firm's success.

During such periods, the sales organization may be engaged in **demarketing** of part or all of its product line. The sales force is often required to help administer rationing programs, which allocate scarce supplies according to each customer's purchase history. Since shortages are usually temporary, though, sellers have to be sensitive to their customers' problems so they will not lose customers when the shortage is over. Consequently, account management policies must treat all customers fairly, minimize conflict, and maintain the firm's competitive position for the future.

Growing social concern about the possible negative impacts of products and production processes on the natural environment also has important implications for marketing and sales programs. This is increasingly true for firms that sell to organizations as well as for manufacturers of consumer goods. For instance, countries in the European Economic Community have passed legislation requiring manufacturers to take back, and either reuse or recycle, materials used in packaging and shipping their products.¹⁴

ETHICAL MOMENT Ethics and the Natural Environment

One of the key challenges facing everyone today is how to best manage the environment and the earth's limited natural resources. Pollution, climate change, and other environmental challenges require individuals, companies, and countries to make difficult choices. As companies develop and implement a strategic environmental strategy, the impact can be felt throughout the organization. From the office to the production floor companies look to be more energy efficient, more "green," and better resource managers.

Sales may not spring to mind when considering the impact of environmental issues on an organization, but in fact a company's environmental strategy impacts the sales force and, more specifically, sales managers in many ways. For example, as organizations look to reduce their carbon footprint they seek alternatives to having a salesperson use cars and other transportation to meet with the customer. In some cases, outside sales forces are even reduced and replaced with call centers and inside salespeople. Another issue is the concerted effort to make and sell products that are more environmentally friendly. It is the salesperson's job to create a value proposition that reflects not only the product's inherent advantages and benefits but also its environmental impact. Increasingly, companies are asking salespeople to provide an environmental impact assessment of their products before making a purchase decision. These kinds of changes, as well as many others, reflect the impact of environmental issues on strategy and, more specifically, the sales force.

A focus on the natural environment will continue to influence the role of selling and salespeople, thus managers need to understand the many environmental issues facing the company. At the same time, sales managers must train their sales force to adequately deal with customers' environmental concerns.

Question to Ponder:

- Can you identify other environmental issues that impact the sales force and sales managers?

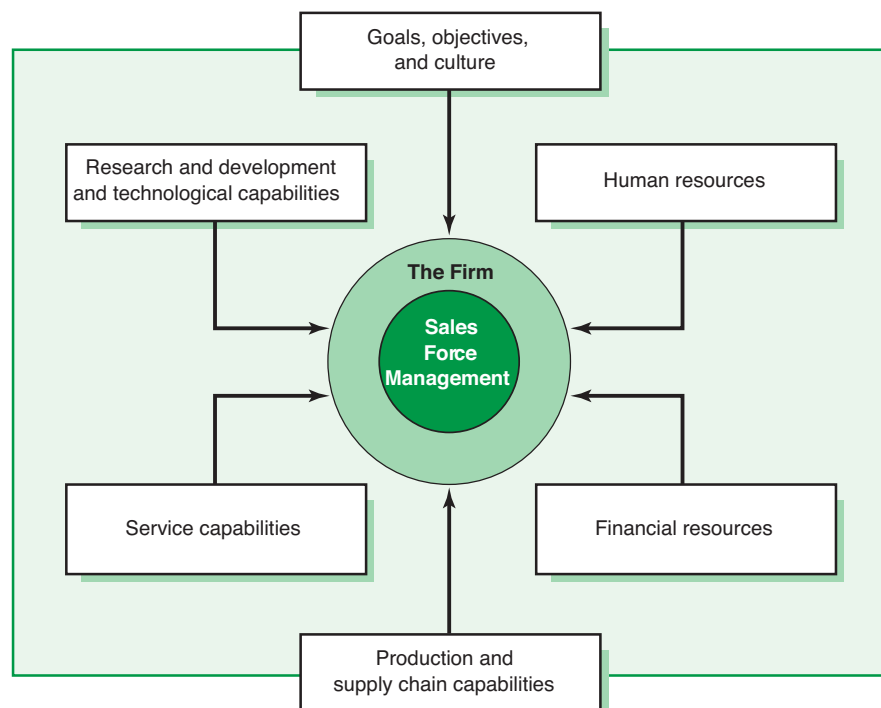
INTERNAL (ORGANIZATIONAL) ENVIRONMENT

The policies, resources, and talents of the organization also make up a very important part of the marketer's environment. Sales managers may have some influence over higher-level organizational factors due to their participation in planning processes, but in the short run, sales programs must be designed to fit within organizational situations and limitations. The variables in the **internal (organizational) environment** can be grouped into six broad categories: (1) goals, objectives, and culture; (2) human resources; (3) financial resources; (4) production and supply chain capabilities; (5) service capabilities; and (6) research and development and technological capabilities. These variables are portrayed in Exhibit 1.4.

Goals, Objectives, and Culture

Successful management of customer relationships begins with top management's specification of a company mission and objectives that create a customer-centric organization. As the company mission and objectives change, customer management approaches must be adjusted accordingly. A well-defined mission together with a successful corporate history and top management's values and beliefs leads to development of a strong **corporate culture**. Such cultures shape the attitudes and actions of employees and help determine the kinds of plans, policies, and procedures salespeople and their managers can implement. At the same time, research

EXHIBIT 1.4
Components
of the internal
environment



suggests a connection between a strong, effective corporate culture and the ability to create a competitive advantage in the market place.

We have already mentioned the central role of ethics and legal considerations in selling today. Much of what drives ethical behavior in sales organizations is the tone set by upper management, as well as the overall culture of the firm.

Human Resources

Modern sales organizations are highly complex and dynamic enterprises, as are their customers' firms. The sheer number of people in many sales organizations, together with the widely varying needs in terms of key success factors in relationship selling creates challenges. In view of the difficulties involved in recruiting highly qualified people for sales positions and the often-lengthy training programs needed to bring new salespeople up to speed on knowledge and skills, it is often difficult to expand a sales force rapidly to take advantage of new products or growing markets. In some cases, however, it may be possible for a firm to compensate for a lack of knowledgeable employees by utilizing outside agencies or specialists on a fee-for-service or commission basis. For example, many companies use distributors when entering new markets, particularly foreign markets, because entering the market can be accomplished so much more quickly by utilizing preexisting sales forces.

Financial Resources

An organization's financial strength influences many aspects of its customer relationship initiatives. It can constrain the firm's ability to develop new value-adding products as well as the size of its promotional budget and sales force. Companies sometimes must take drastic measures, such as merging with a larger firm, to obtain the financial resources necessary to realize their full potential in the marketplace. For example, P&G and Gillette's merger in the highly competitive consumer health products sector provided the latter's product line the benefits of the more extensive global supply chain expertise of the former. Often selling firms and buying firms will form their own partnerships and alliances that create financial benefits for both.

Production and Supply Chain Capabilities

The organization's production capacity, the technology and equipment available in its plants, and even the location of its production facilities can influence the relationship selling initiative. A company may be prevented from expanding its product line or moving into new geographic areas because it does not have the capacity to serve increased demand or because transportation costs make the product's price uncompetitive. Vendors doing business with Walmart are expected to fulfill orders within 24 hours and to deliver the goods to the Walmart warehouses within a two-hour assigned appointment window. Suppliers that don't meet this requirement pay Walmart for every dollar of lost margin. It is no wonder Walmart's vendors

are willing to invest the necessary capital to tie their information systems directly in with Walmart's systems so the whole ordering and fulfillment process can be handled seamlessly and at maximum speed. As another example of supply chain efficiency but on the e-commerce side, CEO Jeff Bezos at Amazon developed a network of distribution centers nationwide long before Amazon's sales volume was sufficient to financially support the warehouse capacity, principally because he wanted to ensure seamless distribution and service after the sale and avoid inventory stockouts.

Service Capabilities

Delivering a high level of service quality is an important organizational capability. Firms that provide great service typically enjoy a strong competitive advantage in the marketplace and make it difficult both for (1) other firms to compete for the same customers and (2) customers to switch to competitor sales organizations, often despite price advantages competitors may have.¹⁵

Research and Development (R&D) and Technological Capabilities

An organization's technological and engineering expertise is a major factor in determining whether it will be an industry leader or follower in both the development of value-adding products and high-quality service delivery. Excellence in engineering and design can also serve as a major promotional appeal in a firm's marketing and sales programs, as customers are attracted to innovators and industry leaders. Most companies are investing heavily in technology, particularly technology that can help meet relationship selling objectives. In such cases, the firm's salespeople can communicate the R&D and technological sophistication to customers as important value-adding aspects of the company and its products. This capability helps avoid the trap of overrelying on price to get the sale.

SUMMARY

Sales organizations and their managers have been affected by a number of important changes in recent years. It is critical for students of selling and sales management to fully understand these trends and how they affect the success of the sales effort. In this book, we identify and develop three key themes throughout: innovation, technology, and leadership. Along with these themes, we identify important global and ethical issues for twenty-first-century sales managers.

Effective management requires a solid understanding of the activities one is trying to manage. Unfortunately, many people have misconceptions about the selling process, the activities carried out by salespeople, and the personal characteristics necessary for a successful career in professional sales. In part, these misconceptions arise because different

types of selling jobs involve different kinds of tasks and require different skills and abilities from the people who do them.

Sales management involves three interrelated processes: (1) formulation of a sales program, (2) implementation of the sales program, and (3) evaluation and control of the sales program. An overarching model of sales management was presented for students' initial perusal in this introductory chapter. Each major section of the book elaborates one process. The remaining parts of this book describe the variables and sales management activities involved in each of these processes: Part One is focused on formulation, Part Two on implementation, and Part Three on evaluation and control.

Environmental factors that can impact sales management are grouped into the two broad categories of external and internal (organizational) environments. The external environment includes the following elements: (1) economic, which includes competition; (2) legal and political; (3) technological; (4) social and cultural, focused on ethics; and (5) natural. The internal environment includes these elements related to the organization itself: (1) goals, objectives, and culture; (2) human resources; (3) financial resources; (4) production and supply chain capabilities; (5) service capabilities; and (6) research and development and technological capabilities. Gaining a thorough and accurate picture of these environmental influencers is essential to successful sales management in the twenty-first century.

KEY TERMS

transactional selling	external environment	internal (organizational)
relationship selling	<i>economic</i>	environment
leading versus managing	<i>legal and political</i>	corporate culture
sales management	<i>technological</i>	
sales management process	<i>social and cultural</i>	
<i>formulation</i>	<i>natural</i>	
<i>implementation</i>	ethics	
<i>evaluation and control</i>	demarketing	

BREAKOUT QUESTIONS

1. Does the Internet replace the need for salespeople? In what situations is the Internet most likely to replace salespeople? What characteristics of a situation would make the Internet least likely to replace salespeople?
2. A number of organizations that did not consider marketing part of their business activities in the past have found the need to begin to market their services. Nowhere is this more prevalent than in the nonprofit community. While not "selling" a product or service, public service organizations such as the Red Cross have developmental officers who market the organization in the community. How might you "sell" a public service organization in the community? What is different about this versus selling for a for-profit enterprise? What would be your goals and how would you accomplish them?