POSITION AND ROLE OF PERSONAL SELLING IN CONTEMPORARY MARKETING MANAGEMENT

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ABSTRACT

Personal selling is the oldest instrument of promotion mix which is achieved through direct two-way communication between seller and a buyer. The final aim is making a sale, i.e. obtaining an order. Personal selling, unlike the other elements of promotion, generates a profit for the company, although, at the same time, it requests considerable cost. Flexibility is one of the key elements of personal selling, considering that the seller is the most flexible media of communication. The position of personal selling changed with the development of the marketing concept. During the period of production orientation it had minimal significance, while with the beginning of the following (sale's) era personal selling got more significant role which advanced after Second World War (the period of beginning of the marketing orientation). Personal selling developed through several phases: consultative selling, strategic sales and the period of establishing of partnerships.

Key words: marketing concept, personal selling, sales talk, communication

DEFINITIONS AND CHARACTERISTICS OF PERSONAL SELLING

There is a large number of definitions of personal selling in literature. In considerable number of definitions of the concept there is the emphasis on the fact that this is the oldest instrument of promotional mix which actualizes a face-to-face interaction of seller with one or more of potential buyers, and that the aim is presenting the offer, answering questions and, ultimately, obtaining order. "Almost all definitions of personal selling underline it as a process of informing the buyer in which the seller guides the buyer to the decision to buy a product or service." (Ognjanov, 2004). There is an increasing attention paid to post sales-services in order to achieve long-lasting satisfaction and creating long-term relationships with customers. Unlike other elements of promotion (advertising, public relations and sales promotions), personal selling directly generates profit for economy entity (in United States of America it is estimated that every seller, in average, supports 10,4 other working positions within the company).

In the "Dictionary of Economics" under concept of personal selling states that it is an instrument of promotion, based on establishing interpersonal, two-way communication between seller and buyer, with the purpose of making a sale." (Dictionary of Economics, 2001). It further states that it is characterized by the physical presence of the two entities (buyer and seller). "The essence of personal selling is the interaction between its entities - the target customers and specially selected and trained dealers ..." (Lexicon of Management, 2003).

"Personal selling implies direct communication with potential buyer. This is the process of developing relationships, detecting needs and adjusting appropriate products to these needs. But it is also a process of telling the benefits by providing data, reminding and convincing " (Manning and Reece, 2008) (underlined by DB). The word product used in aforementioned definition should be considered in a broader context including by the respective term also services, information, ideas, etc.
One of the basic characteristics of personal selling is the **flexibility**, because the seller is the most flexible media of communication. The above stated characteristic is the result of two-way communication that is achieved directly between suppliers and customers. During the sales presentation it comes to acquiring the **feedback**, i.e. while the seller informs the buyer he simultaneously obtains the feedback on how the message is received, and thus successively adjusts the offer and the manner of presenting it. Personal selling, unlike other instruments of promotional mix, offers the possibility of transmitting a large number of complex information, since the seller's messages does not interfere with the other from the environment. Successful sellers are also required to collect information about the behavior of competitors, new opportunities and threats (risks) and to report all of the above to their superiors. In this manner the field data becomes available to all relevant decision makers in the company (without additional effort and cost).

It is really important that sales can directly lead to the closure of the sales contract. However, these advantage must be confronted with the fact that it is the most expensive element of the promotional mix (the most demanding method of communication)\(^1\). "In the developed market economies, the average cost per sales contact vary from 200 to 1100 $, depending on the industries and types of products or services" (Gligorijević, 2007). Costs of personal selling are the highest in selling the products/services for industrial consumption, and also have significant share in marketing costs of consumer durable goods. Most resources in the promotional budgets are committed to the personal selling of capital goods, and the least for consumer non-durable goods (Figure 1).

*Figure 1: The importance of some forms of promotion by groups of good (Lovreta et al., 2001)*

One of the main disadvantages of personal selling is the **broadcasting of inconsistent messages**, since companies, as a rule, employ a large number of sellers who are independent in their work. Consequently, there is a danger that messages sent from sellers about the company and its offer can be different from one another.

"Personal selling basically has two main roles: it is part of the offer and the organization and it is responsible for customer satisfaction, and it is a part of the communication mix, when it is responsible for informing the buyer" (Milisavljević et al., 2004). Managers, while creating

\(^1\) "The budget for sales personnel depends on the type of industry involved, but it is estimated that the average percentage of turnover invested in sales is between 3% and 4%. In other words, about 12 billion pounds is spent on sales, compared to about 9 billion pounds for advertising or a billion for public relations." (Smit, 2002).
marketing strategies, must necessarily take into account both of these functions. On the one hand, during the sales conversation the seller has the indispensable role to help the buyer/user to define their own needs, as well as to show how the product/service are solving determined problem. Personal selling has to provide help installing, using and maintaining the products, as well as to enable incorporation of purchased materials/parts in the production process. On the other hand, personal selling is also a part of the promotional mix. As well as other forms of promotion, it tries to inform and motivate the business customer.

POSITION OF (PERSONAL) SELLING IN MARKETING CONCEPTION AND VALUE CHAIN

Marketing as a business concept evolved in three stages (production, sales and marketing orientation). Personal selling, in each aforementioned successive phase, had a different role. In the production orientation (the period since the Industrial Revolution in the late eighties of the XIX century until the thirties of the XX century) the emphasis was on mass production of standardized products, and not on sale. The demand on the market was far greater than supply, so customers easily accepted any products (French economist J.B. Say defined sale market as - "supply creates its own demand"). Under the pressure of overproduction and competition (twenties and thirties of the XX century in the United States and Western Europe) the focus is shifted from production to the sales function (sales orientation). Businessmen have become aware that product quality is not the only determinant of the success, i.e. pendulum of economic focus is shifted from manufacturing to sales. It was overlooked that the sale was only one of the activities of marketing. Consequently, that caused marketing myopia (hazing the essence of business and over-emphasizing the role of sellers). During the production era and sales orientation, the approach of negativistic viewing of selling was developed (the role of seller was reduced to convince the buyer to make a purchase). Under pressure from an abundance of products and services, sellers market gave way to the buyers' market (supply exceeds demand). The marketing orientation was originated in the most developed economies. "The marketing concept holds that the key to a successful and profitable business rests with identifying the needs and wants of costumers and providing products and services to satisfy them." (Jobber and Lancaster, 2006) (Figure 2). There was a radical shift in the way business entities implemented business activities (the consumer/customer takes the central place instead of production and sale). New business paradigm described by management guru Peter Drucker - "Customers define the job." Professor Theodore Levitt (Harvard Business School) conducted a unambiguous conceptual differentiation - "Marketing is different from selling as chemistry from alchemy, astronomy from astrology and chess from check."

"Professionalization of personal selling and sales management begins with the development of sales, especially with the development of marketing-oriented companies" (Lovreta et al., 2001). Differences between marketing and sales are more expressed in terms of type and size of work, and far less when it comes to the methodology of operation. It is a complementary business activity that contributes to the realization of marketing objectives in different ways. Personal selling contributes to the integration of other instruments in the promotion in a unique marketing mix.

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2 Robert Keith made the periodization of marketing development in his work "The Marketing Revolution".
One of the most popular concepts is definitely the marketing mix (4P). Its basic elements are: product, price, place and promotion. Promotion can be further be broken down to advertising, public relations (publicity), sales improvement and personal selling. Promotion elements have different (set in hierarchy) communicational goals. In literature, model AIDAS is commonly used for explaining the subject matter. Primary task of economy propaganda is to form awareness to the consumers (introducing offers, information on product’s features, image building etc.), and the task of public relations is to create interest (spreading positive news directly affects target groups). Measures of sales improvements focused on creating a need with a possible buyer (by encouraging them and giving additional benefits), whereas personal selling is to achieve the final goal-action (i.e. buying and selling). Let us note that personal selling also has had bigger role in maintaining long-term relations with buyers.

With mass media communication advertising had a dominant role in promotional splice. Economy propaganda is directed towards great number of listeners. It is featured by indirect, one-way contact, humble possibility of adjusting and relatively cheap contact. However, complementarity of advantages and disadvantages of advertising and personal selling has affected common combining of the two mentioned elements of promotion. There are numerous examples of different forms of selling improvement measures usages by offerers (for example: sending free samples increases the possibility of decision making, and the very process of negotiating is made quicker this way). Sellers are obliged to form and maintain relations with buyers, but also to take care of public relations and wider community.

“The role of personal selling in communicational mix of a company depends on several factors. Among the basic ones are the market in which the company does business, the type of product, distribution strategy and the possibility of using other forms of promotion” (Ognjanov, 2004), (underlined by DB).

Personal selling has a dominant role in business market (business-to-business – B2B), so during the sale of production goods and permanent consumables, as well as with great amount purchases which carry big risks. No matter whether companies develop their own selling service or choose to place their products over brokers (distributors, agents etc.), personal selling takes the key position in promotional mix. Attention that the management may give to the personal selling is also conditioned by legal restrictions and by the phase of buying and selling process (it is given a more significant role in buying, than in the phases of pre-purchasing and using).

Michael Porter, in the concept of value chain, puts selling in the group of primal activities, together with the internal logistics, operations, external logistics and service. Consequentially, personal selling has a relevant role in delivering extra profit to the consumers/buyers. Regardless to the

3 Term AIDAS is an acronym abbreviated from: awareness, interest, desire, action and satisfaction.
function it has, there is a permanent obligation imposed to the management in terms of finding the optimal balance of performances and created costs.

**CHRONOLOGY OF PERSONAL SELLING DEVELOPMENT**

Personal selling had been developing dynamically after the World War II. During 1950s, at the beginning of marketing era, the significance of salesmen was distinguished in information gathering and in buyers’ needs estimation. In the following decades (1960s and early 1970s) comes the consultative selling era, when seller is more able to predict buyer’s needs thanks to two-way communication. In fact, they take the role of an advisor, asking specific (target) questions and carefully listening to the answers they got. Based on relational knowledge, they define buyer’s needs and suggest specific solutions (without trying to manipulate the buyer by aggressive selling techniques). The seller continues to provide services to the customer after the sale.

Intense competition, a large number of production lines, turbulent business environment and a sophisticated customer requirements have contributed to, in the eighties (the time of strategic sale), the strategy pays equal attention as the sales tactics (increasing emphasis on market niches).

Table 1: The development of personal selling (from 1950 until nowadays)

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<th>EMPHASIS ON MARKETING AND SELLING</th>
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<td><strong>The beginning of marketing era</strong> (early 1950s of 20th century): organizations estimate needs and desires of target markets and adjust to giving the desired pleasure; orientation towards products is replaced with orientation towards buyers.</td>
<td>• More and more organizations see that the seller is in the position to gather information about the products, market and service, hence estimate the buyer’s needs.</td>
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<td><strong>Era of consultative selling</strong> (late 1960s to early 1970s of 20th century): sellers predict buyers’ needs and become consultants who offer carefully designed suggestions: markets foreseen for masses begin to divide into markets with target buyers.</td>
<td>• Buyer’s needs are discovered through two-way communication. • Manipulation is replaced by giving information and negotiation tactics.</td>
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<td><strong>Strategic selling era</strong>: (early 1980s of 20th century): the development of more complex sales environment and bigger emphasis on market niches create the need for better structure and the emphasis on planning.</td>
<td>• Strategiji se posvećuje isto toliko pažnje koliko i prodajnoj taktici. • More attention is given to product positioning.</td>
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<td><strong>Partnership establishing era</strong> (since 1990 until nowadays): sellers are encouraged that, whatever they talk about and whatever they do, do it in the context of establishing long-term, quality relations with individual buyers; automatisation of selling forces enables giving carefully adapted information to the buyer.</td>
<td>• Buyer extrudes the product and becomes the driving force in selling. • Greater emphasis on strategies that create value for buyers.</td>
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Source: (Manning and Reece, 2008)

Since the 1990s the emphasis has been placed on creating high-quality long-term relationships with individual customers (the age of their partners). A number of factors contributed to the development of long-term relationship between trade parties: "explosive development and application of technological progress in production and distribution:

• information technology revolution and the wide application in a complete system of communication between trading partners at the global level;
• globalization of markets and increasing competition, the intense process of deregulation in many industrial sectors and national markets and
final and institutional buyers are becoming more "mature" and "experts" in the process of buying" (Lovreta et al., 2010).

Modern buyer demands not only a high quality product/service, but also a high quality relationship. Benefits from this new concept are important to economic subjects, since it is well known that it is four to five times more expensive to gain a new buyer than to keep the old one. In the basis of partnership is creating a long-term strategic relationship, where the focus is on solving the buyer’s problems. As a result, companies have been choosing automatized selling more often (customers relations management – CRM), with the goal to establish and maintain strong relations with buyers.

"The development philosophy of personal selling involves three basic assumptions: adoption of marketing concepts, evaluation of personal selling, and taking the role of the one who offers a solution to the problem, i.e. a partner to help buyers in making decisions” (Manning and Reece, 2008). The three preconditions are actually a part of the strategic and consultative selling model.

REFERENCES