

Analysis of utilization of direct sales in Southwestern company

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Úvod

I. Teoretická část

- Zpracujte literární rešerši týkající se přímého prodeje.

II. Praktická část

- Analyzujte využití marketingové komunikace ve společnosti Southwestern se zaměřením na přímý prodej.
- Na základě výsledků analýzy navrhněte zlepšení využití přímého prodeje ve společnosti Southwestern.

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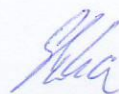
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ABSTRAKT

Vo svojej bakalárskej práci analyzujem situáciu v spoločnosti Southwestern hlavne z pohľadu využitia priameho predaja a marketingovej komunikácie.

Prácu som rozdelil do dvoch hlavných častí. V teoretickej časti som s použitím literárnych zdrojov vysvetlil základnú terminológiu a predajné techniky používané v priamom predaji.

Praktická časť, ktorú som aplikoval priamo na spoločnosť Southwestern pozostáva z troch hlavných podkapitol. V prvej podkapitole som predstavil spoločnosť, jej históriu a odvetvie v ktorom pôsobí. Druhá časť bola venovaná analýze súčasnej úrovne marketingovej komunikácie a výsledkov predaja študentov pracujúcich pre spoločnosť na pozícii predajcov.

Tretia kapitola obsahuje výsledky mojej analýzy a návrhy na zlepšenie výsledkov predaja a marketingovej komunikácie

Kľúčové slová: priamy predaj, predajca, produkt, motivácia, marketingová komunikácia, SWOT analýza.

ABSTRACT

My bachelor thesis analyses situation in Southwestern Company mainly from perspective of utilization of direct sales and marketing communication.

I divided my thesis into two chapters. In theoretical part, using literary resources I explained basic terminology and sales techniques used in direct sales.

Analytical part, applied directly on Southwestern Company consists of three main sub-chapters. In first one I introduced the company, it's history and market segment. In second part I analyzed current marketing communication and sales results of company's student dealers. Third part includes results of my analysis as well as my suggestions to improve sales results and marketing communication.

Keywords: direct sales, salesperson, product, motivation, marketing communication, SWOT analysis.

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I hereby declare that the print version of my Bachelor's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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INTRODUCTION

Southwestern Company is using door-to-door approach to present and distribute their products to customers for over more than 150 years, what makes them the oldest direct sales company in United States.

In last two or three years lot of (not just American) companies had came down, and even more of them had to reduce staff to survive. The reason why people were not too exited about buying stuff and that way the other ones didn't have anyone to produce for was that customers confidence was hurt by a shade of economical crisis. Lot of consumers was just kind of scared to make decision to buy. And it doesn't really matter if they didn't buy new car or a new vacuum cleaner. The reason why I talk about economy is that Southwestern Company, and also other direct sales companies as I suppose, were not influenced by economy in past few years. And it's not some kind of magic or brainwashing from salespeople, like some people would think. The way I think about door-to-door sales is that customer sometimes need someone to discuss the decision to buy and needs some stimulation to invest into something as important as his kid's education. Because that's what the main product of Southwestern is – education. For example books to help kids with homework, different ones to develop their skills in pre school age, or online help. People simply sometimes forget that their kids – because of parents being too busy to help them or just because they are lacking skill to do that are missing tools to deal with their school problems.

I myself have spent my both university summers in United States, working as an independent dealer for Southwestern Company. The way I (and over 3000 other students) was trying to pay my way through university was running my own business with educational products, selling them to American families, in their homes. Through the summer I had done more than 2000 cold calls, putting more than 75 hours of solid week every week and doing 30 demonstrations of my products every day. It wasn't an easy job, especially with everyday rejection I needed to hear to find my 1, 2 or 3 customers for the day. There were also days when I didn't find one. What wouldn't be that frustrating if my wage wasn't 100% commission based.

Also because I was pretty successful – I finished as number 2 first year dealer from about 150 from Czech republic and Slovakia and number 14 from about 500 from Europe, I got an opportunity to work in Southwestern management program as a student manager. With a

management and leadership training I received from the company experts in United States, Ireland and Czech republic, I recruited, trained 3 sales people to come as my team members to USA to run their own sales business. There I was doing the motivation phone calls every day, co-organizing group meetings and taking care of my own business the same way like I did the year before.

It might seem like a hard summer job, but what I found really motivating was challenge that this kind of experience brings, opportunity to learn from experienced managers, chance to attend meetings ran by heads of consulting business in USA or just the feeling of personal growth, not talking about financial opportunity that came along with the job.

Simply the idea of the whole company is to help young people get the experience they need to be successful in their life.

In my work I will analyze the way how company dealers are using direct sales for their business and I will try to suggest ways how to improve that.

I had lot of my friends asking me why someone still sells door-to-door, with all the distribution channels modern market offers. The answer for this question and lot of others can be found in my work.

I. THEORY

1 SALES AS PART OF MARKETING MIX

When marketing their products, company needs to create a successful mix of:

- The right product
- Sold at the right price
- In the right place
- Using the most suitable promotion

The concept of the four 'Ps' also applies for direct marketing. It can be viewed in the same terms too, with three differences – it is always measurable, the direct marketer is accountable and the goal of direct marketing is to achieve a response. [8]

1.1 Product

In order to consider product to be suitable for market, the company should focus on its two basic aspects.

- Appearance - to adapt product's look to market's requirements.
- Functionality – to fit the consumer's needs and to assure his long service life.

Product can come in several forms. Convenience goods are products, for which customers are willing to invest very limited shopping efforts. On the other hand shopping goods are goods for which customer is willing to invest great deal of time and effort (car). Specialty goods are those that are of interest only to a small segment of population (industry goods). [16]

1.2 Price

Pricing is extremely important process for the company, not just because price is the only 'P' that creates revenue (all the others are costs), but also because after price has been set, customers can sometimes show a resistance to any attempts to change it.

Pricing strategies:

- Premium Pricing

Use a high price where there is uniqueness about a product or service.

- Penetration Pricing

The price of a new product is set really low, in order to gain market share. After company achieves needed market share, the price is increased

- Economy Pricing

Principle of this pricing is to keep low price at all times. Marketing and manufacture cost are kept at minimum.

- Price Skimming

Producer charges high price due to competitive advantage he possess. This advantage and price are usually just temporary, because higher price tends to attract new competitors into the market. [13]

1.3 Place

Usually about one fifth of the product's cost goes on getting it to the customer. Place here deals with various methods of transporting and storing goods and making them available for the customer Place here means effective distribution and storing system – to get the right product to right place in right time with minimal costs. [16]

1.4 Promotion

Promotion is communication with customer, where company is providing him with information that will assist him to make decision to purchase a product or service. Current technology gives companies a wide variety of ways how to provide customers with this information. Internet, television, newspaper are just the basic ways how to share the product information. But some of the companies still prefer the oldest information exchange channel – the face to face conversation. The direct sales companies like Mary K, Southwestern or in Czech Republic Zepter are the ones that use professional salespeople to present their product in customer's homes and salesperson – customer conversation is their main advertising mean. This is what we call active or direct selling and it will be my main focus of activity in this work.

2 DIRECT SALES

Direct selling is offering of product or service. It's basis is person-to-person contact, away from fixed retail location, marketed through independent sales representatives. The book definition of direct sales is: *"The direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs."* Dominique Xardel. [9]

Table 1: The largest direct sales companies in 2009 [11]

Rank	Company	Country HQ	Sales Volume
1	Avon Products, Inc.	USA	\$10.3B
2	Amway Global	USA	\$8.4B
3	Vorwerk & Co KG	Germany	\$3.58B
4	Mary Kay Inc.	USA	\$2.5B
5	Natura Cosmeticos SA	Brazil	\$2.4B
6	Herbalife Ltd.	USA	\$2.3B
7	Primerica Financial Services Inc.	USA	\$2.2B
8	Tupperware Brands Corp.	USA	\$2.1B
9	Oriflame Kosmetiek B.V.	Sweden	\$1.8B
10	Forever Living Products	USA	\$1.7B

2.1 History of direct sales

Early direct seller mostly relied on his instincts and common sense to make money by sales. In ancient times, they were called peddlers, hawkers, itinerant merchants and they were the only way to satisfy man's living needs and provide them with everything they needed for fulfilling life by trading goods. [15]

America direct seller sold products of everyday use, something that every household had use for and not all of them had it – needle, comb, scissors, pins or perfume. "Yankee ped-

dlers” how are the early American direct sellers called, were carrying all their products on their back, traveling by land. This was changed after canals were built between rivers and lakes, then Yankee peddlers preferred traveling via water routes.

Direct seller occurs in almost every culture. In Africa he walked the streets of cities shouting out his wares, in France they sold flowers directly to the customer and used purchase orders since 14th century. Direct seller in China didn't have just function as a salesman but also an entertainer. [14]

Nowadays the peddler can be still seen selling his goods just like centuries ago. I myself experienced salesman on the beach in Gambia, selling T-shirts and souvenirs carved from wood or ivory, the girls going out on Saturday nights visiting cafes and selling roses in my hometown or people trying to organize home parties to get opportunity to show their product. These are just some of the situations when I was approached by a salesman. Not mentioning the internet, that in some way, had become the biggest tool for direct sales in the world, basically giving to all salespeople worldwide customer base.

3 SALES SITUATION

3.1 Parts of sales talk

Sales talk always was a necessary tool for every direct sales person. Good sales talk is like a weapon to make prospect think the way you think, to see benefits of your product and to realize the reason why does he want to buy it, all the way to actual purchase. To make sales talk work the way it should it need to have some parts. Saxe and Weitz (1982) characterized customer oriented selling as:

1. The desire to help customers make satisfactory purchase decisions.
2. Helping customer assess their needs.
3. Offering products that will satisfy those needs.
4. Describing product accurately.
5. Avoiding deceptive or manipulative influence tactics.
6. Avoiding the use of high pressure sales techniques. [5]

I divided sales talk into:

1. Approach
2. Introduction
3. Demonstration
4. Price build-up
5. Close

For all products it is slightly different, but same in some way. Solicitor selling things door to door would have definitely different one than a salesperson selling BMW's in car shop. I analyzed sales situation in general, using examples from different sales areas.

3.1.1 Approach

This part has huge importance especially in cold calling – when there is no appointment set between prospect and sales person (from now on just SP). The goal here is to make prospect curious and to make him find time to listen to you - preferably at the moment when you are at his door, or to set appointment for a different time.

The things that should be said here are:

- Introduction of SP tell his name, name of the company, what is he doing (product).

- Build interest – this part is the key part in approach. Lot of SP's make mistake by giving customer quick peak on the product at the door to build interest, without prospect hearing other parts of the sales talk and this way they risk quick rejection. [21]

The reason not to do this is because for prospect, when he is busy or simply is not in the mood to listen is much easier to reject something that he knows what it is and how it looks like. So basically when we don't show him the product at first we make him feel impolite to reject. The better way to do this is for example telling him names of previous customers (preferably the ones he knows), names of the people that recommended him and so on. This is way not just to build interest but names of people they both know are also good to make prospect to trust SP. [25]

- To explain how busy he is and that it doesn't take long. *Prospect might expect SP to stay much longer than he means to, so curiosity about product turns into fear of losing too much time.*
- Ask inside

Probably everybody heard that most of the communication is visual – over 55%, 38% is vocal – tone of voice and the words carry the meaning of our message only by 7%. So what is the real heart of Approach is not really what they say. Imagine that the way SP behaves he is drawing picture of himself and when he says something wrong, something that prospect doesn't agree with he draws a 7 mm line going through his face, but when he misbehaves he draws line that has 55 mm. [10]

Body language during approach:

- Distance – stranger knocking on a person's door might bring up a bit of discomfort. So the distance between SP and the door should be about three steps. *It's not the rule but usually the taller SP is, the bigger are his steps and the more uncomfortable might prospect feel, when he is standing too close.*
- Stepping sideway – acting like looking down the street, SP gives prospect time to look at him and gives him power to start conversation by greeting him. This makes prospect feel safer and as a master of situation. *It gives better first impression than if he immediately started talking to him after opening the door.*

- Smile – important is for SP to smile honestly, not like when taking a picture, just like if he was in really good mood. Nothing gives worse first impression than plastic-teeth out smile.
- Eye contact – makes SP look trustworthy and honest. Flinching makes him look suspicious. [23]

3.1.2 Introduction

After letting SP in, prospect usually expects to see the product, but SP first needs to prepare him to see it, adding value to product before its showing.

1) Establish rapport

With first part of the introduction SP is trying to change the way prospect looks at him from salesperson to human being. There are couple of ways to do that, most time efficient ways are through SP's knowledge of community he is in or through names they both know (the names SP uses from now on should be just names of previous customers). These are usually SP's moves to get emotional response from prospect. It is important that topic of conversation is interesting for prospect, that's why good SP has all rounded perspective about a world, so he can lead conversation towards topics that prospects keeps on. This means that before approaching someone SP needs to possess knowledge about different sports, politics, health, nature, economics, etc. Although any one-sided or ultra opinions expressed on any of the topics might hurt more than help. So most of the experts in the field of sales would probably agree that SP should be more open minded than one-sided. [21]

We talk about emotional responses because unrevealing prospect's emotions can be sign that he feels comfortable in SP's presence.

2) Finding/creating need

This is part where SP is asking the most questions and prospect should talk most of the time. Salesman is trying to find out the reason why prospect should buy his product. The goal is to make prospect talk about his problems in certain area, get him emotional so later when he shows him the product, prospect knows that it doesn't just solve some problem, but it solves his problem. [21]

For example needs when selling educational products might be: kids don't do well in school (bad grades), kids are busy – lots of activities, lots of homework (save time) or that par-

ents lack knowledge or time to help their kids with homework. Cooking supply salesman can take for example prospects cholesterol and than introduce cooking pan that doesn't need vegetable oil.

The key is asking right questions. Just like lawyers never ask questions if the don't already know what the answer will be, salespeople work the same way. When they are looking for a need they ask two kinds of questions:

- Questions to make prospect talk – open questions when done right prospects tells SP his problems, tells him why he need product even before seeing it.
'are kids involved in some after school activities?'

The answer to the question is usually more than one or two words. If they do, parents will start to name all kinds of activities their kids are into. If they are not, the following question should be: *So they probably take school really seriously, don't they?* In both cases it shows the need for the product. In first case they kids are probably busy so they would use extra help to save them some time. In second case they are keen on education and that automatically creates need as well.

- Affirmation questions – basically aimed to make prospect get into habit of saying yes and to let him make statement that he agrees with what SP says.

[4]

People hear something of what other people say, and trust some of it, but people tend to hear and trust everything they say. That's why SP first tries to make prospect tell him his need and if he doesn't hear it, he at least make him agree on his statement.

It is important to show customer genuine interest in him as a person. This can be achieved, as Ken Langdon writes in his 100 Greatest Sales Ideas of All Times, by *active listening*. This means that SP never interrupts customers when they talk and he is leading conversation the way he wants by questions rather than by statements. [6]

3) Covering objections

In almost every sales situation occurs some kind of objection. With every product or service come at least few objections why it's not good decision to buy it, so the ones that come up most often SP have to cover in advance. That means before prospect say it, or even think of it. The one that is covered by most of door-to-door salesman is procrastination objection.

It's in people's nature to leave decisions on later, but it's almost rule that if SP doesn't make sale on a first visit or is asked to come back, his chances to make a sale are getting really low. So prospect is usually asked to make decision that day, or he is warned that today he will be offered special price, that he can buy for just today. After this one, the objections differ with the product. In book sales, the main objection is Internet and in pan sales it would be teflon. It is important to know these and cover them in advance. [22]

If customer comes with an objection that has not been covered Karl Herndl gives salespeople a 5 step way how to deal with it:

- First it is important to understand that the person giving objections is interested in product and wants to know more about it. It is important to keep this attitude even if it doesn't seem that way.
- Don't react with contra - arguments, it can quickly turn into fight.
- Listen carefully and analyze reasons – sometimes you find out that objection is just excuse, or that behind objection that was said can lie deeper one.
- Thank customer for an objection and change it to the selling point.
- Collect your customers' objections, come up with answers, write them down and learn them word by word. [3]

4) Buying atmosphere

This is small part where SP usually explains prospect that some people buy, some don't and it's ok, however he decides. This puts the pressure off the prospect. People in general are more open to say yes, when they feel free to say no. [23]

3.1.3 Demonstration

The part where prospect can finally see the product. In general it should be enthusiastic. For every product there comes a different way how to present it. The tactics that is often used is called 'the sandwich method'. That means that showing of every part of the product that is filling some need comes out with two questions.

First question – set up question – SP is trying to bring up some problem that prospect has or paint a picture of some situation that occurs.

Showing – SP solves the problem with his product

Second question – affirmation question – get affirmation from prospect about how useful would the product be for him. [25]

Example of demonstration of light-weight laptop

SP: Josh do you travel a lot?

Josh: Oh yeah.

SP: So do you sometimes get annoyed with all the luggage you have to carry?

Josh: Sure, once upon a time.

SP: Try to pick up this laptop.

SP: Can you see the difference between carrying your old one and this one??

In demonstration is also necessary to change vocabulary a little. While in introduction SP uses simple words and short sentences to make himself easy to understand, in demonstration he prefers stronger words to make him sound like an expert. For example in car sales it would be words like: axial injection, atmospheric 8-cylinder, common rail injector. In educational product sales it might be: distributive law method, FOIL method, mitochondria, cytoplasm. Prospect doesn't necessarily need to understand exact meaning of the words, but it is something that he has in his subconscious, something that he heard, but doesn't have in his active vocabulary, but it is something that makes SP sound like an expert. [25]

Tom Hopkins calls these 'glamour words' and gives examples of adjectives like dynamic, unique, outstanding, innovating, state-of-the-art, exciting. [4]

3.1.4 Price build-up

Lot of salespeople are during sales talk trying to get prospect into habit of saying yes – they ask questions the way that answer is always positive, so when it comes to making decision it becomes harder to say no. So especially before hearing price SP should make prospect agree with him on couple of things concerning the product. Using other words, SP should lead prospect to price build-up with series of YES questions [22]

Then after prospect can see and agree on the advantages of the product and can see how it would help him, SP comes to the money question. Here he tries to compare product with something that has similar use and is much more expensive or costs similar and is lower

quality. Simply compares it in a way to make his product look like good deal and reasonable price. Usually is plus to write price build up down, that gives SP edge with visually driven people. [25]

3.1.5 Close

This part should help the prospect to say yes to product or makes easier for him to say no. Lot of sales people think that if the fill in customers needs and do a perfect demonstration, customer will ask for product by himself. This is sometimes right, but prospect often has some doubt about the service, product, SP or his company that can make prospect want to delay decision. That's why SP needs to take an initiative. Tom Hopkins' definition of closing is 'professionally using people's desire to own the benefits of your product. Then blending your sincere desire to serve in helping them make decisions that are truly good for them.' He also adds that if the product is not good for prospect and SP persuades him into it, the sale is bad for SP in the long run as well. [4]

Jobber and Lancaster in their book *Selling and Sales Management* (2009) give three basic closes:

- The concession close

This uses the final push towards agreement: *'If you are willing to place an order now, I' willing to offer an extra 2,5% discount'*

- The alternative close

This technique is well known and was used by sales people for many years. The idea is to give prospect two positive options.

'Would you like a red or a blue one?'

'Would you like it delivered on Tuesday or Friday?'

- The objection close

This one assumes that in prospect mind is just one thing that keeps the sale down. *'If I can convince you that this model is the most economical in its class, will you buy it?'* [5]

Tom Hopkins goes with closing little deeper with his *16 power closes for aspiring champions*. I chose some that I found most useful:

- Basic oral close

Used for industrial, governmental and commercial sales. In these areas SP needs purchase order number to make a sale. So finding out the number should be the first thing to do after filling the need. [4]

'By the way what purchase order number will be assigned to this requisition?'

- Basic written close

Usable if SP is using an order form. Tom Hopkins works with this close the way that he answers prospect's question with one of his own.

Prospect: Does it come in walnut?

SP: Is that the wood grain you would like?

Prospect: Yes, that's the color I'd prefer.

SP: Let me make a note of that. (SP writes this information into order form, even if the prospect is not ready to give him an order) [4]

The reason why is important to write the information to order form, not to legal pad, is to show that SP is a strong salesman that knows how to move things and builds momentum before final close.

The similar job do the 'reflect questions'. These are the questions that can prospect answer without thinking.

'Mary, do you have a middle name?'

- Sharp angle close

This develops idea of answering question with another one. It's asking the one that if they answer the way that original question hints they will, assumes they have bought it. [4]

'If we decided to buy your product we would have to take delivery by June 15. Could you handle that? (Professional SP don't just jump into and says yes, but takes advantage of the opportunity)

If I could guarantee delivery by June 15, are you prepared to approve the paperwork today?

3.1.6 Solidification

This part is made after all the paperwork is approved or cash is collected. Goal of this part is to assure customer that he did a good decision. This is not important just to set the scene for possible next sale. In door to door sales, customer has option to cancel the sale within three business days with full refund, without specifying the reason why he did that. There are couple of ways how to do that. Thanking him for purchase, summing up the selling points once more, asking him what appeals to him the most about the product, showing one more section or small extra benefit of the product, or by sending him thank you letter or email. The most effective is combining more of these, for example enthusiastic re-demonstration, followed by thank you email the next day. [23]

3.2 Asking questions

Question implementation is one of the most crucial points to achieve sale. Good SP knows that people globally talk much rather than listen. It is way not just to establish a good rapport or find prospects needs, but to understand his problems in general. One of the abilities of a good salesman is to be genuinely interested in person he is talking to and to be 100% focused on what person says. Because people tend to doubt what other people say, but what they say is always true. [21]

Tom Hopkins says that questions have couple of different purposes in sales.

- To gain and maintain control – instead of letting the prospect lead the conversation, SP asks questions that build one on another so information he get is sorted the way he can help clients needs and so the client will follow his lead.
- To indicate areas they are interested in, where SP might be of service. Then he asks more questions to isolate area where opportunity to help is the best. And finally asks more questions to advert the exact product or service.
- Ask questions to get minor yeses, starting the stream of agreements that builds momentum before final decision.
- Asking questions to direct emotions toward the purchase.
- Questions to isolate objections – locate the ones that matter for actual prospect.

- Questions to answer objections.
- Ask questions to confirm they understand the point and SP can move on.
- Questions to acknowledge the fact – prospect trust some of what SP says but when he say it, he must believe it's true.
- Questions to determine benefits the prospect want to own – people don't buy the product, they buy benefits that come with it.
- To involve them ownership decision about my offering.
- Help client rationalize decisions he want to make.
- To close them on purchase. [4]

Technically, dividing by the way you ask, there are only two types of questions. First type is question with which we are trying to find something out, make prospect talk and find information useful for a sale.

How are kids doing in school? (books)

How much do you move around while using a laptop?

Do you prefer power before gas mileage or other way around? (car)

In these questions is important not to ask question that might be answered by yes or no. Because in most of these questions (more than 50%) people pick yes before no, when asked this question by a salesperson. [3]

Instead of asking *Do you want me to set up delivery for March?* Is more efficient to give person two positive options: *Would it be better for you to receive goods in March or April?* Prospect has more options and whatever his choice is, he basically chooses to buy a goods. Statistics also say that choice of second option is on average more frequent than first one. So question should be set up like that way if SP prefers to deliver the product in April. [23]

Second type of a question is called affirmation, or leading question. In this one SP instead of making statement asks question to get prospect to confirm what he says. Because like I mentioned before, people listen to most of what other people say and trust some of it, but they listen to all what they say and trust all of it. So instead of making a statement like *Most people really appreciate quality of our products.* More efficient would be to ask first: *You are interested in quality of product you are looking for, aren't you?* Not many people would probably answer: *No I'm actually looking for something that breaks down on my*

way home. But to all of them it would appeal more, if SP get them confirmed that quality is what they are looking for and then bring up quality of the product. [21]

4 MOTIVATION IN DIRECT SALES

Although the headline is motivation in direct sales, in general it is same for all kinds of sales. The reason why it is different in sales than in different occupations is mental and physical difficulty of the job. I found this out from my own experience and also from other people working in the same area. Frustration comes from lot of sources: from *wage concept* of the job – most of the sales jobs (especially the ones connected with direct sales) has bigger part of the salary that depends on commission from sales made. So when things don't go too well, the wage comes down often with also mood of salesman. Then especially for people selling the same *product* for long time, it is getting hard to still believe in the product and it's useful value for people. *People* that SP approaches can be often challenged as well, not all of them are excited about profession of sales person. Especially when cold-calling, some of the people find it disturbing and consider it as invasion into their private zone. These things often result into a negative response or rudeness.

4.1 7 steps to personal success

Lot of authors are tried to find way how to motivate sales people through rough times. David Dean, president of insurance company in New Mexico and veteran in direct sales, defined 7 principles helping sales people to turn from failure to success in his *Now is your time to win*.

4.1.1 Accept your situation

All the people have their problems. Dean considers the first step of their solution acceptance that the problem actually exists. Ignoring the problem or hoping that it somehow disappears by itself is mostly just dead end. Roger Seip, motivational trainer and speaker, assures that the only way how to get rid of fear from anything (the problem in this case) is *action*. He adds that people much easier '*act their way into healthy thinking, than think their way into healthy acting.*' So the message of first principle is obvious. Quit feeling sorry for yourself, quit daydreaming about some magical solution, stop complaining about own misfortune and break fog of self pity. Action means to refuse to be defeated by the circumstances and starting to look for way out. Like Hannibal said '*We will either find a way, or make one.*' [2, 24]

4.1.2 Be willing to fail

All the rich and successful people sometimes fail. Lots of them say that the failure itself was the stimulus that made them move forward. It is not coincidence that most successful people were often the ones that failed most often. Michael Jordan, the basketball legend and for lots of fans the best all time player is a great example.

'I've missed more than 9000 shots in my career. I've lost almost 300 games. 26 times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed'. or, I can accept failure, everyone fails at something. But I can't accept not trying'. Failure or rejection is something that sales people need to handle daily. The basic concept that salespeople need to follow is that every day there is someone they will hear 'no' from, some days they won't hear anything else. Being willing to fail means accepting a job (and life) as it is. There will be good days and there will be bad days. Dean, while selling books door to door during his college summers used to prepare himself for the failure with words: *'This may be a \$200 commission day, it may be \$20 commission day. A \$200 day is not going to make my summer and \$20 day won't break it'.* Being willing to fail every day means avoid frustration when it happens. This doesn't mean to expect failure, but to count with that option. My sales manager always advised me, when I got frustrated with lack of sales, to think of every *no* I hear as a next step to *yes*. And when I realized it's true, I started to be excited about every no, because I imagined no as a stair I just stepped in and somewhere on the top of the stairs there was YES waiting for me. Abraham Lincoln is another example of person that was willing to fail. [1], [2], [20]

Abraham Lincoln

- 1831 Failed in business
- 1832 Defeated for state legislature
- 1833 Failed in business again
- 1834 Elected to state legislature
- 1836 Had nervous breakdown
- 1838 Defeated for speaker of state legislature
- 1840 Defeated for elector
- 1843 Defeated for Congress

- 1846 Elected to Congress
- 1848 Defeated for Congress
- 1855 Defeated for Senate
- 1856 Defeated for Vice-President
- 1858 Defeated for Senate
- 1860 Elected President of the United States [2]

He wasn't probably leaded by ancient scrolls like salesman Hafid in Ogg Mandinos' best seller *The Greatest Salesman in the World*, but definitely acted like that.

'I will persist until I succeed. I was not delivered unto this world in defeat, nor does failure course my veins. I am not a sheep waiting to be prodded by my shepherd. I am a lion and I refuse to talk, to walk, to sleep with the sheep. I will hear not those who weep and complain, for their disease is contagious. Let them join the sheep. The slaughterhouse of failure is not my destiny. I will persist until I succeed.' Og Mandino [7]

4.1.3 Make daily preparation

Not just in sports but in sales and life this occurs to be the only way to constant personal growth. David Dean in his *Now is your time to win* talks about his daily preparation while he was selling books for Southwestern Company as a student. I myself, during the summer of 2008 in California, in order to hit my big goals had (just like hundreds of other students) had to stick to strict schedule as well. In fact there was almost no change in Southwestern schedule since 1975 when Dean did the same thing. My preparation started the evening before, when I did my paperwork not leaving it to morning and looked through my map, knowing exactly where I will start the next day. In the morning my alarm clock went off at 6:29, I jumped out of bed, racing with my 2 roommates to be the first one in the shower. At 6:30 was in cold shower yelling positive phrases like 'I feel healthy, I feel happy, I feel terrific', even when I didn't feel happy or terrific, luckily I stayed healthy during my first summer on the 'bookfield'. Then while cleaning my teeth I was looking at myself in the mirror repeating my sales unit goal for the day. I made my lunch, so I didn't have to stop in the middle of the day to buy one. And I left house before 6:50. At the restaurant where I was having my breakfast every morning I tried to fill myself as much as possible, trying to lie

over my minor lunch as much as I could. Over breakfast I read ‘scroll’ from Ogg Mandino’s Greatest Salesman in the World and looked over my sales talk. While cycling to my sales locality I was repeating my daily goal and summer goal, knowing that if I will work from 12,5 to 13 hours a day and make a 30 demonstrations daily in long run I can’t fail. I was at the first door at 8:29, put my sample case at the door, knocked three times, made two steps back, stepped sideways and waited. [2]

4.1.4 Be a professional

In this case professional doesn’t mean just doing something you get paid for. It means to consistently follow all the rules and avoid obstacles of the job. In sales it means to be customer focused, genuinely interested in his needs, trying to provide service and help him in the way he wants it, not just to sell him the biggest package your company provides to gain big commission. It also means to believe in the product and truly believe that customer’s outcome from it will be worth his investment. [1], [2]

Professional is focusing on the things he can control. He can’t control weather or who will buy his product. For me the controlables was amount of hours I worked, number of demonstrations I did and attitude I had during the day. And after working 12,5 hours and doing 30 demonstrations every day during 12 weeks of my summer I truly felt like a professional. When my team members or people in my organization asked me, what motivated me when to work after I already earned \$200 or \$300 for a day, my answer was simple. I was a professional, I focused on work not on results I had.

4.1.5 Live in the present

Someone once told me: ‘Yesterday is history, tomorrow is a mystery, today is a gift, that’s why they call it present.’ According to David Dean, living in the present is the only logical way to tackle a difficult problem. We can’t change past and the only way how to influence future is action in present. Because *now* is all the time we have and we can operate with. [2], [24]

4.1.6 Do your best

In fishing sometimes happens that however hard you try and however good your bait is, there are days when you come home with no fish at all. Selling is in lot of ways similar. The

only way how to produce consistently is to do your best consistently and let the law of averages take care of the rest. One of the favorite lines with which my sales manager used to motivate us was *'Be all you can be'* meaning that the rest will take care of itself. Although it's really hard to do your best all the time, it's much easier to do your best one day at a time. [1], [2]

4.1.7 Let God help you

I know that there is lot of people that don't believe in God. But belief itself can be very helpful to stay positive. And *higher purpose* of the job and *life* itself can be good leaders through tough times. [2]

4.2 Goals – SMART

As lot of techniques I mention can be used in life as well as in sales. Effective goal setting is necessary duty for all the sales people and in general for all the people that want to be successful. Goals should be reachable on one hand, but also big enough, so it pushes person to stretch himself a bit in order to achieve them.

'Never will I be concerned that my goals are too high for is it not better to aim my spear at the moon and strike only an eagle than aim my spear at the eagle and strike and strike only a rock?' Ogg Mandino [7]

4.2.1 Stretching

The goal should be difficult enough in order to deserve time necessary for its planning and preparation. It also happens that good preparation often changes or enlarges original goals. So it's crucial to review and actualize it. I personally wouldn't recommend decreasing goals too easily because when struggling they might seem further then they really are. [6]

4.2.2 Measurable

In goal it has to be clearly specified what we are trying to achieve. Ideal if it can be expressed numerically. So usually it is profit, turnover or just number of units sold. Qualitative goal expression should be used just as secondary measurement. [12]

4.2.3 Achievable

As soon as goal can be considered stretching we have to make sure that it is possible to achieve it. In the first place, goal is definitely achievable, if somebody did it before. The question if we can do it can be measured by our own best results multiplied to duration we are setting the goal for. For example if I am setting challenging sales goal for month and I work 6 days in a week, I take my best 6 sales days ever and multiply it by 4. So if my best sales days are 112, 107, 98, 94, 90 and 85 units. For the week it makes 586 units. So in month I can sell 2344 units. I did it before, I have more experience than in the past and my skill increases every day so it can be done and the goal is achievable.

4.2.4 Related to customer

As much as we know the amount of benefits we will gain from achieving the goal, we should also know what benefits it will bring to customer. If you are not sure about those, you should reconsider setting the goal. [6]

4.2.5 Timely

We should have date until the goal should be achieved. Good idea is to break down the goal to shorter time periods. If we have goal set for every day, week and month it pushes us to start working on it immediately and helps when we review and actualize our goals. [12]

II. ANALYSIS

5 SOUTHWESTERN COMPANY

5.1 History of the company

Southwestern history dates back to 1940 when they were publishing religious pamphlets, but it got its name in mid-1950 under the leadership of Rev. James Robinson Graves. Initially they started to sell their products through mail. After civil war Rev. Graves developed a new sales concept encouraging young men to sell products door-to-door. The main products those days were christian bibles of different sizes and covers.

Another significant change in a business was adapted by Henderson brothers. They started a concept where every salesman was receiving commission based on his individual sales.



Figure 1: Southwestern Company headquarters [17]

In 1969 the company was sold to Times-Mirror and in 1975 Southwestern's fund raising subsidiary became a separated company now known as Great American opportunities Inc.

This was the first one of Southwestern's today's more than 40 sister companies. These are led by former Southwestern student dealers and include industries like real estate, school fund-raising, customized publishing, fine art consulting, work and travel sponsorship, insurance and financial services, executive search and recruitment or sales consulting and sales training.

Although the way how Southwestern's products are sold remains almost the same as 100 years ago, the product portfolio changed significantly during the years. Bibles were replaced by educational materials. [17]

5.2 About the company

Company was established in Nashville, Tennessee in 1855, today is diversified, growing sales-driven, employee owned corporation. Southwestern is one of the few direct-sales companies still doing traditional door-to-door sales as others focus more on selling wares on the Internet, by referral or through product parties.



Figure 2: Southwestern internship [own processing]

One of the main philosophies of Southwestern is to build people that will build the company. The idea behind that is to recruit colleague and university students from all over the world to work in Southwestern summer sales and management program. Last summer, nearly 2500 students represented 350 colleges and universities from the United States, Canada, Europe, South Africa, and South America. They are relocated to United States, where they live with a host family, running their own sales business with educational products, operating as independent contractors, not as employees of the company. They purchase products from The Southwestern Company at wholesale and selling them to customers at retail. They go door to door, working up to 80 hours a week with no guarantee of pay as their wage is 100% commission based. From these students Southwestern selects the ones with leadership potential to work in their student manager program, where they are taught how to recruit students from their school, coach them and motivate them during the summer.

Students can then continue with work for Southwestern also after they finish their university in after – graduate program. One of the top job opportunities Southwestern offers is District Sales Leader, who is responsible for large group of students from certain area, coaching

them to reach their sales potential during the summer and recruiting of other students during the school year.

Southwestern company is member of:

- Nashville Area Chamber of Commerce
- Better Business Bureau of Middle Tennessee (Charter-member)
- Direct Selling Association (DSA) - US, UK & Canada
- Approved with the Office of Fair Trading, United Kingdom
- National Association of Colleges and Employers (NACE) and its five regional associations [17]

DSA members are leading companies engaged in direct selling around the world. All DSA companies adhere to a strict code of ethics and promote a high ethical standard in the industry.

5.2.1 Product portfolio



Student Handbook (5 volume set) provides a quick reference for homework and tests from grade school to college, covering more than 60 school subjects, with step-by-step explanations.



Volume Library (4 volume set) is comprehensive reference for parents to keep up-to-date on subjects their kids are learning.



The Learning Companion is designed to provide reader with essential information in science, nature, history, geography and the arts.



Explore and learn, also with other different sets of kids books, is designed to teach children through activity based learning. The topics are introduced through stories, quizzes, projects and illustrations.



CD/DVD packages offer different dimension to student work. The younger education packages introduce children to computers and give them fun games to learn with. As the students get older they can use the software to edit and research reports, practice revision.



Southwestern edge is web – based study system that includes step-by-step video solutions to all math and science from all Southwestern books, motivational videos and calendar to record classes, goals and other activities.

[18]

5.3 Goals and methodology of the thesis

5.3.1 Goals of thesis

The main goals of my thesis are:

- Analyze and predict tendency of a market with educational products.
- Analyze sales results of 1st year dealers.
- Analyze sales results of experienced dealers.
- Analyze marketing communication of the company.
- To suggest improvements in these areas.

5.3.2 Methodology

In my thesis I will apply secondary analysis of resources. I will also do qualitative research of dealer activities by using case studies. As a source of my data I will use internal materials of the company.

5.4 Characteristic of segment with educational products, it's direction and competition analysis

5.4.1 Industry characteristics

Southwestern company undertakes in business of educational products and services. Market with these products transforms quickly. Lot of books had to be transformed into software form due to easier updating. Also internet is taking bigger part in children's education every day. Not just because it is most immune to changes (easy to update), but also due to need of online one-on-one tutoring and motivation.

Customers here could be divided into two groups. First would be the ones that still prefer paper before computers. These people usually believe in traditional style of gaining knowledge – through own research. Here, while looking for some information we learn more than that, although it takes longer. The other group is the one that prefer quick information, needed in certain moment. This group also prefers tools that are interactive, designed to hold children's attention. These usually go along with sound or move. Something what paper books can't provide.

5.4.2 Segment direction (BCG matrix)

Although books have been predicted to disappear long ago, they still have their place in education of today. Due to the fact that company sells all the 'non school' types of educational products (books, software, internet services) and sells it directly to the customer, I find BCG matrix of Southwestern products an ideal way how to analyze direction of segment in general. In table 2 we can see sales results of three different products that company offers in years 1995-2009 and company's prediction for 2010.

Table 2: product sales (million units) [own processing]

	1995	1997	2001	2005	2008	2009	2010 (prediction)
Books	2,52	2,41	2,49	2,52	2,1	1,99	2,05
Software	0	0,17	0,31	0,46	0,54	0,68	0,35
Swedge	0	0	0	0	0,23	0,28	0,7

In figure 1 we can see the results from table 2 displayed in graph.

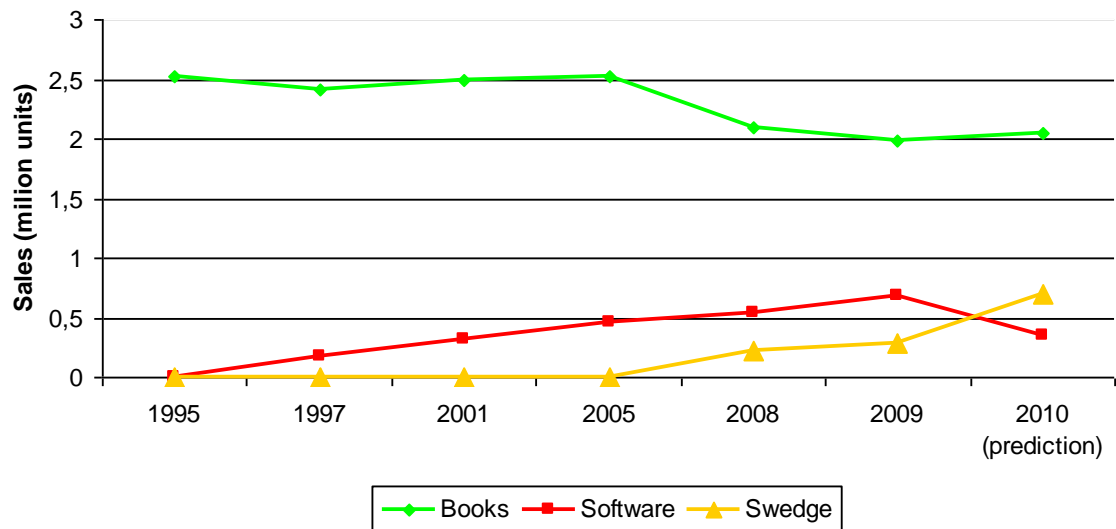


Figure 3: Product sales (1995-2010) [own processing]

Using information from previous chart and table, I schemed out BCG matrix of products sold by the company. In figure 3 we can observe that after over hundred year books (green dot in BCG matrix) still remain dominant product on the market. Although their sales in 15 year period changed dramatically hand in hand with introducing new products (20% decrease). Software (red dot) started to be sold in 1997 and its sales grew quickly because of its interactivity and ability to attract students and kids. His growth was delayed by introducing Southwestern edge in 2008, and in 2010 its sales are expected to decrease due to activity of other products. Swedge (yellow dot) in just 2 years is starting to become flagship of Southwestern. Company is during next year planning to invest 2 million dollars in this website. Another step that was done to support sales of Swedge was that Student Handbooks and Swedge will be sold together as a set. This should at the same time quicken the growth of Swedge and at the same time help Handbooks to stop dropping in sales from year to year.

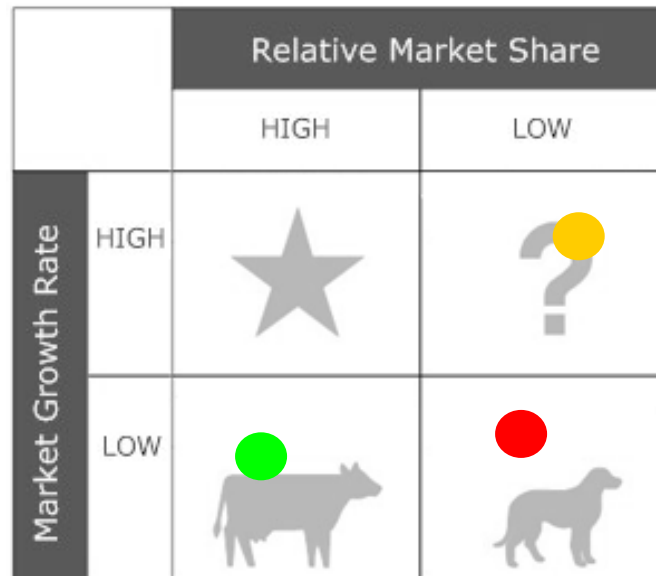


Figure 4: BCG Matrix [own processing]

The connection of Student Handbooks with Swedge has some negative effects as well. The Swedge is service that is prepaid for 3-5 months. After this time, if customer keeps using the product, the company will charge his bank account. In order to do that dealer will need to get customer's bank or credit card information, so customers will lose the option to pay with cash. That is favorite option for the ones that had some bad experience with credit card misuses or for some other reason don't feel comfortable sharing credit card information.

Second threat is that website is a bit harder to sell because of its continuity. So it might have negative impact results of salespeople with lower skill level.

Although these threats won't influence Swedge's growth rate, but they might mean significant decrease in Handbook sales due to it's bondage with Swedge.

5.4.3 Competition analyze

Most of the companies that operate in the same industry as Southwestern could be divided into two or three groups: the ones offering educational books, software or internet prescriptions. This means that in every area the company has different market share and different competitors to face to. While in market of reference books is Student Handbook 2 number 1 selling reference book in USA for 8 years in a row, Southwestern software packages take only minor part of USA's educational software turnover. Although there are times out of a number of companies providing education I will try to mention the biggest ones.

Children books:

- Usborne books – their main products are books for kids of pre-elementary and elementary age. The way of how they are sold makes from Usborne Southwestern's direct competition on market of children's books. Usbornes products are sold through home parties, direct orders, website sales, community events or book fairs, where dealers are usually parents, teachers or librarians. [19]
- Scholastic – partner of America public schools. Their business are books for kids in elementary and middle school age.

Reference books

- SAGE – independent international publisher of books, journals and electronic media. Company provide resources for students, teachers or librarians
- World book – author of encyclopedias, desk references and early learning series.

Internet services

- Tutor.com – world leading tutoring service, from 2007 Southwestern's business partner.
- Buddyschool.com – online server where teachers offer their services, by sharing information about their fields. Students search through listing and sign up for their classes.

5.5 Organizational structure

Especially in direct sales the importance of an individual is significant. All the student sale-people need to keep in mind that they don't represent just themselves, but also their company. Wrong or disturbing appearance may make customer feel bad about the company and about whole direct sales concept. Consequential duty for every salesperson becomes not to do just good first impression, but also to leave prospect (doesn't matter if he bought or not) in good mood. This creates more breathing space for person who is the next one to knock the door. This is one of the reasons why company puts lot of pressure on recruiting right people from among the students.

People in all of the positions in structure started to work for Southwestern as independent dealers during their college studies. This gives company an opportunity to recruit sharp, motivated people and teach them skills and habits to help them head out for successful career.

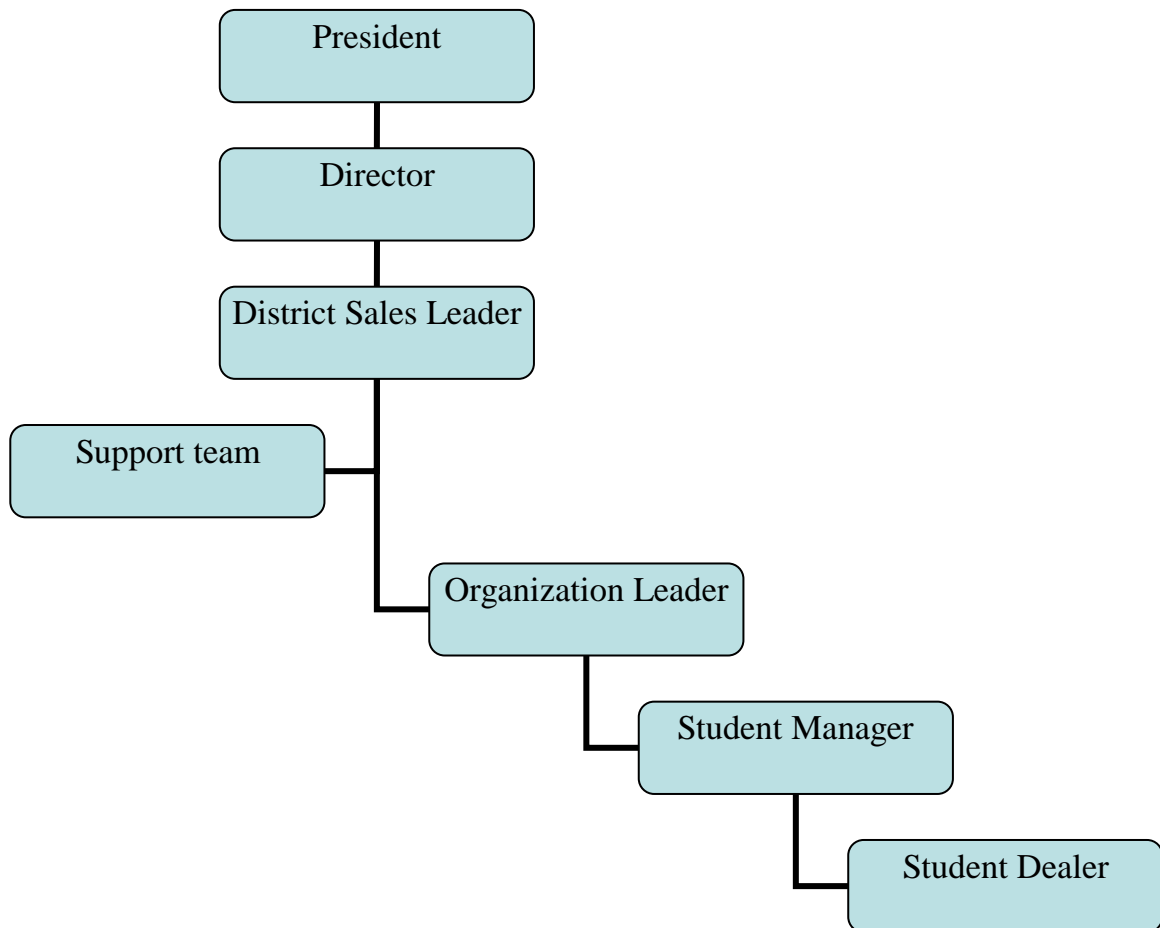


Figure 5: Sales branch of organizational structure [own processing]

5.5.1 Recruiting of students for sales positions

Important part of Southwestern summer program is recruiting of new students from campuses all over the world. The company has two kinds of recruiters. First are the full time students that create their own teams to train, motivate and lead before and during the summer. These students select their teams as a part time job and get paid at the end of the summer based on team production. Second group are full time recruiters, people that started to work for Southwestern as students, but already finished school. These individuals already occur as company's employees.

The recruiting itself consists of:

- Getting contacts – this is done by recommendations, approaching students on campus (floating), class announcements.
- Phone call – inviting student for quick information session on campus
- Overview – 5-10 minute information session to find out if student has summer free, his level of interest and level of English. If these terms are fulfilled he is invited for presentation.
- Southwestern summer program presentation – 45 – 60 minutes – gives students all round information about the program, at the end students can ask questions and apply for a place in selection process. Based on questions about their strengths, weaknesses and motivation to do the program, they are either allowed to enter selection process, or not.
- Selection process – 2 or 3 sessions with student manager processed to exchange information. Student applying for the job is also shown how to demonstrate the product and asked to write 2 essays.
- Final interview – done by 2 student managers and applicant. Where student is asked control questions about his motivational essays and shows a product. Based on these two actions and his previous performance he is offered a place on team or not.
- Pre summer training – student manager meets his team members usually once a week to prepare them technically and emotionally for the summer.

This way every recruiter forms a team, of which's success or failure he is the one to take responsibility. Success of team is ranked by different factors – size of a team, percentage of students finishing the summer, total units sold, average units per dealer or percentage of students that have been selected for student managers.

6 ANALYSIS OF MARKETING COMMUNICATION IN SOUTHWESTERN COMPANY

6.1 TV, newspaper advertisement

Southwestern is one of the companies that never used paid advertisement in newspaper or TV. One of the reasons is that advertisement in regional media would not have needed effect just because Southwestern dealers operate through whole United States. And advertisement in nationwide media is too expensive. Second reason is that advertisement of Southwestern's products in TV can reach only some group of customers (single parents, kids with lot of activities, kids with special needs, grandparents), unlike dealer, that can suite the products to needs of almost every family he sees. So the danger of media advertisement might be that prospects could make decision not to buy company's products even before seeing it.

6.2 Word of mouth

For dealers the relations they have with their customers and level of integrity in community they work in is essential. People in community share their experience and feelings so it is necessary for dealer to leave good impression in every house. This way he is building his public relations and it is easier for him to get to next house because they already heard of him (from neighbours, PTA, friends, co-workers).

6.3 Internet website

One of the direct ways how customers can find out more about Southwestern is their customer service website. Here they can identify the dealer, while he is still in their house, they can find out more about products, or register for services Southwestern offers. For example children learning service (resource for younger children) or annual supplement registration (regular updates on current events). Then they can see videos about Southwestern summer programs, or tutorial video on how to use their books. Customers can share a comment on a book they purchased or on a student they purchased from. And they can also suggest student for Southwestern summer program.

6.4 Other ways of marketing communication

6.4.1 Contacting customers through email

With customers that signed up for some service, Southwestern communicates via email. They let them know about all updates, late payments, or new products they offer.

6.4.2 Leaflets

Students can leave this basically in every house they come to, this makes leaflets powerful communication mean. They basically do the same job as websites – describe the products and to lead customers to visit customer website, leave testimonial or sign up for different service.

6.5 Objectives of marketing communication

- To get non-paid, independent advertisement in any kind of media through activities that Southwestern do (building character in young people, charity support, helping with education of families).
- To make people know about Southwestern's products from people that bought them before through positive public relations in the community.
- Inform previous customers about new products and services.
- Motivate customers to continue using Southwestern services – Southwestern edge, annual supplements, children learning service.
- To make easy for customers to contact Southwestern about any positive or negative feedback they have to say about company's dealers or products.
- To get suggestions of university students looking for challenging summer job from customers.

6.6 SWOT analysis

As I mentioned in theoretical part, purpose of SWOT analysis is to analyze strength and weaknesses of the company and also opportunities and threads that company needs to face.

6.6.1 Strengths

- Tradition
- Reputation
- Quality of products
- Price
- Direct contact with customers
- Resistant against economy's ups and downs
- Daughter companies
- Leadership in the company

6.6.2 Weaknesses

- First year dealer productivity
- First year dealer integrity into community
- First year dealer fluctuation rate
- Public relations in some of the Universities
- Difficulty of student summer program

6.6.3 Opportunities

- Cooperation with tutor.com
- Southwestern edge
- Fast growing international division

6.6.4 Threats

- Development of tutoring program in some of the school districts
- Changing legislative concerning door-to-door sales
- Fast developing online tutoring market

6.6.5 SWOT summary

Powerful strength of Southwestern company is its tradition and reputation among direct selling companies and customers. Southwestern is member of District selling association and Better business bureau, organizations that guarantee high standard of offered services and selling. Products are developed by selected group of university and high school teachers in order to provide families with up to date information and advanced teaching methods. Direct contact between dealer and customer makes company resistant against economy decreases due to possibility to increase customer's confidence (something that TV adverts can hardly do). What builds trust in a program is also that heads of the company are always graduates from student internship program.

Most of the weaknesses are concerned about first year dealers, or students that participate in Southwestern summer program for the first time. Difficulty of the program, lack of mental preparation and selectivity in recruiting is causing high fluctuation rate (lot of them don't finish the summer) and low average productivity. Students that don't do well in the program also leave negative impression and make things harder for person that will be the next to come and knock on the door. The same students are the ones that usually create negative public relations at the campus, by sharing their negative experience from the summer (even if they didn't finish it).

Southwestern edge online service was added to a product portfolio as an option for internet driven customers. This year company expects its huge expansion, because from this year it is fully compatible with the books and will be sold directly with them, not as two different services and cooperation with tutor.com, one of the world leading servers in online tutoring, gives customers opportunity to have teacher online any time to help where parents can't.

One of the threats might be competitiveness that is starting to occur in online tutoring market. This might cause massive price reduction for customers and slow down spreading of SWedge. Similar threats are projects that some of the schools enter, using teachers and external educators to provide online help for kids also after they leave their school.

7 SALES ANALYSIS

Like I mentioned before Southwestern is mainly sales driven company so the dealers' performance is essential for all the company activities. Dealer production depends on many factors as technical sales skills, self motivation, coaching provided by managers, and many outside factors.

7.1 Analysis of sales results of dealers with different experience level

When we look through chart of average productivity of first year dealers compared with dealers of different experience level, we can see massive difference between 1st and 2nd year dealers (72% increase). There is couple of reasons why the contrast is so much bigger then the difference between 2nd and 3rd year dealers (17%), 3rd and 4th year students (16%) or 4th year and 5th year students (11%).

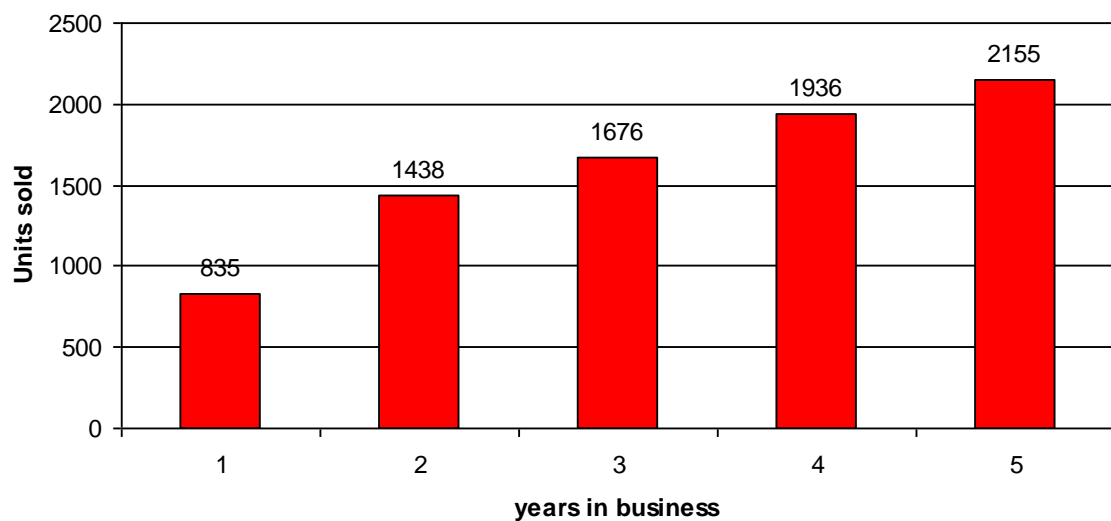


Figure 6: Average dealer productivity 2009 [own processing]

Second chart shows us the production difference between 1st year dealers of 2008 and 2009 and also their performance in different weeks of the summer. First thing that seems to be obvious in both summers is difference between sales in training period (1-3 week), then in weeks 3-8 and in last 4 weeks of the summer. The lower results in training period can be easily explained by lack of experience, what seems to be harder to understand is decrease of sales in weeks 8-12 where 1st year dealers' skills and confidence should be at the highest level. When I compare the productivity of 1st year dealers in 2008 and 2009 I observed that

from week 1, all the way to week 8 the productivity in 2009 was higher after that, we can see significant decrease comparing it to 2008.

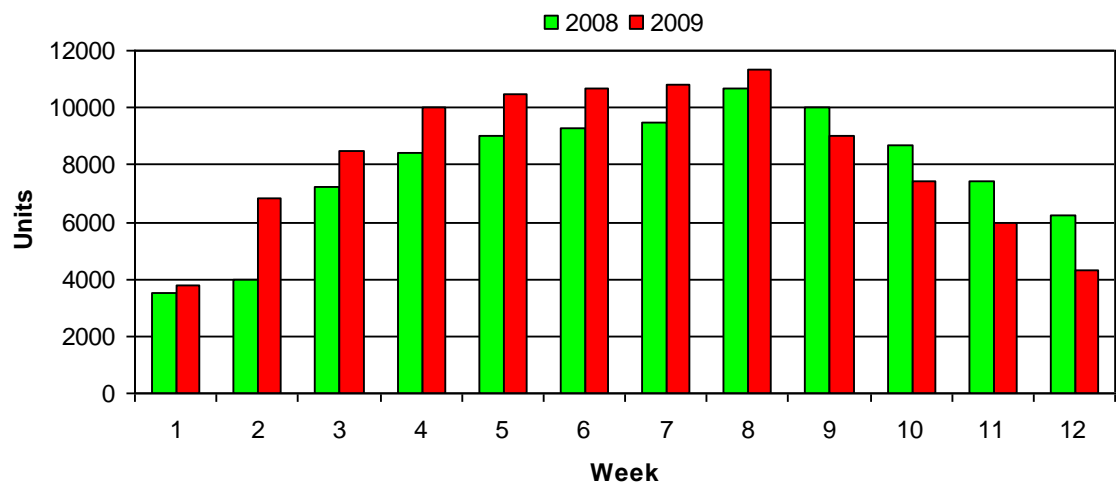


Figure 7: First year sales performance[own processing]

7.2 Case studies of sales performance of experienced dealers

Even though analyses of first year dealer productivity could be done by averaging their sales result, experienced dealers have slightly different character of sales. After training and own experience most of the dealers develop own sales methods that work for themselves. In case studies it is usually hard to find out the reason of single-shot ups and downs of the dealers. The reasons for that might vary from sales area through current salesman's attitude to different problems that might occur during the week (car problems, moving, switching to a different territory). So the focus of my analysis was the actual amount of ups and downs of the dealers and stability of their results.

First of the case studies is concerned of Ruslan Skopal. First year Ruslan was selling in California and the second one he spend in Virginia finishing as number 1 2nd year dealer in his group. He was also lucky enough to be followed by his sales manager in the beginning of the summer, meaning he received specific, targeted training from that point forward.

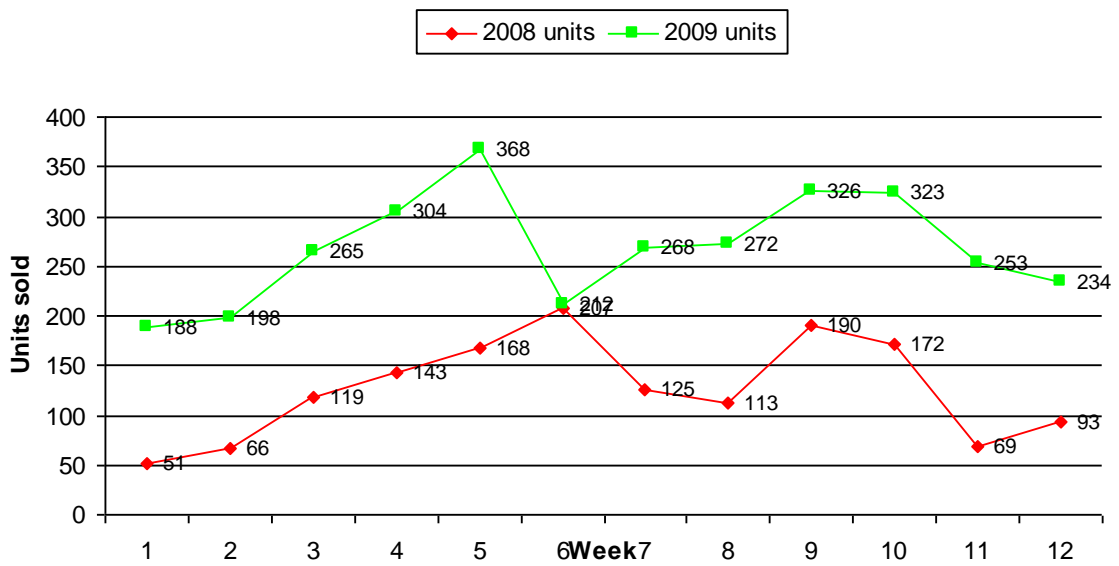


Figure 8: Ruslan Skopal Growth Chart [own processing]

Veronika Hapakova is a 2nd year dealer. She operated during both observed summers in California.

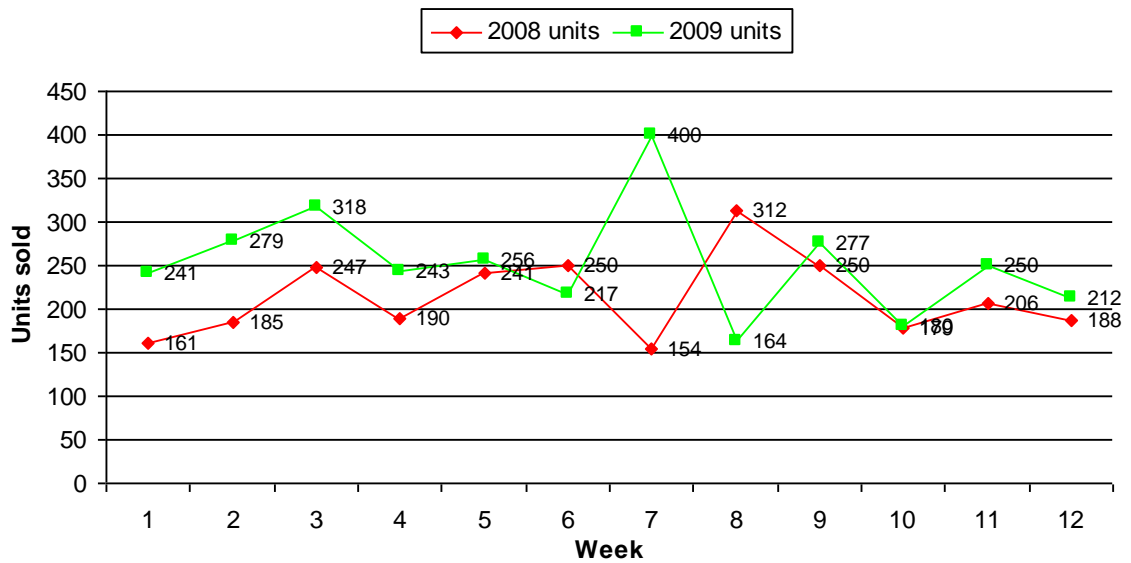


Figure 9: Veronika Hapakova Growth Chart [own processing]

Ruslan and Veronika were typical examples of successful 2nd year dealers that benefited from his 1st summer experience. They were teachable during the year, focusing to remove their minuses from the first summer. None of these examples showed any significant ups and downs during their summer.

Jitka Cimbuřova was one of small amount of dealers that in their first summer had their best week in one of last two weeks of the summer. She operated in California for both observed summers.

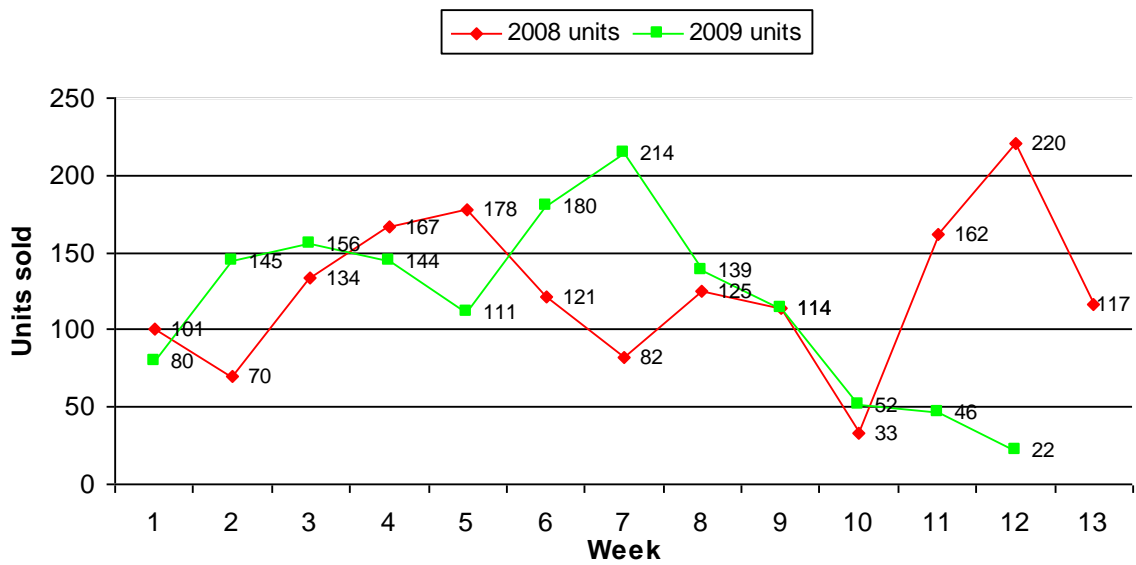


Figure 10: Jitka Cimbuřova Growth Chart[own processing]

Martin Ctibor is 2nd year dealer working in California for both observed summers.

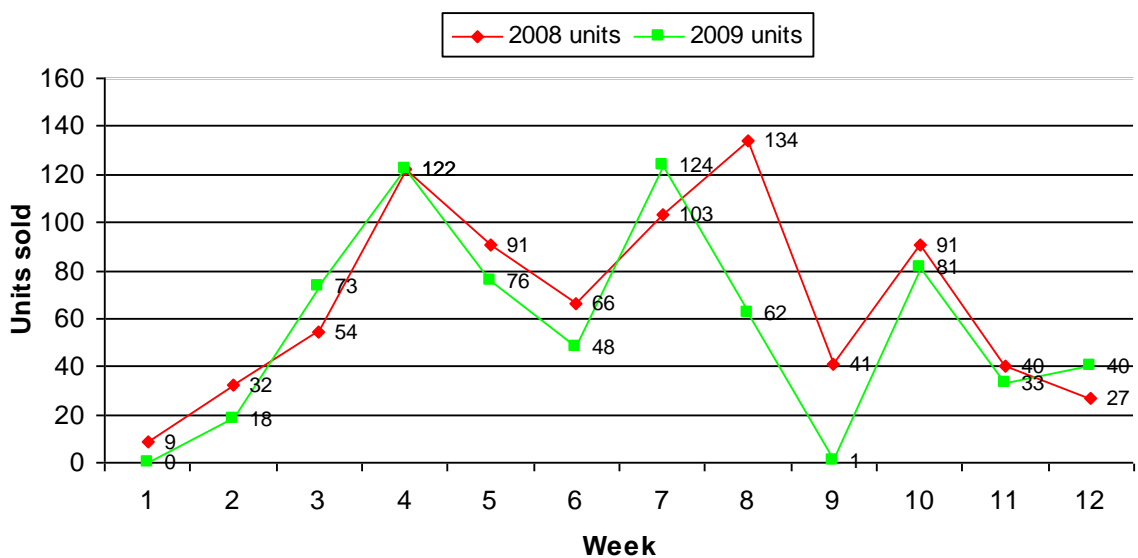


Figure 11: Martin Ctibor Growth Chart [own processing]

Jitka and Martin on the other hand is example of 2nd year dealer that actually decreased from his 1st summer. When we look at the chart, we can occur both of these individuals to be more emotional, as we can see significant ups and downs during the summer. They re-

present group of dealers for whose motivational preparation is worth more than technical training. And based on their results and results we observed in the previous cases, we can see that training between their 1st and 2nd summer was aimed more technically. We can see that training was suitable for first two individuals (Ruslan and Veronika), but not for the 3rd and 4th one (Jitka and Martin).

8 SUGGESTIONS TO IMPROVE MARKETING COMMUNICATION AND SALES RESULTS IN SOUTHWESTERN COMPANY

8.1 Word of mouth

I already emphasized how important is for person coming to sell in a certain community the public relations that was built by the person that was there before. I would suggest to add training on how to plug into community and leave positive impression into Sales school. This would influence not just the sales of person that is the next one to come, but also results of current sales person in the area. It increases credibility of the dealer, his product and also the company he represents.

8.2 Internet website

Customer service website is designed really well and it possess all the important information that customers need to know and makes easy to contact company in any term. Most of the book sets have also video tutorials on how to use the books. I would suggest company to create video demonstrations on all of the products, not just the main ones. For example the website is missing video on how to use The Learning Companion set – the most advanced set from all that are sold (even some of the dealers have trouble demonstrating it to family). Also SWedge is one of the product without video tutorial on website. It is a service for which customer pay monthly and they can cancel it any time, so it essentially needs some guide with all it's options and their application, in order not to loose customers.

8.3 Contacting through email

Customers buy from colleague students during the summer for couple of reasons. First they like the student, second they like the product or third they like the idea behind it. When company encourages previous customers to add something to the set they bought or to remain active on service they use, the email in name of the company dismiss the first reason why people buy. Good idea would be to write email in name of a dealer, with his picture, reminding family that likeable person they bought from in the past, helping him to earn money for his studies.

9 SUGGESTIONS TO IMPROOVE SALES PERFORMANCE OF DEALERS

9.1 1st year dealer sales results

While analyzing the sales results of 1st year dealers I came to these conclusions:

- 1st year dealers showed 72% lower results than 2nd year dealers.
- Amount of 1st year students leaving the field decreases average productivity.
- Inexperienced students have bigger difference between productivity in weeks 4-9 compared to training period (1-3) and last weeks of the summer than experienced dealers.

My suggestions however simple it might be is to be more selective, when recruiting students. The management training is mostly aimed to teach Student Managers how to attract students with the job offer and basically to rise demand for the job. My suggestion would be for District Sales Leader, the head of recruiting in a region, to find balance in training his Student Managers. Of course in order to make someone want to go to different country to run their own business with no guarantee of pay it needs some skill in promotion and management. On the other hand it's not worth anything if there is a big demand for the program, but there are wrong people being selected. The good idea would be to add into student manager meetings parts of training on how to pick up between students and how to recognize the ones that will do well in the program. These parts would be of course held by people that had teams with large average productivity, with minimum people leaving the field.

The idea to be more selective in recruiting would probably mean to make the teams smaller, but the pros of it definitely outweigh the odds. The average productivity would rise eventually by decreasing number of people leaving the field. Secondly, the higher percentage of satisfied students coming back to the campus would mean improving public relations on campuses. Other advantage is that there wouldn't be need any more to select also less productive people for Student Managers, because these students usually have trouble training 1st year students for high productivity if they lack the skill to do it themselves.

Second problem I was dealing with was 1st year productivity in last two weeks of the summer. Of course their average sales were low in first weeks as well, but considering these are in most cases student's first weeks in his life in sales position, we can't give them the same weight as other weeks.

It doesn't need too much thinking to find out that the problem is in motivation, not in lack of skill, because they achieved better results before. During the summer students are motivated by different things: their goals, competitions with other dealers and motivational competitions that are organized by the company. In last two weeks for lot of them this motivation fades. Some students already achieved their goals, for some of them they seem too far to achieve. Competition set with someone in beginning of summer is usually already won or lost.

To overcome lack of motivation in last weeks I suggest:

- Revision and actualization of unit goal for summer after week 9.
- Setting weekly competition between individuals.
- To put something valuable in competition every week. For example camera or cell phone for every week, for best producer – for group of about 60 students is not that big expense for the company and can make serious difference in someone's attitude.
- To appeal on a financial motivation that lies behind the job – with skill that students gained during the summer they can often earn \$300 – \$500 every day, so why not take advantage?

9.2 Experienced dealer sales results

Training of different students that are preparing for their first summer is in most cases the same, or at least very similar. It seems reasonable, because most of them haven't worked in sales and probably none of them ever went door-to-door. That's why it's important to cover with them all the possible situations or dangers they might run into. And it is usually hard to say which part of the job will be the one that is most difficult for them.

The training of experienced dealers is mostly driven the same way. However, how we observed in case studies that were made, this might not be the best approach. The case studies basically divided us students into two categories. First are students with stable, consistent

production every week. They possess what the other group misses – unconditional confidence. Second group showed to have more serious ups and downs. These individuals have one week, where they show they are really technically well set, and other week where they decrease up to 90% of their previous production. The reasons of that might be different – from smaller work effort, switching to different area or some other outside event.

The option that seems obvious and might be worth trying is to divide students into two training groups based on stableness of their results. First group's focus would be technical training, aimed to increase their potential in sales. Second group on the other hand, would be taught techniques of self motivation, predicting different situations that might occur and finding solution to them even before they happen and in general to steel them from outside effects and help them to get unconditional confidence.

9.3 Sales of students based on preferred product

Every dealer's sales product structure is different. After finding a need of a family for some product student can still decide which one of the products will they show the family to fill their needs. The selected product is usually the one that dealer has the biggest belief into and has the skill in demonstrating it. So usually the one with which he had the most training with.

In BCG matrix I pointed out that the markets demand is mostly for Books (cash cow), and Swedge (question marks).

So in order to maximize the sales efficiency I would suggest synchronizing the product training with product demand (based on results from BCG matrix). This would mean to make the connection of Student Handbooks and Swedge the main priority of training in one-on-one pre summer training, group meetings and sales school.

CONCLUSION

In my work I in detail analyzed direct selling in general, its advantages and disadvantages and the reason why Southwestern company uses it to sell their products. This means of product presenting had to evolve a lot through last couple of years, but from the results of the companies is obvious that direct selling still has its place among marketing tools.

In theoretical part I included direct selling into promotional part of marketing mix. Using specialized literature I described one-on-one sales situation, including different advance sales techniques. All the companies that use direct selling or any kind of commission based concept put lot of stress on motivation of their representatives. Different methods on how to stay motivated I completed with part on how to set goals. These are not connected with only sales professions, but can be used basically in any kind of job.

In analytical part I introduced company and product portfolio. Using BCG matrix I tried to predict future direction of educational product segment. I analyzed relation between average dealer productivity and his sales experience. To analyze first year dealer performance I compared their results in 2009 with their results in different summers and results of experienced dealers. To analyze experienced dealer production I used case studies in order to be able to suggest ways to improve dealer productivity of different personalities. I also analyzed marketing communication of the company and suggested possible improvements.

To sum up of the main ideas to improve direct sales utilization I would start with training, where I suggested adding parts on how to plug into community in sales area, focus product training on market demand and to train experienced dealers in different training groups. In recruiting my analysis lead into result to reduce team size of student manager teams by increasing selectivity in recruiting. In marketing communication I suggested to complete tutorial videos on website and to modify email that are send to customers.

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LIST OF ABBREVIATIONS

SP salesperson

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