

## 1.4: Sales Channels

### Learning Objectives

- Understand the different types of selling channels and selling environments.

If you had an accident and broke your leg, you would go to an orthopedic surgeon to have a cast put on it. However, if you had a skin rash you would go to a dermatologist to get relief and clear up the rash. Several doctors may have a role in helping you manage your health, so it makes sense that not all doctors conduct the same procedures. Some perform surgery and others diagnose, monitor, and recommend tests or further steps. Just as doctors play different roles in the health care field, the same is true for salespeople in the business arena. Different people perform different functions in the selling process.

### Is It B2B or B2C?

There are two major **distribution channels**, or organizations or group of organizations involved in the process of making products and services available to customers in which personal selling is conducted. Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, Jr., *Selling: Building Partnerships*, 7th ed. (New York: McGraw-Hill Irwin), 10. Personal selling involves communication between a customer and a salesperson with the intention of providing information for the customer to make a buying decision. **Business-to-business** (also referred to as B2B) is when businesses sell products or services to other businesses for consumption by the ultimate consumer. For example, Whirlpool sells washers and dryers to Sears and makes them to the specifications determined by Sears for the Kenmore name before they are sold in Sears and K-Mart stores. Other examples of B2B selling include parts or ingredients, such as when Intel sells computer chips to Toshiba to manufacture laptop computers or when a fabric company sells cotton fabric to Gap to make their T-shirts.

Many B2B companies, such as Intel, have branded their products so that these products are quickly identified by consumers even though the products are only sold to businesses. These companies believe so strongly in the power of branding (which you learned about in Chapter 1) that they are willing to invest in building the awareness and perception of their brand name despite the fact that you can't go to a Web site or store and buy their product; you can only buy their product because it is a part of another product.

On the other hand, the transactions in which you as a consumer participate are **business-to-consumer** (also called B2C), which means that a company is selling a product or service directly to you as the ultimate consumer. In the example above, when Sears and K-Mart sell the Kenmore washers and dryers to consumers, it is B2C personal selling. Other examples of B2C selling include a waiter taking your order at a restaurant, a salesperson helping you find jeans in your size at American Eagle Outfitters, or a real estate agent showing you a house.

Some companies engage in both B2B and B2C selling, such as Staples, FedEx, Microsoft, and Geek Squad, since they serve business customers as well as the ultimate consumer. Many manufacturers such as Dove, Coke, and Oscar Meyer don't actually participate in B2C personal selling, but these brands use B2C marketing to make consumers aware of their brands. Meanwhile, their B2B personal selling organizations focus on selling these products to retailers such as Target, CVS, and Costco (i.e., their customers), which in turn, sell their products in B2C channels to consumers like you.

There are some important differences between B2B and B2C selling. B2B selling engages with fewer customers (which makes sense because there are fewer businesses than there are consumers). At the same time, however, B2B selling involves much larger purchases. Companies purchase parts, ingredients, or supplies to service many consumers, while consumers only purchase a product or service for their own consumption or that of their family and friends. Since B2B purchases are larger in value than consumer purchases, the selling process is usually longer. This is as a result of the size of the purchase, and in many companies, there are multiple people involved in the purchasing decision.

Business-to-Business (B2B)	Business-to-Consumer (B2C)
Relatively few potential customers	Many customers
Larger purchases (purchasing for production and/or sale to many ultimate consumers)	Relatively small purchases (for personal use or for family or friends)
Longer selling cycle	Relatively short selling cycle
Multiple influencers and decision makers	Fewer influencers and decision makers
More difficult to identify influencers and decision makers	Easier to identify influencers and decision makers

Figure 1.4.5: Business-to-Business versus Business-to-Consumer Selling Characteristics

## Types of B2B and B2C Selling

When you go to McDonald's and a salesperson asks you if you want fries with your order, there is not much involved on the part of the salesperson. In fact, you may not have even considered the person who took your order to be a salesperson. This is a selling situation that matches the needs of the buyer efficiently with the operation, but it doesn't require a personal relationship or detailed product information to consummate the sale. The product or service is of low dollar value and no additional contact is required for the sale. This is called **transactional selling**, and it occurs in B2C situations like this one, as well as B2B situations.

On the other hand, **consultative selling**, also called relationship selling, takes place when there is a long-term or ongoing relationship between the customer and the seller, and the salesperson takes on the task of truly understanding the customers' needs and providing solutions to meet those needs. In this type of selling situation, **adaptive selling** takes place. This occurs when a salesperson changes selling behavior during a customer call to improve the exchange or outcome. For example, if you were working with a financial advisor to develop a retirement plan, the advisor would be consulting you on the best ways to save and how to best invest your money. She would adapt to your needs based on your feedback. If you told her, "I don't want to be in such high-risk investments," this would prompt her to adapt her selling behavior to better match your needs.

In some cases, the selling relationship goes beyond consultative selling and establishes a true method for mutual benefit; this is called a **strategic alliance**. In this situation, sellers and buyers work together to develop opportunities and points of difference that wouldn't exist without the relationship. Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, Jr., *Selling: Building Partnerships*, 7th ed. (New York: McGraw-Hill Irwin), 36. This type of relationship is usually found in B2B environments because a strategic alliance typically involves two companies that have something to gain by each taking an appropriate risk. The deal between Starbucks and Barnes & Noble is a classic example of a strategic alliance. Starbucks brews the coffee. Barnes & Noble stocks the books. Both companies do what they do best while sharing the costs of space to the benefit of both companies.

## Is It Inside or Outside Sales?

What is the difference between the salesperson with whom you live-chat on BestBuy.com and the person you talk to in the store? Although both are salespeople for Best Buy, the person with whom you conducted live chat is considered an inside salesperson; the salesperson you spoke with in the store is considered an outside salesperson. Inside salespeople rarely, if ever, meet face-to-face with customers, whereas outside salespeople communicate with customers in a variety of ways, including in-person meetings.

For many B2B and B2C companies, the **outside salespeople** are generally the primary drivers of sales and costs of sales, since the outside salespeople travel to meet in person with customers to learn more about their needs, build relationships, and provide consultation and solutions. Inside salespeople usually perform more tactical selling functions such as providing product information (as in the Best Buy example above), following up on details, and keeping the customer informed of basic information.

Companies have traditionally used **inside salespeople** because they are part of a strategy that helps keep selling costs low. Today, many companies are converting outside salespeople to inside salespeople to further reduce selling costs. Advances in technology

are blurring the lines between inside and outside salespeople by providing platforms for inside salespeople to be more collaborative and consultative with tools such as video conferences and webinars. As more companies leverage technology and think differently about customer relationships, the concept of inside and outside salespeople will evolve around the most mutually efficient and beneficial customer relationships, rather than the physical location of the salespeople.

## Direct Selling

You may have been invited to a “party” at a friend’s or relative’s house to see the new line of Nutrilite Ocean Essentials vitamins and supplements. You have heard good things about the products from your friend. You didn’t realize that Nutrilite also made sports drinks and energy bars. You have a great time trying the products and talking to everyone at the party, so you decide to try the Nutrilite ROC 20 Antioxidant Enhanced Drink Mix, and you order it in three flavors.

You just experienced the **direct selling** process, which is the sale of a consumer product or service away from a fixed retail location. Some of the most well-known direct selling companies are Tupperware, Mary Kay Cosmetics, Avon, and Pampered Chef. There are over 19 million people in the United States who sell products or services via direct selling, Statistica, “*Number of salespeople of the leading direct sales companies in the United States in 2021*”, <https://www.statista.com/statistics/...-companies-us/>, (accessed May 20, 2024).

What makes direct selling so appealing is the fact that you can run your own business using the power of an established brand name and without the costs of manufacturing or providing the product or service. More important, you are your own boss. Although direct selling usually requires an initial purchase of products or services, called starting inventory, many direct sellers have been able to supplement their incomes and in some cases make it their full-time job, earning more than six figures a year. Given the opportunities, you probably aren’t surprised to learn that direct selling is growing as a result of the uncertain job market. Recent grads, retirees, and everyone in between are turning to direct selling as a way to safeguard them during the recession. It’s attractive because those who sell or distribute the products (also called **independent business owners (IBOs)**) make a percentage on the products they sell. But direct selling isn’t lucrative for everyone. Not all IBOs maintain their focus and develop their network. It’s hard work running your own business. It takes time, discipline, effort, focus, and passion.

Many direct selling companies engage in network marketing, also called **multilevel marketing (MLM)**, which allows IBOs to invite other people to sell the products and earn money based on the sales of those they recruited. If you think about the concept of social networking on websites such as Facebook, it’s easy to understand MLM. You can expand your network of contacts simply by tapping into the network of your friends; MLM operates on the same principle. If you sell to your friends and they sell to their friends, your opportunity to earn money expands significantly with every contact. So if you were an IBO for The Body Shop and you recruited your friend Jessica to be an IBO, and she recruited her friend Lashanda to be an IBO, you would not only make commission on your product sales, but also on the product sales of Jessica and Lashanda. You can see how being a part of an MLM company can offer significant earning potential.

Unfortunately, there have been some unscrupulous people involved in the MLM business, and some have created **pyramid schemes** in which many people have lost money. As a result, most states have laws against “pyramiding,” a practice that offers incentives simply for recruiting new members of the network or IBOs. The laws require incentives to be paid only when sales are generated.

You can check out the top multilevel marketing companies worldwide at the website noted here. <http://www.mlmranks.com>

## Entrepreneurial Selling

Martha Stewart (Martha Stewart Living Omnimedia), Mark Zuckerberg (Facebook, now Meta), and Jeff Bezos (founder of Amazon) each had a unique idea for a product or service. And while good ideas are key to building a business, what ultimately made each of these people successful was their ability to sell their idea to their customers and to their investors.

If you have the passion and vision to start your own business, you will need selling skills no matter what business you decide to create. Being an entrepreneur can be exhilarating, invigorating, and exciting. But it can also be challenging, time-consuming, and frustrating. That’s why successful entrepreneurs, like successful salespeople, plan, do their homework, listen to customers, and make ideas and solutions come alive. It’s no surprise that the traits of a successful salesperson discussed earlier in this chapter are the same traits that are required of an entrepreneur. Just like the different types of sales positions covered previously, there are virtually unlimited types of businesses that can be started by entrepreneurs. Consider the fact that the Internet levels the playing field because it provides business opportunities to all businesses regardless of size. Many of these entrepreneurial business opportunities were not available even a few years ago (and will undoubtedly provide new opportunities that don’t even exist yet).

So whether you are a Power Seller on eBay or a dog-walker in your neighborhood, you have the power to start the business of your dreams. This course will give you the invaluable skills and the insights necessary to do so.

## Nonprofit Selling

Nonprofit organizations are those that use their proceeds to reinvest in the cause and are granted “tax-exempt” status from federal and other taxes. Carter McNamara, “Starting a Nonprofit Organization,” Free Management Library, [http://managementhelp.org/strt\\_org/strt\\_np/strt\\_np.htm#anchor516676](http://managementhelp.org/strt_org/strt_np/strt_np.htm#anchor516676) (accessed May 21, 2024). Religious organizations, charitable organizations, trade unions, and other specifically defined organizations may qualify as nonprofit. Internal Revenue Service, “Tax Information for Charities & Other Non-Profits,” [www.irs.gov/charities/index.html](http://www.irs.gov/charities/index.html) (accessed June 23, 2009). In fact, your school may be a nonprofit organization.

You might be wondering what selling has to do with nonprofit organizations. The fact is that fund-raising and the development of endowments are actually the lifeblood of nonprofit organizations. Your school may have a director of alumni relations and development. This is the person who secures donations for the continued development of the school and facilities; for example, if your school needs a new athletic facility or classroom building, much of the funding would likely come through the alumni office. Just like for-profit businesses, selling is the engine of nonprofit organizations as well. If you have a passion for a particular cause, such as the green movement, breast cancer, literacy, or education, among others, and want to focus on making a contribution by choosing a career in the nonprofit sector, you can find selling opportunities at many organizations. Although you may want to volunteer for some organizations before you make a career choice, there are paying career fund-raising and development positions in the nonprofit sector. Check out these Web sites to see jobs and job descriptions in the nonprofit sector.

## Key Takeaways

- Companies sell to customers in **business-to-business (B2B)** or **business-to-consumer (B2C)** channels. The type of channel is based on the type of consumer who is buying.
- **B2B** selling differs from **B2C** selling because there are relatively few customers, larger purchases, and longer selling cycle.
- When you are engaged in **consultative selling**, you build a relationship and tailor solutions according to your customers’ needs. When you are engaged in **transactional selling**, you are focused on a single sale or transaction.
- There are many different types of selling positions that may vary by industry. You may be involved in **outside sales**, which includes meeting face-to-face with your customers or you may be involved in **inside sales**, which includes contact by phone, e-mail, text, instant messaging (IM), or fax, as well as sales support activities.

### ? Exercise 1.4.1

1. Identify two companies that sell in both business-to-business and business-to-consumer channels. Discuss at least two ways in which they sell differently to businesses as opposed to consumers.
2. Identify a company that uses both transactional selling and consultative selling. Discuss the difference in the types of products that are sold in each example. Discuss the difference in the customer experience in each example.
3. Discuss the different types of sales positions you learned about in this section. Which type is attractive to you as a possible career? Why?
4. Discuss the reasons why someone might want to pursue a career in sales. Discuss the reasons someone might not want to pursue a career in sales.
5. Research companies and identify which offer some of the sales positions described in this chapter.
6. Contact a salesperson at a company in your area. Ask him to describe his role in the company, what type of customers he sells to, and what it takes to be successful in sales.
7. Visit the Web site of one of the multilevel marketing companies such as Pampered Chef (<http://www.pamperedchef.com>), Amway ([www.amway.com/en](http://www.amway.com/en)), or Silpada Designs ([www.silpada.com/public/](http://www.silpada.com/public/)). Discuss the pros and cons of being an independent business owner (IBO). Discuss the type of selling used by the IBO; is it transactional or consultative?

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