

## THE PEDAGOGY OF DEVELOPING FORMAL SALES PROPOSALS

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### ABSTRACT

Marketing students need to learn the art of writing sales proposals which is an area typically excluded from the marketing curriculum. This paper attempts to discuss the key components of a formal sales proposal and it suggests different approaches for teaching this important topic.

### INTRODUCTION

As organizational complexity increases and more organizations expand into the international arena, the communication demands placed on professional marketers at all levels will continue to increase dramatically. Strong written and oral communication skills are absolutely requisite for succeeding in any type of marketing role. This is particularly true for professional salespeople who interface with people throughout the buying hierarchy of client organizations.

In the process of selling these clients, most salespeople depend heavily on presenting written sales proposals to key influencers in the buying organizations. The typical field salesperson for Xerox Corporation presents an average of one-hundred sales proposals per month for cultivating prospects and clients. While the number of proposals prepared by salespeople varies substantially across companies and industries, written sales proposals are a way of life for salespeople selling technologically complex products and systems, capital purchases, and professional services.

The education of marketing students involves teaching them the discipline's most critical concepts, theories and models plus helping them develop a set of practical marketing skills. However, few marketing students are taught the art of developing tight, powerful sales proposals. One apparent reason for this educational void is that the topic is not covered in industrial marketing texts, selling texts, or reading books (Larlaca and St. John 1983). Consequently, there are no legitimate academic references available to marketing educators which provide pedagogic guidelines for teaching this topic.

The purpose of this paper is to proffer a pedagogic approach to teaching marketing students the art of developing professional sales proposals. Specifically, the paper will attempt to:

1. explain the key components of a formal sales proposal and to prescribe a framework for organizing them;
2. discuss alternative teaching techniques for presenting this material in the classroom.

Although this paper addresses only the art of preparing "fullblown" formal sales proposals, written proposals of lesser complexity and detail are used regularly by salespeople. The simplest proposal consists of a one or two-page letter highlighting the complete

terms of the product offering. The length and depth of a proposal is immaterial. Instead, its effectiveness is a function of how well the proposal is designed to meet a buyer's needs, priorities and preferences and how well the salesperson communicates the proposal's key points in light of those needs.

### Major Components of a Formal Sales Proposal

A sales proposal is a written communication from a salesperson's company to a client which describes the benefits, terms, and price of a product offering and the concomitant responsibilities of each party. Sales proposals are used to supplement a salesperson's oral, persuasive influence tactics. By providing a written commitment from the selling company, buyers receive firm assurances from the salesperson. Also, there is less chance for any misunderstanding of the agreed upon terms.

After meeting with the key buying influencers on one or more occasions, salespeople return to their companies to begin compiling the proposals. Combined with previously prepared or standardized materials, the information obtained in these meetings is used to "customize" each sales proposal in light of the client's needs, wants and personal preferences.

While the customizing of sales proposals lends uniqueness to each one, basic elements are common to all proposals. These elements include an analysis of the client's needs/problems, benefits of the product offering, costs, suggested order size and ancillary services and follow up. To embellish the presentation of these basic elements, a formal sales proposal should contain the following eight components:

1. title page
2. cover letter
3. table of contents
4. list of illustrations, tables and diagrams
5. body of the proposal
6. summary
7. contract
8. supplementary information

### Title Page and Cover Letter

The title page of a sales proposal is analogous to the labeling on a packaged good. As such, it has the power to make a strong first impression on anyone looking at it. The title page should identify that the proposal is being submitted by the salesperson's company to the prospective firm for a specific product offering. Also, the date the proposal is to be presented to the client should be shown. Overall, the title page should have a clean, uncluttered and professional appearance.

The first item in the proposal is the cover letter or letter of transmittal which should be addressed to the individual or committee members with authorization to make the buying decision. The letter should be businesslike and brief, and it should not exceed one page. Essential items covered in the letter include:

1. an expression of appreciation for the opportunity to submit the proposal.
2. recognition and thanks to the client's staff (specific names) for their cooperation in providing data.
3. a statement to the effect that the proposal is based upon information supplied by the client.
4. a concise description of the product offering and its most important benefits for satisfying/solving the client's needs/problems.
5. a request for the order or some level of commitment from the client.

The letter must be signed by the salesperson and possibly by the district sales manager.

#### Table of Contents and List of Exhibits

The second item is the table of contents which specifies the various sections of the proposal. The title of each section is listed accompanied by its respective page numbers.

The list of exhibits includes illustrations, diagrams, charts and tables. Each exhibit should have a descriptive title, and some form of simple numbering system.

#### Body of the Proposal

The body is the heart and soul of the proposal. It contains the vital information required by the client to make a rational decision on the product offering. This information can be organized into four subsections:

1. present and proposed systems
2. benefits and features of proposed system
3. cost justification
4. investment

#### Present and Proposed Systems

The purpose of this section is to suggest the apparent shortcomings of the current product or equipment used by the client based on the information gathered in earlier meetings with personnel of the client firm. A clear, concise statement of the problem accompanied by a listing of the client's objectives or performance requirements for evaluating a new system should be presented. The proposal should suggest possible alternative systems which are capable of satisfying the client's objectives. This will provide the firm with a range of choices from which to select.

#### Features and Benefits of the Proposed System

The feature/benefit section presents the features of the equipment which deliver real significant benefits to the client. It is not designed to list every feature and its connected benefit(s). Instead, this section attempts to highlight the major benefits of the proposed system in relation to the objectives/requirements of the client. Additional features of the pro-

duct can be described by including a technical description or specification sheet in the supplementary information section.

An efficient way of organizing this section is to use a ledger format with the major features listed on the left side of the page and the accompanying benefit(s) related to each feature shown on the right-hand side. The benefits must be stated concisely. Each benefit statement must convey the clear, favorable result that the client will realize when using each feature of the product.

#### Cost Justification

This section provides the client with specific projections of the financial benefits of purchasing the product. All major assumptions should be stated, and the calculations leading to the financial benefits should be displayed using formats similar to those employed in accounting. Because the financial analysis is based on expected events, the profit or sales increases, the time/dollar savings, etc., must be stated as estimates, such as "estimated gross savings."

#### Investment

The investment section shows the purchase price plus the complete financial terms of the sales agreement. Alternative plans for financing the purchase are reviewed including different monthly payment schedules. If the company is offering various discounts or allowances, these are presented in this section. For high-ticket items, lease terms are discussed as viable options.

If there is considerable lead time required in designing and installing a system into a client's business, a realistic implementation schedule with projected time frames for each phase should be included as the fifth section in the body of the proposal. In addition to helping the client plan the operationalizing of the system, providing the schedule may give the company another competitive advantage.

#### Summary

The summary should encapsulate the major benefits presented in the proposal. It should leave the client with powerful reasons for buying. To achieve this, the section should highlight the competitive differential advantages which are tied directly to the client's problem(s), objectives and performance requirements. The summary should conclude with a request for the order.

#### Contract and Supplementary Information

Because the ultimate purpose of a proposal is to consummate the sale, a sales agreement form should be included. This contract may have the recommended order written in already or it may be left blank for the client to complete. In either case, it is ready for the client's signature.

The last section of the proposal provides additional information for the client's perusal. Product literature such as brochures, specification sheets, and any other related materials should be included in order to assist the client in evaluating the product offering.

#### Instructional Methods for Teaching Sales Proposal Writing

In teaching a practical topic such as this, instructors should concentrate on both the knowledge acquisition and skill enhancement of their students, with heavier emphasis on the latter. Initially, students need to learn a fundamental body of knowledge about proposals. They should be able to answer questions such as: What is a sales proposal? Why is it used? When should a formal sales proposal be used and when should briefer variations be presented? How is a proposal compiled? What are the key components of a sales proposal?

To communicate this knowledge, several different teaching approaches are suitable. Straight lecture is probably the least exciting of the alternatives from both the students' and instructors' perspectives. An overhead presentation and a handout outlining the eight components and subsections of a proposal is somewhat effective. Copies of sample proposals can be distributed as part of the lecture discussion. Another approach is the assigning of a field project which requires students to procure two or three proposals from field salespeople. Students are asked to analyze them and to write up a report on their analysis with the proposals attached.

The most challenging approach for teaching this topic is to show and to analyze several complete proposals on an overhead screen. After a brief lecture on the what, why, and when of sales proposals, a full spectrum of proposals is presented, ranging from a very simple one or two-page letter to a detailed formal sales proposal. After discussing four or five proposals with regard to each proposal's purpose, format, content and effectiveness, students are asked to construct a normative framework for a formal sales proposal. The outline of the components generated by the students is based on their perceptions of the most important elements found common to the proposals discussed in the overhead presentation. Active discussion by most of the students should produce a reasonably good framework within fifteen minutes. After this time, an overhead is shown with the prescribed framework for a sales proposal versus what the students suggested.

Acquiring knowledge about sales proposals is important, but marketing students need to develop the skills to write creative, customized sales proposals for diverse clients. To realize this objective, the best approach is to assign the writing of a formal sales proposal to each student as a six to eight-week project. Students are asked to generate four or five product categories from which to select one firm's product within that category as the basis for their proposals. Once a consensus on the categories is reached, a sign-up sheet is circulated. If the demand is not distributed relatively equally among the product categories, students are reassigned a different product. Popular product categories are small business computers, security systems, high-tech medical equipment, financial investment services, teleconfer-

encing systems, and private jets. Students are reminded that their proposals are being developed for professional buyers of industrial goods.

Toward the end of the 75-minute class, students have a number of unanswered questions such as: How long should the proposal be? Does it need to be typed? Where do I get specific product information to write the proposal? Answers to these questions are generally something like: "However long your buyer wants it," "If your buyer prefers it typed but either way make certain it looks professional," "Specific product information is procured in the usual way -- research." Students are told that no additional lectures or materials are forthcoming, but that they are free to visit during office hours to review the proposals. Upon leaving the class after my sixty to seventy-five minute overhead presentation on sales proposals, students have a high level of anxiety because of the unstructured nature of the assignment. Any kind of task uncertainty or ambiguity throws students into a frenzy. Somehow students muddle through this morass of confusion, and they turn in very professional sales proposals overall.

#### Conclusion

Students with marketing degrees in hand are entering a highly competitive marketplace which demands strong oral and written communication skills of all applicants. This is especially critical for professional salespeople who sell complex products to highly educated, knowledgeable and demanding buyers or buying committees. To achieve success in a professional sales career, students should be taught the art of writing customized, buyer-oriented sales proposals. This should be taught at the undergraduate and graduate levels in such courses as sales force management, industrial marketing, principles of selling or industrial salesmanship.

The purpose of this paper was to proffer a normative framework which outlines the key components of a formal sales proposal. In addition, the paper attempted to suggest different approaches for teaching this topic to marketing students. It is hoped that both objectives were achieved reasonably well, and that marketing instructors have gained some additional insights and guidelines for introducing sales proposal development into their courses.

#### REFERENCES

- LaPlaca, P. and H. St. John (1983), "Industrial Marketing Education: Current Status and Future Needs," Journal of Marketing Education, 5 (Fall), 35-41.