

Successful sales force management with innovative changes in sales administrative functions

Abstract

This is an exploratory research involving study of relevant literature which highlights major challenges faced by sales functions, and also the innovative ways being adopted for meeting the targets. The paper analyses current research in other parts of the world, and draws insights from in-depth interviews with industry practitioners. The paper proposes several hypotheses highlighting the involvement of innovations at different stages in resolving sales and distribution challenges. The presented contemporary and practical discussion supported by academic inputs should be helpful to both academicians and practitioners.

Key words

Sales, distribution, innovation, sales force management, channel management

Introduction

Sales and distribution is increasingly becoming a critical element in defining the success of any business enterprise. The significance of sales and distribution has been continuously emphasized for its criticality in affecting various business parameters. Baldauf & Cravens (1999) have mentioned the importance of sales force, in the improvement of organizational effectiveness for companies, competing in a rapidly changing business environment; Effective management and motivation of a company sales force is crucial to the marketing success of many products (Coughlan & Narasimhan, 1992). The customer facing role further reinforces the importance of sales & distribution in the whole supply chain. Over the past two decades the development of strong and enduring relationships with key customers has become accepted as a foundation for competitive advantage (Slater and Olson, 2000). Traditionally, along with resolving territories, budgets and quotas related issues, a successful sales force management also implied an effective management of functions like planning,

forecasting, recruitment, training, appraisal etc, but the rapidly changing business environment is forcing sellers and distributors to come up with innovative ways for successfully achieving the targets.

Objective

The objective of paper is twofold; highlighting major challenges faced by sales functions (with respect to sales force management), and discussing the innovative ways being adopted for meeting targets.

Methodology

Intended as an exploratory research and study of published literature, this paper is based on current research in other parts of the world and in-depth interviews with industry practitioners. The findings are supported by the survey responses and insights from the interviews. .

Findings and propositions

As Peter Drucker had said, “The greatest change will be in distribution channels, not in new methods of production or consumption”. Thus choosing the appropriate channel, besides obtaining its permission, can prove to be critical for the success of any sales and distribution exercise*. Kumar and Venkatesan (2005) have discussed how customers seeking variety may choose multiple channels for fulfilling the requirement, which necessitates the use of multiple channels for customer success. With the ongoing boom in the innovations in technologies, industry is provided with a plethora of choices each affecting the whole chain in its own different way. Selecting all the channels may be expensive and complex to be handled successfully. This necessitates tradeoff between the available channels. Gulati and Garino (1999) also highlighted the trade-off one will have to make while deciding on the processes to be included or excluded across the channels. Agatz et al.,(2008) differentiated the products like the suitability of the fast movers for physical stores and slow movers for the online channels. Further, well chosen and integrated channels can leverage each others’ benefits resulting in a synergy. Rosenbloom (2007) explains synergy as one channel reinforcing the effectiveness and efficiency of another, in the context of multi-channel strategy. Agatz et al.,(2008) also mention about multi-channel retailers achieving significant synergies related to market power, with regard to sales and purchasing.

Levary and Mathieu (2000) discuss about dual-channel favoring firm’s profit. Liang and Huang (1998) also did an empirical study about the relative suitability of some products sold through the internet. Rosenbloom (2007) also mentions the challenges managers face while

attaining synergies and resolving channel conflicts for achieving coordination and integration between channels.

Hence, with present markets providing marketers with variety of channels, and sales-distribution further becoming a critical part of the marketing mix deciding the optimum mix of channel may significantly reduce costs while increasing reach, and helping deliver the value. The hypothesis

Hypothesis1:

Choice of right mix of channels is critical to the marketing success.

Besides selecting the optimum channel mix, the experience customer get of seamless surfing from one channel to another may be considered as the next feature that the managers in sales and distribution teams should be concerned with. Rosenbloom (2007) discusses how a problematic situation which may deserve a customer beating can in fact be flipped in to a customer delight if the seamless multi-channel experience is provided further avoiding issues like stock out. As per the Forrester Research (2005), customers also value the easy return of the product through the off line channels. This also saves costs. Such seamless and well integrated approach can further add to a pleasant customer experience.

Thus, it can be observed that with plethora of mediums available to the customers, they will often look forward to acquiring the product by accessing as many channels as possible. In such situations, well integrated channels can directly affect present day customers making use of these multiple channels, and seeking a seamless product acquisition experience.

Hypothesis2:

Integrating customer experience across multiple channels is critical to customer satisfaction.

Online stores appear to be the order of the day. Virtually every big name has come out with a web site announcing its entry in to the virtual market place. Increasingly, these sites are working more than just as an e-business card for the owners. Many have them have started transacting and selling their products through such online retail channels even at times when it could mean competing with their own distributors. Besides enabling a broader reach, this also helps in displaying a larger assortment of the products than in the physical stores. Agatz et al.,(2008) highlights the online channels achieving strong pooling effects enabling them the affordability of a broader assortment than the physical stores. One of the better ways of resolving stock outs situations is also discussed by Hyde (2001), when he mentions in-store kiosks as the ideal way of dealing with stock outs enabling the customer to order products even before leaving the store. Companies like Dell have demonstrated the hidden potential

mediums like online stores, but one has also to be aware of the unplanned fallouts which can happen and may in fact do more damage than help. A similar effort by Compaq of directly selling its products using e-commerce didn't go well with its wide distribution network where it is said that Compaq ended up directly competing with this new e-channel of Compaq. This approach of Compaq was said to have affected their commercial relationships unfavorably (Tesser, 2002).

But if such fallouts are taken care then the company can save a huge amount which otherwise could have been spent as capital investments. One can again consider the example of Dell whose alliance with the selected suppliers, and the resulting vertical integration is said to have resulted in big savings for the company.

Finally, such coordinated and well synchronized web store related and back end operations are not only critical for the managing cost escalations but also for leveraging the benefits of channels against each other, which should finally culminate in to improved customer web store experience. Hence the hypothesis:

Hypothesis3:

Coordinated and synchronized back end operations are critical to web store customer experience.

Managing channels effectively especially when the channel strength also includes new channels requires new and innovative approach towards conflict management. Rosenbloom (2007) mentions of the possibility of conflicts between channels can be "designed out" by anticipating the possible potential conflicts. Again, though newer channel provide managers with newer advantages and opportunities which earlier were not even thought, these opportunities do come with a rider of new emerging conflicts further requiring new and innovative ways of conflict management. Rosenbloom (2007) also highlights the conflicts occurring between different channels for reaching customers, as the most significant obstacle for building multi-channel strategies. Software packages are being developed for conflict management, which span different parameters of potential conflicts. As discussed by Reshare (2006) and Rosenbloom (2007), under the distribution relationship management (DRM), firms are coming out with software providing automated systems ensuring shares of margins especially in situations where different channels may end up competing with each other for selling the same product, and finally helping managers in managing conflicts.

Hence, it can be observed that conflict management is increasingly becoming a major challenge in achieving integrations in the selected channel mix. Also, an integrated channel mix directly affecting customer experience will play a major role in framing a multichannel strategy. Hence the hypothesis:

Hypothesis 4:

In an integrated multi-channel strategy, conflict management is critical in customer experience.

For achieving the multi-channel integrations, innovative changes are being suggested which can transform even the relatively static features like the structure of organization. There are discussions on increasing concentration and focus under one responsible executive position which can theoretically enhance multi channel integration (Rosenbloom, 2007). There is also a mention of new terms like “Channel captain” affecting designing the channel strategy. Mehta, Dubinsky and Anderson (2002) discuss the necessary involvement of relevant channel captains at different managerial levels in redesigning channel mix marketing strategy or managing the channel mix.

Further, apart from re-designing, there are also talks about the emerging flexible semi-structures. Shop.org and J. C. William Group (2008) observe the “semi integrated” structures which they discuss, to be the most common among the multichannel retailers. The utilization of resources directly affects the cost and efficient working. The example of Dell successfully trying out new organizational structures, reaching out directly to end customer and also removing unnecessary intermediaries in between, is well known. One can also observe companies often giving special treatment to the customers with “preferred” status.

Hence, it can be observed that in the present dynamic market scenario studded with innovative channel options, success of any multi channel strategy will basically depend on a re-designed innovative organizational structure the firm is able to come out with. Hence the proposition:

Hypothesis 5:

An integrated multi-channel strategy requires changes in the organizational structure for operational efficiency.

To leverage the benefits of the available channels, cross selling is one of the option increasingly being talked about by the marketers. Akcura and Srinivasan (2005) and Agatz et al. (2008) discuss effective cross-selling of products and services mention and the example of Amazon.com suggesting additional book titles based on customer’s browsing. Even branding is highlighted as an important resource in cross-promotion. As per Scott Silverman, director of Internet retailing at the National Retail Federation, “Branding is a tremendous advantage and cross-promoting it over the Internet and in physical stores will open up new selling opportunities” Bernstein et al. (2008).

Finally, it can be observed that in these changing times, the unforeseen use of resources like brands, online channels can not only promote cross-selling but will also improve customer experience. Hence the hypothesis:

Hypothesis 6:

An innovative store experience is critical for cross-selling.

Research limitations

The study is undertaken with the objective of gaining a broad overview of the challenges faced by sales functions in the new market conditions and also the importance of planned and unplanned innovations involved at different stages. The study can further be undertaken which is specific to a particular industry, or one can also take ecommerce in to consideration for analyzing how the aforementioned challenges are affecting the success on any commercial venture. Addition of a longitudinal primary research can further pave way for a more robust and empirically tested business model.

Implications of the study

Besides highlighting the involvement of innovations in successfully meeting the sales force related challenges, the study also provides for a relevant discussion for academicians encompassing areas like the ever increasing importance of conflict management, web store experience, channel integration etc. This can also give relevant pointers to the practitioners for rethinking on their reflections about the ongoing sales and distribution challenges presented to them by the present markets.

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