SYNCHRONIZING PERSONAL SELLING WITH OTHER FUNCTIONS

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<CONTENT>

—AN ABSTRACT—

Traditionally, sales management has been viewed as the administration of sales force activities. However, increasing product complexity, disruptive changes in customer preferences, shortages of materials, volatile technology, and intensifying competition have significantly broadened the scope of sales management. Depicted by several writers as a marketing tactician, a modern sales manager may establish goals, plan programs to reach these goals, organize, assemble a sales force, direct the marketing program, and analyze and evaluate the results. In order to assume these new responsibilities, sales managers will require a reconceptualization of their job and their functioning as part of the sales force. Of overriding importance is the need for a set of carefully conceived sales strategies and tactics that are prioritized or sequenced in terms of some workable framework. The authors posit as well as discuss how the product life cycle (PLC) concept can be used to gauge changing market conditions, and the subsequent impact this has on the development and implementation of both timely and effective selling efforts.

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I. INTRODUCTION

In order for the sales manager to successfully accomplish his role in any business organization, he must be involved to a lesser extent in planning and to a greater extent in implementing strategies and tactics. The sum total of these actions should optimize the firm's long-run profitability, thereby enhancing its survival. But, what with increasing product complexity, disruptive changes in customer preferences, shortages of raw materials, and intensifying competition, this task assumes the herculean proportions of Diogenes' search for an honest man.

Taking a look at the job of the sales may find himself embroiled in such duties as having to push for more liberal credit terms, request minor product modifications, or work closely with production/inventory personnel to ensure the proper coordination of inventory with actual needs. Other situations may call for him having to ration products among customers, increase salespersons' workloads, redesign sales territories, assist customers in effectively disposing of surplus product, or get personally involved with the selling function. In other cases, the sales manager may have to forewarn customers of possible product withdrawal, organize selling efforts to customers of customers, shift salespersons' efforts to more promising products, emphasize more profitable accounts, and develop sales and market forecasts.

II. NEED FOR A CONCEPTUAL MODEL

The role of sales managers is changing and evolving as they are continually confronted with more demanding challenges from *both* an intra as well as an inter-functional (or departmental) standpoint. In addition to the traditional functions associated with the administering the sales force, they are becoming increasingly involved in product planning, pricing, distribution, advertising and sales promotion decisions. Several writers have depicted the sales manager as a marketing executive [7, p. 19; 20], who necessarily must be capable of "dealing with tactical (and strategic) adjustments the company needs to meet varying needs and wants and to accommodate the pressures of direct and indirect competition" [9] while at the same time dealing competently with the human and administrative components of the sales organization. The time has passed when the sales manager can be looked at as the counterpart of the factory supervisor. There is also some question whether a clear line can be drawn between marketing (telling the firm what products and markets it should be in) and sales (selling the offerings of the firm in designated markets).

To assume these new responsibilities, sales managers will require a reconceptualization of their job and their functioining as an integral part of the sales force in a dynamic environment. Most important and of an overriding nature seems to be a set of carefully conceived sales strategies and tactics, prioritized or sequenced in terms of some workable framework.

This paper will address itself to two paramount questions. First, what framework is usable in sequencing sales strates and tactics? Second, what possibilities exist from a practical standpoint for using the selected framework in sequencing these strategies and tactics?

III. PRODUCT LIFE CYCLE THEORY

The product life cycle (PLC) is a generalized model depicting the unit sales trend of some narrowly defined product from the time of market entry

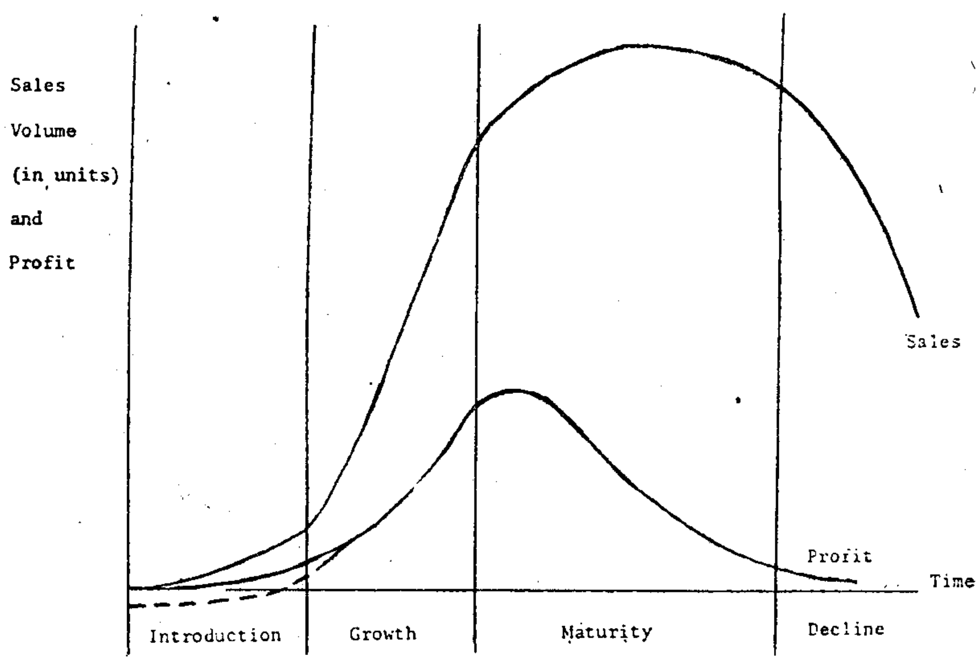

Fig 1. Four-Stage Product Life Cycle

until withdrawal. [2] By portraying the "evolution of product attributes and market characteristics through time,……(the PLC thery may be) used prescriptively in the selection of……(strategic and tactical) actions and in planning" [16]

The PLC may be approximated by a bell-shaped curve, which is divided into several segments (Figure 1). [19] The authors will presume a four-stage curve--introduction, growth, maturity, and decline. The major characteristics of each phase are summarized in Table 1.

Table 1

Salient Attributes of Each Product Life Cycle Stage

Stage 1. Introduction. This time period is characterized by relatively vely slow sales growth as an attempt is made to attain market position or acceptance with the newly launched product. Large promotional expenditures and heavy R&D expenses from a previous period usually result in negative profits. Relatively few distributors exist. The possibillity of product "debugging" is ever-present. The product is especially vulnerable to attack from competing items. As a result, marketing effort is directed toward getting the product accepted and proved technically.

Stage 2. Growth. In this stage, there is a marked increase in sales and a rapid expansion of total market size, assuming favorable product acceptance among consumers. With R&D expenditures reimbursed and a lower promotional expense to unit sales ratio, profits become substantial. The presence of competitors begins to be felt as consumer acceptance and profit opportunities with the product become increasingly attractive. Many distributors are interested in carrying the product. Even with fullscale production, heavy product demand usually requires some system of allocation among customers. Differentiation in the form of wider product assortments are added to the product line in an effort to appeal to more segments of the market. The job of marketing shifts from gaining consumer and technical acceptance to developing brand preference and matching product demand.

Stage 3. Maturity. Sales level off in this stage as market saturation is reached and strong competitive pressures are felt. Changes in product sales follow the general pattern of change for the total market. Production facilities/processes are either in need of heavy repair or obsolete or both. The existence of many numerous aggressive competitors forces product price to decrease. As a result, profits reach a plateau and decline significantly. Marketing efforts are keyed to meeting competition by such common means as product improvements, product variations, distinguishable product features, and development of new market segments. Regardless, selective differentials are likely to be short-lived. Unlike the other stages, a product in the maturity stage may follow any one of three distinct sales patterens--stability, growth, or innovation [2, pp.57-63].

Stage 4. Decline. In this final stage, the market shifts to other product types, and sales decrease repidly. Distributors also foresake the product for other items. Profits reach an extremely low level. Although most firms leave or have already left the market, there is a build-up of competitive pressures as the firms that remain contend with overcapacity, excess inventories, and the need to reduce costs. Promotional support is usually withdrawn. Idle manufacturing equipment is sold. Sales and profit declines are inevitable, except in the short run via a "milking or harvesting" strategy.

IV. PLC THEORY AND SELLING

Marketing academicians and practitioners generally agree that the PLC theory is a crucial factor in the successful management of a firm's marketing efforts.(1) [17] By "identifying the stage that the product is in, or may be headed toward, better…(and more effective strategies, tactics, and) plans can be formulated." [12]

But, only in the broadest sense has the PLC concept influenced the strategic and tactical planning of specific marketing activities. [3;4;15] In terms of personal selling, there is no evidence that suggests changes are effected to reflect a particular set of market circumstances for each phase of the PLC. Reliance is usually placed on the flexibility of the salesperson in reacting to changing market conditions. Moreover, firm after firm fails to implement planning of sales strategies and tactics at the field sales level. Top management establishes objectives and develops courses of action, but daily sales operations remain relatively unchanged. [11]

In formulating strategies and tactics for the sales force, two factors need to be considered--corporate objectives and changing conditions in the marketplace. [18] The actions of a firm are determined by its objectives. Direct linkage between corporate and sales objectives gives meaning to the contributions from actions of the sales force. Planners and doers both know what is expected of the sales force as well as how these efforts relate to the broader objectives of marketing and the firm.

Flexibility is incorporated into the sales plan by providing for change in market conditions. Using the PLC concept as a gauge, these basic changes can be anticipated in market conditions as a product moves through the stages of its life span. The planner, knowing what he wants to take place from the actions of the sales force, can gain the desired flexibility by fitting strategies and tactics to the stages of the PLC. The emphasis in this type of planning is on timing the moves of the sales force to make the best

(1) Not all marketers believe the PLC concept is useful or appropriate as a guideline for making marketing planning decisions. For an excellent article along this line, see Dhalla and Yuspeh. [6] The subsequent letters to the editor plus the authors' response are also of interest. [14]

utilization of resources. The contingency sales plan says, in effect, "When this happens, the sales force will do this, or these alternatives are available."

Another advantage of sequencing strategies and tactics in terms of the PLC dimension is avoidance of unrelated calendar periods of planning. Sales performance cannot be fitted into calendar periods, particularly if one wants to compare input with output or results. A salesperson's efforts (input) may be in one calendar period and the results or the sales may not occur until the next or subsequent period. A manufacturer of glass containers, for example, worked for over a year to gain the business of one cosmetics producer.

Use of the PLC may alleviate some of these inherent problems in planning as well as possibly aid in evaluation of performance for internal control. The practical disadvantages occurring with the fact that it is at best an "after-the-fact" decision would seem to have no appreciable drawbacks in planning or for that matter control.

Product Versus Market Knowledge

As a product moves through its life cycle, the salesperson needs to know less and less about the product in question and more about the market--both actual and potential customers (Figure 2). In the introductory stage, the primary responsibility of the salesperson is to overcome initial customer resistance to the new product. The focus is on communicating product performance and value rather than adding to the customer base or building volume.

Product knowledge is needed to explain what the product will do for the consumer and develop believability for the benefits from usage. In the case of industrial products, this means gaining initial acceptance for inhouse technical testing. One consumer-products company, however, to support its extensive advertising campaign assigns a salesperson the job of getting a new product on the shelves of all food stores within his territory, and thus create availability for retail customers.

As sales grow and competitors enter the market, the job of a salesperson shifts from getting consumers to try the product to getting them to prefor his brand. [15, p. 83] The salesperson becomes less concerned with product knowledge or the "nuts and bolts" of the product, and more concerned with

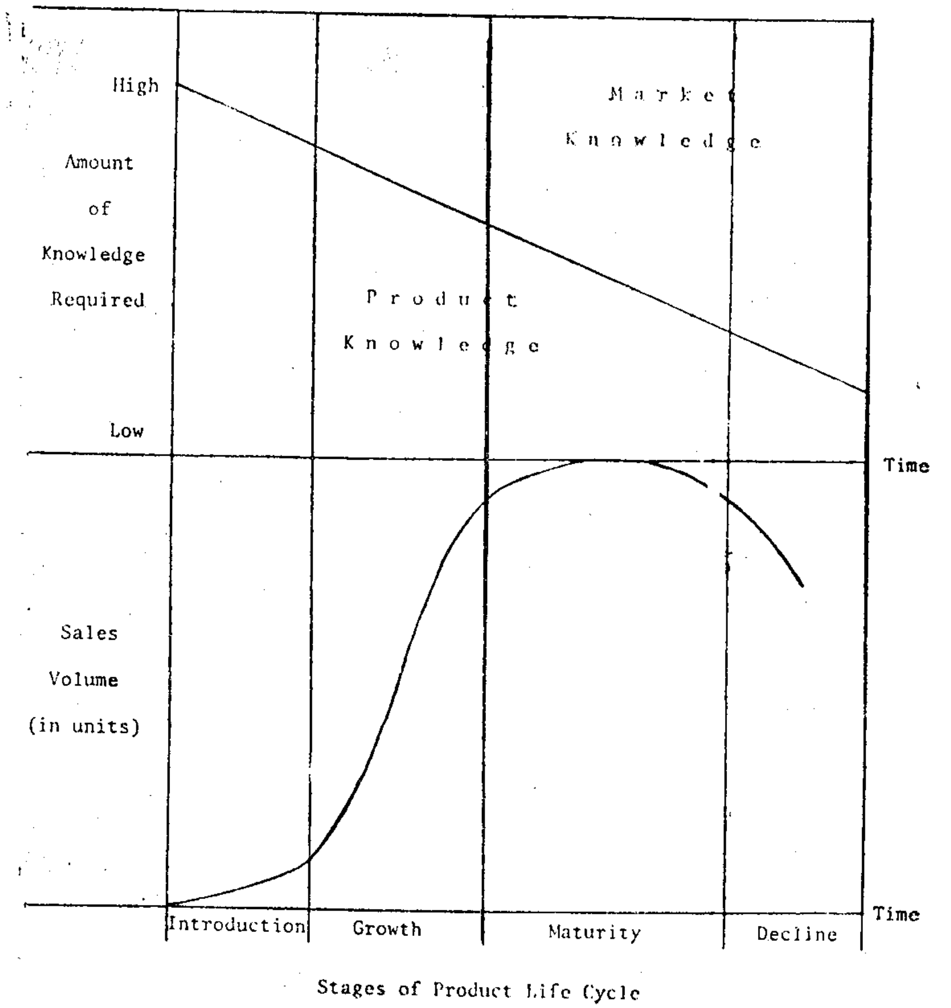

Fig 2. Amount of Product and Market Knowledge Required of Salespersons Across the Product Lite Cycle

interacting with each customer in relation to his problems, processes, products, output or applications.

To help in developing market or customer knowledge, the salesperson can develop customer sales plans for each individual account and prospect. A typical customer sales plan would include information on:[13]

(1) Patterns of decision-making in purchasing;

(2) Present and past trends in product usage;

(3) Areas of customer interest; and

(4) Competition.

As the market saturation is reached and price competition becomes intense, effectiveness in selling is almost wholly dependent on customer knowledge. Since very few customers are being added, salespersons need to exercise what may be called account management with present customers. By this, it is meant that sales objectives are to be developed for each account with selling efforts guided by these objectives. The main thrust of sales effort is in building an account rather than reaching a quota. Salespersons pay more attention to the frequency and timing of calls. Also, they have a more long-run point-of-view with customers, and do not show disinterst in small orders.

The increase in market knowledge with a compensating decrease in the need for product knowledge carries on through the decline stage of product life. Adding import to the need for market knowledge is the growing sophistication of customers in regard to price, quality, and service.

The timing and extent of price cuts is a major consideration for the salesperson during the decline stage. Sandwiched between competitive pressures, loss of customer appeal, and the desire to maintain profit margins as long as possible, a salesperson has to know when to cut price and by how much. Cost reduction for distribution implies greater selectiveness in who the sales person calls upon.

V. THE PLC-SALES OPERATIONS PLANNING MODEL

Using the PLC as a gauge of changing market conditions, a list of specific sales strategies and tactics can be delineated for each stage.(2) These lists in turn, can serve as references for continuous reprogramming of sales actions across a product's life span. The transition period from one stage to anther, such as from growth to maturity, can serveas a decision point for sales mangement. Thus, during the life cycle, there will be three decision points--introduction to growth, growth to maturity, and maturity to decline.

The foregoing description of four PLC phases serves as the basis for categorizing sixty-two sales strategies and tactics. The basic criterion for strategy and tactic selection and slotting is the sales departmet's contribu-

(2) There is a precedent for developing a normative model on the basis of the PLC theory. See Berenson [1].

tion to company profitability. The structure of this model is aligned vertically and horizontally. Within each phase, all sales functions are mutually consistent. Across the four stages, sales functions follow a logical path, in conformance with the profitability criterion.

In the following discussion, prescribed sales strategies and tactics corresponding to sales functions (e.g., administration of sales force activities, forecasting, allocation of resources, development/adjustment of performance standards, and marketing activities [7, pp. 13-30]) will be presented and supported for each stage in the PLC. To conserve space, only those sales activities of strategic importance are included. Many additional sales strategies and tactics consistent with the PLC stages previously detailed will occur to the reader.

i. Introduction Stage

In this stage of the product's initiation to the market, sales management will be primarily concerned with organization of the sales force, preparation of the sales force in terms of product knowledge, and getting the product into t he hands of the best prospects.

Just prior to commerical introduction, however, the sales manager will be developing sales and market forecasts or potentials in conjunction with the firm's marketing research department. This information will assist him in identifying the best sales prospects, and later, in assigning salespersons to accounts/territories/products.

Simultaneously, the sales manager will be recruiting and selecting salespersons. Upon completing this task, he will hold sales orientation and training meetings with special emphasis on product knowledge and demonstrations. Sales literature will also be distributed at this time.

As a means for introducing the product to designated market segments, the sales manager will form special sales teams as well as provide and ensure adequate technical support. Product demonstrations will be organized and presented to groups of buyers and influencers at their plant, trade shows, the firm's business, etc. In sum, because of the newness of the product to his salespersons and possibly the market, the sales manager should become intimately involved with personal selling; in fact, he may make joint sales calls with salespersons.

Since salespersons will have to call on new customers, the sales manager must establish performance standards other than the traditional sales quota, such as number of demonstrations and new sales calls. Another traditional motivating device is to implement sales contests.

In developing initial relationships with new customers and middlemen, the sales manager may want to offer merchandise promotions and/or special credit terms. Advertising can be important in getting leads.

During this preliminary PLC stage, it is paramount that the sales manager keep continually abreast of sales performance by salesperson, territory, and customer, so he can reassign salespersons to accounts/territories/products as circumstances deem appropriate. Also, by maintaining close surveillance on salespersons, the sales manager will be more aware of customers' reactions to the new product. This invaluable information will permit manufacturing to make the necessary product modifications and improvements.

ii. Growth Stage

In this phase of rapidly increasing sales, the sales force must shift gears and go from developing awareness and showing the value of the product among the best prospects to writing orders for the product and offsetting competition. In that demand will grow faster than supply, the sales force has the added responsibilities of following-up on orders, and making allocation decisions. An extended period of time between initial order and delivery may cause customer dissatisfaction with the firm, but not the product in question. In turn, customers may shift to a competitor's product, thus dissipating pioneering work done to promote product awareness and develop primary demand. A classic allocation problem is who is to receive the new product in limited supply: present customers, who have demonstrated loyalty to the firm, or prospects whose business the firm is highly desirous of obtaining. Finally, in the growth stage as contrasted with the introduction stage, the salesperson takes on the more traditional role of developing preference and writing orders. He can make greater use of his inherent advantages, such as tailoring presentations to the customer, leading the customer through a logical thought process, rebuilding interest, and using a wide range of stimuli. [1, p.62]

Because of this sales spurt, the sales manager will be forced to temporarily assign market priorities in terms of which market segments are to be called on first as well as to increase salespersons' workloads, i.e., more sales calls. In the meantime, he will be hiring and training additional salespersons. As these individuals are quickly assimilated into the sales organization, the sales manager will establish new sales branches and further divide sales territories in an attempt to get salespersons physically closer to their customers. He will also stress the development of customer loyalty.

As a result of rapid growth difficulties, temporary shortages and shipping delays in variably crop up. This places additional pressures on the sales manager to remain up-to-date in regard to what is happening within each of his assigned sales territories. The best ways to achieve this are to reduce the time interval between sales reports, and increase the number of sales meetings.

After the sales manager garners this sales information, he will analyze it in detail, especially by customer and territory. This provides an information base from which the sales manager can more confidently and appropriately assign salespersons to different accounts, adjust sales quotas to reflect sales production, allocate or ration product among present and potential customers as well as coordinate with production and distribution executives to gear production rates and inventories as closely as possible to actual needs.

iii. Maturity Stage

Because sales level off in thisstage due to competitive pressures and market saturation, sales strategies and tactics are aimed at maintaining or adding to marketing effectiveness. This calls for empasis on matchingup salespersons with individual customers, finding new customers for the product, finding new uses for the product among existing customers, upgrading distribution, and possibly by-passing the immediate customer and in turn selling to his customers. The need for marketing effectiveness and the realization that selective differentials are short-lived give rise to a large number of possible strategies and tactics in the maturity stage.

Self-discipline needs to be practiced in maturity because the selective edge enjoyed by a company is liable to be temporary and the salesperson must have the flexibility to shift. There is not much benefit in terms of market share for increases in sales-force expenditures. [8] Moreover, salespersons need to steer away from unprofitable business that results from seeking volume for volume's sake alone. Alcoa, for example, either because it could not be the market leader or because it was losing money, is all but out of suchmarkets as castings, household wrapping foils, and frames for houses and motels.[10]

By-passing customers and concentrating on their customers is fairly common in the industrial market. Chemical companies, for example, frequently help such customers as small fertilizer companies sell their output. Advertising is normally allocated much of this task with consumer products. However, trade salespersons can play a vital role with in-store demonstrations, clincs, workshops, and repair days.

In the face of increasingly aggressive competitors, some of whom have existed since the growth stage, the sales manager is compelled to focus greater attention upon them. He will consult frequently with both salespersons and the marketing research department to remain current on competitors' activities. Armed with this information, the sales manager will be able to justify his requests to brand/product managers for minor modifications in product/product design. More persuasive merchandise programs will be developed. Salespersons will be retrained in the use of different sales presentations, e.g., shift from informational to persuasive format and interaction with customers.

Concurrently, in order to achieve a differential competitive advantage,[21] the sales manager may construct and implement a package or systems approach in selling as have such firms as IBM and Avon. To reach new potential customers/market segments, the sales manager will organize selling efforts to customers of customers, develop more liberal credit terms, e.g., greater cash discounts, extending pay period, etc., and urge salespersons to search for/locate new profitable prospects. On the other hand, to further ingratiate present accounts, salespersons will be encouraged to develop sales plans for individual customers as well as show them how to routinize their whole buying process, e.g., use automatic or computer reordering procedures. It is interesting to note that once purchased and entered in a computerized ordering and warehousing system, there is a reluctance on the part of the buyer to change brands. A buyer for a nation-wide drug chain reported that reprogramming costs usually wipe out competitive price differentials. The sales manager will also motivate salespersons to adopt and discharge the above-mentioned sales strategies and tactics for both new and present customers by reassigning salespersons, developing "cold" call quotas, and reinitiating sales contests.

Because of the cost-price-profit squeeze that transpires during the maturity stage, marginal accounts should be eliminated since they tend to consume a disportionate amount of the firm's resources.[5] Efficiency can also be achieved by dividing customers into classes or divisions based on corresponding sales or profit, and then making calls on accounts according to profitability and/or potential. Another possibility is for salespersons to adopt a skimming philosophy with present customers, e.g., place special emphasis on profitable, key accounts, set up national accounts, etc. Finally, the sales manager will want to reallocate or rebudget salespersons' expense monies.

In his operational capacity, the sales manager must spend more time overseeing his salespersons. Specifically, he needs to pay careful attention to territorial coverage.

iv. Decline Stage

In the decline stage, the self-discipline developed during maturity becomes imperative. Ideally, selling expenses will be kept in line with the more or less steady decrease in sales reflecting the downturn in size of the relevant total market. Emphasis needs to be placed on deriving a satisfactory return from each increment of selling cost. By planning, sales management can anticipate the downward spiral of demand and offset its impact on profit contribution. Understandably, sales strategies and tactics in the decline stage focus on either cost reduction or reallocation of sales efforts.

A drastic decrease in sales forces the sales manager to reverse some of his earlier actions. For example, sales manpower needs are forecasted in terms of possible terminations, transfers, and attrition of salespersons. Sales territories are combined or redesigned. Salespersons' efforts are shifted to newer, more promising products. Lastly, customers are forewarned of the product's possible withdrawal from the market.

Once the firm's top management has decided to abandon the product, the sales manager will develop a formalized feedback system to aid management in planning and timing withdrawal from the market. He will also begin to seek out customers who specialize in handling inventory clearance sales and organize these clearance sales. As a final gesture of goodwill, the sales manager with the salesperson assists customers in developing an effective program for disposing of surplus product inventory.

VI. CONCLUSION

No marketing plan can provide all the answers relative to the phenomena of change in the marketplace. Utilization of the PLC concept as a gauge of significant change in market conditions prepares the planner for change. The planner builds anticipation into planning by sequencing strategies and tactics to fit significant and inevitable changes.

Nowhere is this more apparent and perhaps more vital than in the planning of sales efforts. The PLC concept can be used as a basis for developing alternative strategies and tactics for the sales force prior to the actual need for alternative courses of action. The contingency plan for the sales force says in effect, "When this happens (e.g., a particular PLC stage), then the sales manager should do this." By planning sales strategies and tactics according to the PLC dimension, calendar periods can be largely ignored. The sales plan will contain postural strategies and tactics the firm will take in various markets as defined by the PLC.

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