SWP 62/91 "EXCELLENT SELLING CAN SERIOUSLY DAMAGE A COMPANY'S HEALTH"

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In the 1990's, expenditure or personal selling is still considerably larger than the combined expenditure on both advertising and sales promotion, in spite of a fashionable belief in the 1980's that precisely-targeted marketing methods would make the need for personal selling all but disappear.

The reason that the reverse has happened is simply because no one has yet discovered a more effective way of communicating with customers, of exploring the needs of increasingly complex decision-making units, of alleviating any concerns they may have, and of communicating the full benefits of a company's offer. Additionally, research shows that, contrary to popular belief, companies welcome representatives as a valuable source of information about developments.

Vast sums of money have been spent during the past decade by many organisations, with the aim of improving the sales force's productivity. Great strides forward have been made in most areas of sales force management.

In particular, most sales people today recognise when to sell and when to negotiate. Territory allocation and planning is no longer the hit-and-miss affair that it used to be. Recruitment is now a much more scientific process, with most firms aware of the value of psychometric testing as part of the selection process. Sales managers tend to use more supportive team-building methods rather than the old, hierarchical, tyrannical ways. Remuneration packages are better related to the tasks that have to be performed. Evaluation procedures have improved dramatically with the advent of relational databases.

In general, it can be concluded that today's sales forces are more motivated, more professional, and more productive than they were ten years ago.

In spite of these dramatic improvements, however, the sales force is still a grossly underutilised and poorly-directed marketing resource. This has more to do with ineffective **marketing** strategy than with inefficient sales strategy. Figure 1 represents this problem more clearly.

MARKETING STRATEGY

SALES TACTICS	Ineffective	Effective
Efficient	4 Die (Quickly)	1 Thrive
Inefficient	3 Die (Slowly)	2 Survive

Figure I

It will be seen that Box 1 (The Thrive Box) represents a company that has both an effective marketing strategy **and** an efficient sales strategy.

In box 2, it is possible for a company to survive, even with an inefficient sales operation, because it has an effective marketing strategy. Clearly, however, it could do even better by focusing attention on the sales force In boxes 3 and 4, a company is doomed to die, eventually.

Box 3 represents a company that is dying a long, slow, lingering death. But, without, an effective marketing strategy, death will ultimately be inevitable.

Box 4 is representative of many European organisations, in that much effort has been invested in sharpening up sales efficiency. But, without an effective marketing strategy, these investments merely hasten the company's decline. After all, doing the wrong thing more efficiently is hardly a formula for success. It's somewhat like making a stupid salesman work hard. All this would do is to increase the chaos he causes!

At one time or another, sales force training experts all over the world have suffered the frustration of fine-tuning a professional sales force that is held back by an ineffective marketing strategy. At a fairly mundane level, problems related to poor delivery and poor product quality, cannot be overcome by the sales force. At a more serious level, most companies still haven't cottoned on to the fact that it is **customers**, not **products**, that make profits. Yet accounting systems persist in measuring only product profitability. For example, a customer that demands Just-in-Time delivery to all of its outlets, daily sales calls, promotional support, and that takes one hundred days to pay its accounts, is very different from another customer taking a similar volume that only requires one central delivery, no sales calls, no promotional support, and that takes only forty five days to pay its accounts. Product profitability doesn't measure any of this, with the result that sales effort is frequently misdirected. The trouble is, the more efficient the sales effort, the greater the damage!

At an even more serious level than this, ill-thought-out marketing strategies can cause severe financial problems for companies. Two examples of this follow.

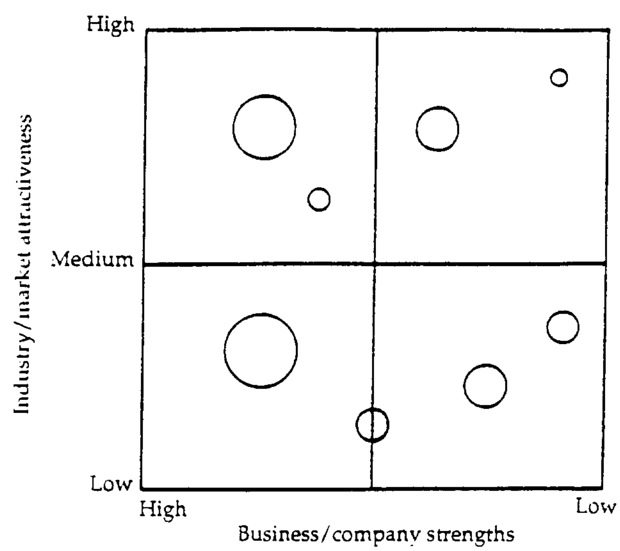
New Product Launches

It is a well known fact that most new product launches fail. This, however, has more to do with poor marketing than with poor selling. In the 1960's, research by Everett Rogers into how new products are diffused over time, showed clearly that about 16 per cent of any market are **opinion leaders**, and that no one else will buy a new product until this group has accepted it. Only then will the 34 per cent of the **early majority** come into the market. The remaining 50 per cent are slow to enter the market, tend to be more conservative, and have less money, so price often becomes important.

Yet, in spite of this well-proven research, companies still insist on launching new products to the **whole** market at the same time. Yet, about 85 per cent of customers are bound to reject any such overtures. The result of this, is that the new product fails, mainly because of inappropriate targeting. The problem is merely exacerbated and the failure hastened by an efficient sales force, who, alas, tend to get the blame. Yet, it is sheer stupidity on the part of the marketing department, and has little to do with the sales force.

Product/Market Portfolios

Another classic marketing error concerns product/market portfolios. Figure 2 illustrates a number of market segments represented graphically according to their attractiveness to the company in terms of their likelihood of enabling the company to achieve its objectives (the vertical axis) and the company's competitive strengths in these markets. Circle sizes represent their importance in terms of turnover.



It is clear from this that markets in Box 1 are less attractive than those in Boxes 2 and 3, probably because they are mature markets. But, because of our strengths, we probably make plenty of money out of them. So, although not growing, they obviously need to be carefully and diligently managed for sustained earnings.

Box 2 has a number of very attractive markets, in which we have a strong position. These are clearly ripe for investment and for aggressive marketing and sales policies.

Box 3 is similar to Box 2, except that we do not have many strengths, so we obviously need to decide which ones we should choose to invest in to build strengths, as we are unlikely to be able to afford the resources to invest in them all.

Box 4 represents the worst scenario - low attractiveness and low strengths. Clearly, we should not waste our valuable resources here, other than on the basis of necessity.

If all of this sounds rather like a blinding glimpse of the obvious, it should be noted that few companies even bother with this kind of analysis, with the result that the sales force tries to be "all things to all men". The result is a massive misuse of resources.

A classic example of this is debtor control. There is nothing wrong with the Chief Executive specifying 45 debtor days as a target, but to apply this even-handedly across all market segments is the height of stupidity. Some markets could be persuaded to pay in 35 days (Box 1). Box 4 could be persuaded to pay even sooner, whilst in Box 2, credit could perhaps be used as a competitive marketing tool. Again, however, the efficient and even handed application by the sales force to all customers of this debtor control nostrum merely hastens the company's demise.

By the same rule, trying to increase market share in a mature or declining market can be the height of folly, whilst milking products in Box 2 for profit seriously damages the company's medium to long term prospects.

It can be seen from these brief examples that poor marketing can seriously damage a company's health, especially when an excellent sales force implements the misguided policies efficiently.

Other problems affecting sales force productivity

There are yet further problems which are related to the apparently endemic desire that companies have, to separate marketing and sales organisationally. All this leads to is the splendid isolation of the marketing department, who have no control over the implementation of their policies. The sales force is judged on **volume**, relates to **today's** products and markets, and deals with **individual** problems, customers, and so on. The marketing department deals with **profit**, future **trends**, and **portfolios**, (or groups) of products and markets. Both jobs are highly professional and require special knowledge and skills. Yet, whilst personal selling is obviously a key part of the marketing mix, its physical and organisational separation from marketing merely exacerbates whatever problems the company has.

This problem is closely related to the tendency some companies still have to organise themselves around **products** rather than **markets**. Whilst this can be condoned in some situations, generally speaking, it makes sense to focus the sales force on customer groups, rather than organising them geographically and giving them every customer within that territory.

The rule should be: organise around customer groups where practicable; and put marketing as close to **operations** as possible, with both functions reporting to one director, whose main function is to ensure that what is planned is actually implemented by the sales force.

One unique solution to the problem

Nonetheless, the fact remains that many companies still have a sales director, and it was for such people that the one week Cranfield course, "Directing the Sales Operation," was developed. Attendance is strictly limited to directors who control a national or international sales force. Area managers, sales managers and the like are not allowed on the course. This ensures that delegates are with a peer group. Sometimes, people with the title "Sales and Marketing Director" come on the course, but this is seen as a bonus. The real target market is the genuine General Sales Manager, who specialises in directing and controlling a national or international sales force.

These people, if anyone cares to give some thought to the subject, do not "belong" anywhere. Accountants have their own professional body, personnel, production and the like, have their own professional bodies. Even marketers have their own professional body - the Chartered Institute of Marketing. Then within marketing, there are more focused professional bodies for advertisers, market researchers, and so on. But the poor old sales director is left out in the cold.

The result of all this is that they tend to be a somewhat jaundiced group of people, who "blame" the accountants, the production director, the distribution director, the IT department, the personnel director and, yes, even more frequently, the marketing director, for all the company's ills. If one listens carefully to many sales directors, they are the only people in the world who could put to right all the company's wrongs.

It is our hypothesis that this stems partly from their functional isolation and a somewhat narrow view of how the world of business works. One such person, at a meeting attended by the organisation's most senior directors, after listening to an hour of complex debate, when asked for his view, responded:

> "Well, it all seems simple to me. The buyer buys the raw material, production makes them into products, distribution stores them and delivers them, I sell them, and Accounts collect the money afterwards"

This wonderfully simple view of business life omits few million complications that prevent the wheels turning as simply as this!

Admittedly, this story is exaggerated somewhat to make the point. Nonetheless, the fact remains that many very senior sales directors are somewhat naive when it comes to understanding the role of the sales force in the total business context. Indeed, it is possible to go even further and state that many of them are somewhat ignorant of any discipline other than their own.

With this background information, it can now be appreciated why the Cranfield course specially designed for, and restricted to, sales directors, is so popular. It is not a "course" in the strict sense of the term. Rather, it is built around the current issues and challenges facing business, so the programme content mutates each time. Nonetheless, there are certain abiding themes that continuously crop up, including: the relationship of the sales force to "marketing"; major accounts and how to deal with them; the impact of information technology; relationship marketing; the implications of 1992; productivity; and financial analysis and control.

A remarkable by-product of this programme was the voluntary formation of a "club" for sales directors. Once the participants have escaped from the "here and now" syndrome and have learned to conceptualise business problems, using the structures and frameworks of business management education, they begin to appreciate more fully the value of the intellectualisation process and are reluctant to abandon it altogether at the end of the course. Consequently, they form themselves into an association, the purpose of which is to retain contact with their colleagues and with the academic world. The result is that they voluntarily agree to meet every six months to continue the process begun at Cranfield.

Conclusion

Sales directors have, hitherto, been totally neglected by the world of education. Yet, in our experience, they represent a solid foundation of intelligence, common sense, and power, that is just waiting to be tapped. Given the kind of educational experience available to them via the Cranfield "Directing the Sales Operation" one week course, we are convinced that sales directors can make a powerful contribution to business success. This success, however, will not come only from improved sales force productivity, because we remain convinced that to do this in the absence of a well-thought-out marketing strategy is merely to hasten the organisation's demise, but because of the contribution they can make to their company's total strategic direction.

This is what the Cranfield initiative is all about. We run the programme jointly with Marketing Improvements Limited, whose Chairman, Mike Wilson, is a Visiting Professor of Marketing at Cranfield. He and his company are probably the world's leaders in research, consultancy, writing and teaching in the domain of sales force direction. This, combined with Cranfield's powerful and respected marketing group, makes a potent brew for sales directors.