

Business Marketing Communications: Managing the Personal Selling Function

Business marketing communications consist of advertising, sales promotion, and personal selling. As explored in Chapter 15, advertising and related sales promotion tools supplement and reinforce personal selling. Personal selling is the most important demand-stimulating force in the business marketer's promotional mix. Through the sales force, the marketer links the firm's total product and service offering to the needs of business customers. After reading this chapter, you will understand:

1. The role of personal selling in relationship marketing strategy.
2. the skills and characteristics of high-performing account managers.
3. the nature of the sales management function.
4. selected managerial tools that can be applied to major sales force decision areas.

John Chambers, president and CEO at Cisco, says that “the customer is the strategy.”¹ He began his career in the 1970s as an IBM salesperson. Today, he still spends 40 percent of his time working directly with customers, and he believes that the key to Cisco’s success comes through continuous customer feedback. In fact, every night, 365 days a year, he receives voice-mail updates on 10 to 15 top-tier customer accounts. By developing leading-edge technology and staying close to the customer, Cisco continues on its astonishing growth path.

In the marketing operations of the typical firm, selling has been a dominant component and a major determinant of overall company success, highlighting the importance of a strong structural linkage between marketing and sales.² U.S. businesses, alone, spend \$800 billion annually on personal selling, roughly three times the amount spent on advertising.³ Personal selling is dominant in business markets because, compared with consumer markets, the number of potential customers is relatively small and the dollar purchases are large. The importance of personal selling in the marketing mix depends on such factors as the nature and composition of the market, the product line, and the company’s objectives and financial capabilities. Business marketers have many potential links to the market. Some rely on manufacturers’ representatives and distributors; others rely exclusively on a direct sales force. Each firm must determine the relative importance of the promotional mix components—advertising versus sales promotion versus personal selling.

Across all industries, the cost of an industrial sales call is much more than \$200.⁴ Computer firms report much higher costs; chemical producers have much lower ones. Of course, these figures vary, depending on a host of company, product, and market conditions. They do indicate, however, that significant resources are invested in personal selling in the business market. In fact, Erin Anderson and Bob Trinkle persuasively argue that few firms have a clear understanding of the real costs of field sales.⁵ To maximize effectiveness and efficiency, the personal selling function must be carefully managed and integrated into the firm’s marketing mix. To enhance productivity and respond to intense competition, sales strategists are using a host of new approaches and technologies.

Regardless of how a firm implements its sales strategy, the salesperson is the initial link to the marketplace and specific customers. The task of the salesperson is both complex and challenging. To meet all their customers’ expectations, salespeople must have broad knowledge that extends beyond their own products. They must be able to talk intelligently about competitors’ products and about trends in the customer’s industry. They must know not only their customer’s business but also the business of their customer’s customers. This chapter first considers the lead role of the salesperson in executing relationship marketing strategies and serving key customer accounts. Attention then turns to the characteristics of high-performing account managers and the central features of the sales management process.

¹Michele Marchetti, “America’s Best Sales Forces: Sales to CEO,” *Sales & Marketing Management* 151 (July 1999): p. 63.

²Christian Homburg, Ore Jensen, and Harley Krohmer, “Configurations of Marketing and Sales: A Taxonomy,” *Journal of Marketing* 72 (March 2008): pp. 133–154; see also James Cross, Steven W. Hartley, and William Rudelius, “Sales Force Activities and Marketing Strategies in Industrial Firms: Relationships and Implications,” *Journal of Personal Selling & Sales Management* 21 (Summer 2001): pp. 199–206.

³Deborah Kreuze, “How Effective is Personal Selling,” *Insights from MSI* (Spring 2008): p. 3.

⁴“The Cost of Doing Business,” *Sales & Marketing Management* 151 (September 1999): p. 56.

⁵Erin Anderson and Bob Trinkle, *Outsourcing the Sales Function: The Real Costs of Field Sales* (Mason, OH: Thomson Higher Education, 2005).

Relationship Marketing Strategy⁶

Assuming a central role in implementing the customer relationship marketing (RM) strategy for the business-to-business firm (see Chapter 4) is the salesperson. Firm-to-firm relationships in the business market involve multiple interactions among individuals, forming a network of relationships. To ensure that customers are as satisfied as possible, business marketers must effectively manage the complex web of influences that intersect in buyer-seller relationships.⁷

Figure 16.1 provides a model of interfirm relationship marketing. **Relationship marketing activities** represent dedicated relationship marketing programs, developed and implemented to build strong relational bonds. These activities influence three important drivers of relationship marketing effectiveness—relationship quality, breadth, and composition—each capturing a different dimension of the relationship and exerting a positive influence on the seller's performance activity.

Drivers of Relationship Marketing Effectiveness

Some customer relationships are characterized by extensive interactions and close bonds among members of the buying and selling organizations. By contrast, other relationships might be confined to a few relational ties that the salesperson has developed with members of the purchasing staff. Drawing on insights from social network theory, the following drivers of relational marketing effectiveness have been identified.

Relationship Quality **Relationship quality** represents a high-caliber relational bond with an exchange partner that captures a number of interaction characteristics such as commitment and trust. "Commitment represents a desire to maintain a valued relationship and, thus, an exchange partner's relationship motivation toward a partner. Trust involves the evaluation of a partner's reliability and integrity, which generates confidence in the partner's future actions that support cooperation."⁸ Partners involved in high-quality, committed relationships are willing to disclose proprietary information, which enables sellers to identify the customer's unmet needs, cross-sell additional products more effectively, and price products properly, thereby enhancing profitability.

Relationship Breadth A key objective of the business marketer is to develop a keen understanding of a customer's needs in order to develop a value proposition that squarely addresses those needs. **Relationship breadth** represents the number of interpersonal ties that a firm has with an exchange partner. A seller that has forged more interpersonal ties with a customer can gain better access to information, identify profit-enhancing opportunities, and become more efficient in building and maintaining the relationship. Research indicates that multiple interfirm ties are particularly vital when serving customer organizations that have high employee turnover.⁹

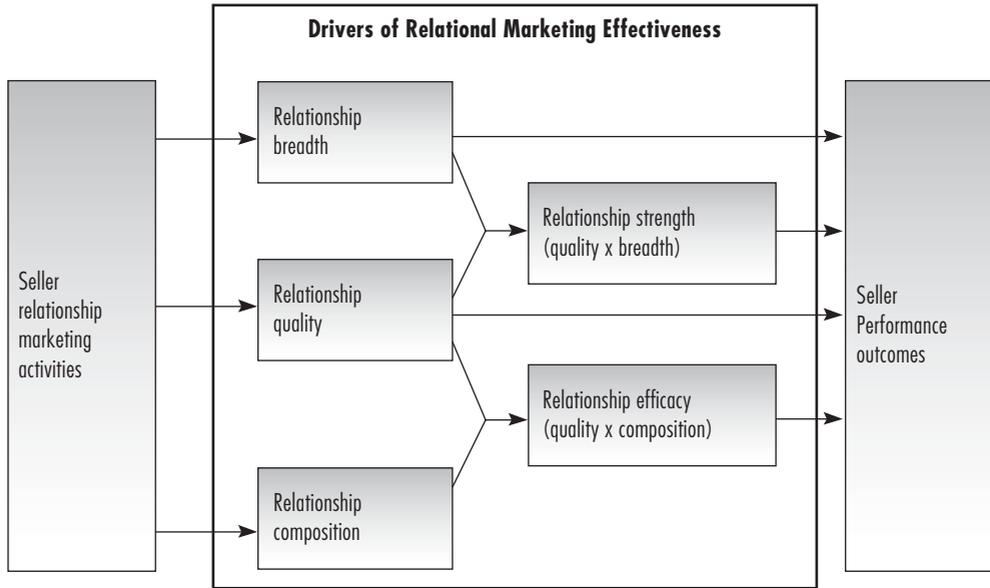
⁶Unless otherwise noted, this section is based on Robert W. Palmatier, *Relationship Marketing* (Cambridge, MA: Marketing Science Institute, 2008).

⁷Christian Homburg and Ruth M. Stock, "The Link between Salespeople's Job Satisfaction and Customer Satisfaction in a Business-to-Business Context: A Dyadic Analysis," *Journal of the Academy of Marketing Science* 32 (Spring 2004): pp. 144–158.

⁸Robert W. Palmatier, "Interfirm Relational Drivers of Customer Value," *Journal of Marketing* 72 (July 2008): p. 77.

⁹*Ibid.*, p. 86.

FIGURE 16.1 | A MODEL OF INTERFIRM RELATIONSHIP MARKETING



SOURCE: Robert W. Palmatier, *Relationship Marketing* (Cambridge, MA: Marketing Science Institute, 2008), p. 26. Copyright © Marketing Science Institute. All rights reserved. Reproduced by permission.

Relationship Composition Relationship composition centers on the decision-making capability of relational contacts at the customer firm; a contact portfolio that includes high-level decision makers increases a seller's ability to effect change in customer organizations. For example, greater authority in the contact portfolio allows a salesperson to access information, adapt offerings, and reach influential decision makers. A competitor who has access only to contacts with less authority faces difficult odds in winning the account. Research suggests that building relationships with key decision makers generates the highest returns among customer organizations that are the most difficult to access.¹⁰

Relationship Strength A clear portrait of a buyer-seller relationship will consider both relationship quality and relationship breadth. (See Figure 16.1.) Therefore, **relationship strength** reflects the ability of a relationship to withstand stress and/or conflict, such that multiple, high-quality relational bonds result in strong, resilient relationships. A service failure, like equipment failure or poor delivery service, creates conflict in a buyer-seller relationship. A customer relationship characterized by many cursory contacts (greater breadth, low quality) will afford little protection to the seller during this period of stress. However, based on confidence (trust), multiple, high-quality relationship ties (greater breadth, high quality) will support the seller during the service recovery process.

Relationship Efficacy Representing the interaction between relationship quality and relationship composition, **relationship efficacy** captures the ability of an interfirm relationship to achieve desired objectives. High-quality relationships with

¹⁰*Ibid.*, pp. 85–86.

members of the customer organization, coupled with a well-structured and diverse contact portfolio, gives sellers the means to execute responsive strategy. Robert W. Palmatier observes:

A portfolio might encompass high-quality, broad relationships but it suffers if those contacts are restricted to one functional area with little decision-making (low composition) because the seller lacks access to divergent (nonredundant) information and cannot promote customer change.¹¹

Relationship Marketing (RM) Programs

To strengthen relational ties with customers, three types of relationship marketing programs are employed.

- **Social RM programs** use social engagements (for example, meals, sporting events) or frequent, customized communication to personalize the relationship and highlight the customer's special status. The relational bonds that result from this specialized treatment are difficult for rivals to duplicate and may prompt customers to reciprocate in the form of repeat sales and positive recommendations of the seller to others.
- **Structural RM programs** are designed to increase productivity and/or efficiency for customers through targeted investments that customers would not likely make themselves. For example, the seller might provide an electronic order-processing interface of customized packaging for the customer. By offering unique benefits and, in the case of electronic ordering, a structural bond, these programs create competitive advantages and discourage customers from switching to competitors.
- **Financial RM programs** provide economic benefits, such as special discounts, free shipping, or extended payment terms, to increase customer loyalty. Because competitors can readily match the economic incentives, the advantages tend to be unsustainable.

Financial Impact of RM Programs¹²

Do RM programs pay off? A recent study measured the incremental profits generated by RM programs to isolate the return on investment (ROI).

Social In evaluating the short-term financial returns of the different RM strategies, the study found that social RM investments have a direct and significant (approximately 180 percent) impact on profit—far greater than the impact of structural or financial RM programs. For the customer, social programs create a feeling of interpersonal debt, stimulating a pressing need to reciprocate and thereby generating immediate returns. Yet, Robert Palmatier observes: “Social programs may cause customers to think highly of the salesperson rather than the selling firm, which increases the risk that the selling firm loses the customer if the salesperson

¹¹Palmatier, *Relationship Marketing*, p. 25.

¹²This section is based on Robert W. Palmatier, Srinath Gopalakrishna, and Mark B. Houston, “Returns on Business-to-Business Relationship Marketing Investments: Strategies for Leveraging Profits,” *Marketing Science* 25 (September–October 2006): pp. 477–493.

leaves. Therefore, the selling firm should keep other avenues open for direct communication with customers.”¹³

Structural The financial impact of structural RM programs (for example, providing a value-enhancing linkage) depends on the frequency of interaction a firm has with customers. While break-even returns are achieved for customers with average interaction frequency, the return on structural RM investment is approximately 120 percent for those customers who receive frequent contact from the seller. As a result, the business marketing strategist should target those customers for whom structural solutions offer the most value. Moreover, while merely breaking even in the short term, structural linkages like electronic order processing should increase long-term profits because customers are inclined to take advantage of the value provided.

Financial Since economic incentives often attract “deal-prone” customers and are easy for rivals to match, financial RM programs generally fail to generate positive economic returns. Of course, such programs (for example, special discounts) may represent a necessary response to a competitive threat that is needed to protect existing customer relationships. By contrast, social and structural RM programs are offensive weapons that provide greater financial returns and a more durable competitive advantage.

Targeting RM Programs¹⁴

Some customers are more receptive to relationship marketing initiatives than others. As purchasing managers emphasize cost-reducing and productivity-enhancing objectives, they carefully scrutinize the time and effort that can be invested in particular supplier relationships. **Relationship orientation (RO)** represents the customer’s desire to engage in strong relationships with a current or potential supplier. “Customers tend to be more . . . open to relationship building when they face some risk, uncertainty, or dependence in the exchange process or are very motivated about the product or service category. In these situations, customers find the expertise, added flexibility, and risk-reduction benefits of a relationship valuable and likely welcome the seller’s relationship efforts.”¹⁵

Allocating RM Resources Research demonstrates that the returns on RM investments improve if business marketers are able to target customers on the basis of their RO rather than size. For example, salespeople report higher returns for their RM efforts directed toward buyers with the highest self-reported RO than for those with the lowest RO. Importantly, the study reveals a separate strategy that can be used effectively for customers who demonstrate a *low* RO. These customers would shift 21 percent of their business to another supplier of similar products if the transaction were completely automated (that is, if no salesperson was involved). This suggests that the business marketer could drastically lower costs and better serve some customers by accurately detecting those with a low RO and offering them the option of using an electronic ordering interface. By properly aligning RM resources to the

¹³Palmatier, *Relationship Marketing*, p. 64.

¹⁴This section is based on Robert W. Palmatier, Lisa K. Scheer, Kenneth R. Evans, and Todd J. Arnold, “Achieving Relationship Marketing Effectiveness in Business-to-Business Exchanges,” *Journal of the Academy of Marketing Science* 36 (June 2008): pp. 174–190.

¹⁵Palmatier, *Relationship Marketing*, p. 90.

needs of customers, the salesperson can direct attention to those customers who are most receptive to relationship-building efforts.

Managing the Sales Force

Effective management of the business-to-business sales force is fundamental to the firm's success. Sales management refers to planning, organizing, directing, and controlling personal selling efforts.¹⁶ Sales force decisions are tempered by overall marketing objectives and must be integrated with the other elements of the marketing mix. Forecasts of the expected sales response guide the firm in determining the total selling effort required (sales force size) and in organizing and allocating the sales force (perhaps to sales territories). Techniques for estimating market potential and forecasting sales (discussed in Part III, "Assessing Market Opportunities") are particularly valuable in sales planning. Sales management also involves the ongoing activities of selecting, training, deploying, supervising, and motivating sales personnel. Finally, sales operations must be monitored to identify problem areas and to assess the efficiency, effectiveness, and profitability of personal selling units.

This section considers strategic components of sales force management: (1) methods for organizing the sales force, (2) key account management, and (3) the distinctive characteristics of high-performing account managers.

Organizing the Personal Selling Effort

How should the sales force be organized? The appropriate form depends on such factors as the nature and length of the product line, the role of intermediaries in the marketing program, the diversity of the market segments served, the nature of buying behavior in each market segment, and the structure of competitive selling. The manufacturer's size and financial strength often dictate, to an important degree, the feasibility of particular organizational forms. The business marketer can organize the sales force by geography, product, or market. Large industrial enterprises that market diverse product lines may use all three.

Geographical Organization The most common form of sales organization in business marketing is geographical. Each salesperson sells all the firm's products in a defined geographical area. By reducing travel distance and time between customers, this method usually minimizes costs. Likewise, sales personnel know exactly which customers and prospects fall within their area of responsibility.

The major disadvantage of the geographical sales organization is that each salesperson must be able to perform every selling task for all of the firm's products and for all customers in the territory. If the products have diverse applications, this can be difficult. A second disadvantage is that the salesperson has substantial leeway in choosing which products and customers to emphasize. Sales personnel may emphasize products and end-use applications they know best. Of course, this problem can be remedied through training and capable first-line supervision. Because the salesperson is crucial in implementing the firm's segmentation strategy, careful coordination and control are required to align personal selling effort with marketing objectives.

¹⁶A comprehensive treatment of all aspects of sales management is beyond the scope of this volume. For more extensive discussion, see Mark W. Johnston and Greg W. Marshall, *Sales Force Management* (New York: McGraw-Hill/Irwin, 2008).

Product Organization In a product-oriented sales organization, salespersons specialize in relatively narrow components of the total product line. This is especially appropriate when the product line is large, diverse, or technically complex and when a salesperson needs a high degree of application knowledge to meet customer needs. Furthermore, various products often elicit various patterns of buying behavior. The salesperson concentrating on a particular product becomes more adept at identifying and communicating with members of buying centers.

A prime benefit of this approach is that the sales force can develop a level of product knowledge that enhances the value of the firm's total offering to customers. The product-oriented sales organization may also help identify new market segments.

One drawback is the cost of developing and deploying a specialized sales force. A product must have the potential to generate a level of sales and profit that justifies individual selling attention. Thus, a "critical mass" of demand is required to offset the costs. In turn, several salespersons may be required to meet the diverse product requirements of a single customer. To reduce selling costs and improve productivity, some firms have launched programs to convert product specialists into general-line specialists who know all the firm's products and account strategies. Often, as customers learn to use technology, they outgrow the need for product specialists and prefer working with a single salesperson for all products.

Market-Centered Organization The business marketer may prefer to organize personal selling effort by customer type. Owens-Corning recently switched from a geographical sales structure to one organized by customer type. Similarly, Hewlett-Packard successfully used this structure to strengthen its market position in retailing, financial services, and oil and gas exploration.¹⁷ Sales executives at *Fortune* 500 companies that use sales teams believe they are better able to secure customers and improve business results by adopting a more customer-focused sales structure.¹⁸

By learning the specific requirements of a particular industry or customer type, the salesperson is better prepared to identify and respond to buying influentials. Also, key market segments become more accessible, thus providing the opportunity for differentiated personal selling strategies. The market segments must, of course, be sufficiently large to warrant specialized treatment.

Key Account Management¹⁹

Many business marketing firms find that a small proportion of customers (for example, 20 percent) often account for a major share (for example, 80 percent) of its business. These customers possess enormous purchasing power by virtue of their size, and they are searching for ways to leverage their suppliers' capabilities to enhance the value they deliver to their own customers (see Chapter 2). In turn, many of these large buying firms have centralized procurement and expect suppliers to provide coordinated and uniform service support to organizational units that are geographically dispersed on a national or global scale. In exchange for a long-term volume commitment, these customers expect the business marketing firm to provide additional value-added services

¹⁷Thayer C. Taylor, "Hewlett-Packard," *Sales and Marketing Management* 145 (January 1993): p. 59.

¹⁸Vincent Alonzo, "Selling Changes," *Incentive* 170 (September 1996): p. 46.

¹⁹This section is based on Joseph P. Cannon and Narakesari Narayandas, "Relationship Marketing and Key Account Management," in Jagdish N. Sheth and Atul Parvatiyar, eds., *Handbook of Relationship Marketing* (Thousand Oaks, CA: Sage Publications, 2000), pp. 407–429.

(for example, new-product-development assistance) and support (for example, just-in-time delivery) that may not be available to other customers.

Unique Value Propositions **Customer prioritization** represents the degree to which firms prioritize customers by developing different value propositions for its top-tier versus bottom-tier customers. A recent study reveals that customer prioritization leads to higher average customer profitability and a higher return on sales by (1) positively affecting relationships with top-tier customers without affecting relationships with bottom-tier customers and (2) reducing marketing and sales costs.²⁰

Key Accounts versus Regular Accounts Given the importance of these large customers, firms are rethinking how they manage their most important customers and how they organize internal operations to meet these customers' complex needs. To that end, many firms—Hewlett-Packard, Xerox, 3M, IBM, and Dow Chemical, for example—are establishing *key account* managers and creating customer teams composed of individuals from sales, marketing, finance, logistics, and other functional groups. Key account managers are typically responsible for several important customers and report to a senior executive. For some customers, the key account manager may work directly in the customer's facilities. For example, an IBM key account team occupies offices at Boeing and works solely on that account.

A **key account** represents a customer who

1. purchases a significant volume as a percentage of a seller's total sales;
2. involves several organizational members in the purchasing process;
3. buys for an organization with geographically dispersed units;
4. expects a carefully coordinated response and specialized services such as logistical support, inventory management, price discounts, and customized applications.²¹

Rather than calling them "key accounts," some companies describe such customers as strategic accounts or national accounts.

A Different Type of Relationship Table 16.1 compares and contrasts the traditional selling paradigm with the key account selling paradigm. Key account customers purchase in very large volume, and the focus of exchange extends beyond a core product as the seller augments the offering through value-added services and support. For example, acting on behalf of Cisco, FedEx coordinates the delivery of Cisco components from geographically dispersed facilities to ensure a seamless installation in a customer's organization. Whereas traditional sales management objectives typically emphasize maximizing revenue, key account relationships involve multiple goals. To illustrate, firms may enter into a closer, long-term relationship to lower costs to both partnering firms by reducing the seller's marketing and logistics costs and reducing the buyer's acquisition and production costs.

Coordinated Action To effectively deliver more value to an important customer, the interpersonal connections between the buying and selling firms must extend

²⁰Christian Homburg, Mathias Droll, and Dirk Totzek, "Customer Prioritization: Does It Pay Off and How Should It Be Implemented?" *Journal of Marketing* 72 (September 2008): pp. 110–128.

²¹Frank V. Cespedes, *Concurrent Marketing: Integrating Products, Sales, and Service* (Boston: Harvard Business School Press, 1995), p. 187.

TABLE 16.1 | TRADITIONAL SELLING VERSUS KEY ACCOUNT SELLING

	Traditional Selling Focus	Key Account Selling Focus
Sales Volume	Varies	Large volume of purchases by the customer, often across multiple business units of the seller
Nature of Product/Service Offering	Core product/service	Core product/service <i>plus</i> customized applications and value-added services
Time Horizon	Short-term	Long-term
Benefits to Customer	Lower prices and higher quality	Lower total costs Broader set of strategic benefits
Information Sharing	Limited: Narrow focus on price and product features	Extensive: Broader focus as firms share strategic goals
Sales Force Objectives	Maximize revenue Satisfied customers	Become preferred supplier Lower customer firm's total costs Enhance learning in the relationship
Structure of Selling Center	Individual salesperson is primary link to customer organization	Many individuals from multiple functional areas on the selling side interact with counterparts in the customer organization
Structure of Buying Center	Purchasing manager and a few other individuals are involved in buying decision	Many individuals within the customer organization interact in making decisions and evaluating the relationship

SOURCE: Adapted with modifications from Joseph P. Cannon and Narakesari Narayandas, "Relationship Marketing and Key Account Management," in *Handbook of Relationship Marketing*, Jagdish N. Sheth and Atul Parvatiyar, eds. (Thousand Oaks, CA: Sage Publications, 2000), p. 409; and Frank V. Cespedes, *Concurrent Marketing: Integrating Products, Sales, and Service* (Boston: Harvard Business School Press, 1995), pp. 186–202.

beyond the salesperson–purchasing manager relationship. A key account relationship involves frequent interactions between a team of functional experts from both organizations. The key account manager assumes a lead role in coordinating selling center activities and facilitating these cross-firm communications among functional experts. Nurturing these interpersonal connections creates an atmosphere in which these specialized personnel can cooperatively identify new solutions that lower costs or advance performance. When uncertainty is high or important product adaptations are required, the interorganizational team should feature the active participation of key personnel from the customer organization who join with members of the selling organization to create the desired solution.²²

Selecting Key Accounts²³ If the business marketing firm can have close and important relationships with a rather small set of customers, each requiring a large investment, the choice of the key accounts is critical. Because key accounts possess buying power, demand special services, and are generally more costly to serve, the

²²Ruth Maria Stock, "Interorganizational Teams as Boundary Spanners Between Supplier and Customer Companies," *Journal of the Academy of Marketing Science* 34 (October 2006): pp. 588–599.

²³This section is based on Cespedes, *Concurrent Marketing*, pp. 193–198; see also George S. Yip and Audrey J. M. Bink, "Managing Global Accounts," *Harvard Business Review* 84 (September 2007): pp. 103–111.

account selection process must examine the sales and profit potential as well as the long-term resource commitments the relationship demands.

Frank V. Cespedes recommends a three-phase approach in selecting key accounts. To be chosen, a potential customer must meet the screening requirements of all three phases.

Phase 1: Centers on (a) the profit potential of a customer, measured in terms of incremental sales potential, and (b) the degree to which a customer values the firm's support services and is willing to pay a premium price for them. *(For example, if the product is critical to a customer's operations, support services are more valuable.)*

Phase 2: Identifies customer accounts from Phase 1 that have unique support requirements that provide profitable organizational learning opportunities. *(For example, the goal here is to invest in support capabilities that are valued by multiple accounts.)*

Phase 3: Considers the degree to which the transactions with the potential customer complement the economics of the seller's business. *(For example, some customers purchase higher-margin products than others or provide a better match to the firm's manufacturing capabilities.)*

Says Cespedes, "When there are clear criteria for determining the profit potential, learning benefits, and cost drivers associated with customers, the firm knows when (and when not) to incur the substantial commitments required for effective key-account relationships."²⁴

National Account Success

Research suggests that successful national account units enjoy senior management support; have well-defined objectives, assignments, and implementation procedures; and are staffed by experienced individuals who have a solid grasp of their entire company's resources and capabilities and how to use them to create customer solutions.²⁵ Do key account management programs enhance profitability? Yes. A recent comprehensive study of U.S. and German firms demonstrates the clear performance advantages that firms with active key account management programs enjoy over peers without them. In turn, the research also indicates that successful programs provide the key account manager with ready access to resources and support across functional areas.²⁶ Successful national account programs also adopt a strong relationship marketing perspective and consistently demonstrate their ability to meet the customer's immediate and future needs.

To this point, we have examined the central role of personal selling in business marketing strategy and alternative ways to align the sales force to customer segments. Attention now turns to key milestones in managing an engagement with a particular customer.

²⁴Ibid., p. 197.

²⁵John P. Workman Jr., Christian Homburg, and Ove Jensen, "Intraorganizational Determinants of Key Account Management Effectiveness," *Journal of the Academy of Marketing Science* 31 (Winter 2003): pp. 3–21; see also Homburg, Droll, and Totzek, "Customer Prioritization."

²⁶Christian Homburg, John P. Workman Jr., and Ove Jensen, "A Configurational Perspective of Key Account Management," *Journal of Marketing* 66 (April 2002): pp. 38–60; see also Roberta J. Schultz and Kenneth R. Evans, "Strategic Collaborative Communication by Key Account Representatives," *Journal of Personal Selling & Sales Management* 22 (Winter 2002): pp. 23–32.

B2B TOP PERFORMERS

Using Customized Strategies to Outmaneuver Rivals

Competitive cognition refers to the framework a manager uses to organize and retain knowledge about competitors and to direct information acquisition and usage.¹ Research suggests that competitive cognition influences individual performance. For example, in an intriguing study in the sports literature, research demonstrates that elite athletes (for example, members of the U.S. Olympic wrestling team) use extensive competitive plans that involve customized strategies and tactics to beat individual competitors, whereas poorer performers do not develop customized plans but rely, instead, on a more generic approach to competition.²

Building on this line of inquiry, a study explored the role of competitive cognition in the competitive crafting that salespeople do.³ **Competitive crafting** involves salespeople's use of information and knowledge about competitors to create a business proposition for the customer. Examples

of crafting include speeding up the selling cycle to counter a slow rival or broadening the scope of the product and service offered to outmaneuver a niche rival. The results of the study indicate that each additional act of crafting increases the likelihood of the salesperson winning the customer's business by fivefold!

¹Beth A. Walker, Dimitri Kapelianis, and Michael D. Hutt, "Competitive Cognition," *MIT Sloan Management Review* 46 (Summer 2005): pp. 10–12.

²Daniel Gould, Robert C. Eklund, and Susan A. Jackson, "1988 U.S. Olympic Wrestling Excellence: I. Mental Preparation, PreCompetitive Cognition, and Affect," *The Sports Psychologist* 6 (December 1992): pp. 358–382.

³Dimitri Kapelianis, Beth A. Walker, Michael D. Hutt, and Ajith Kumar, "Those Winning Ways: The Role of Competitive Crafting in Complex Sales," Working paper (Tempe, AZ: Arizona State University, 2008).

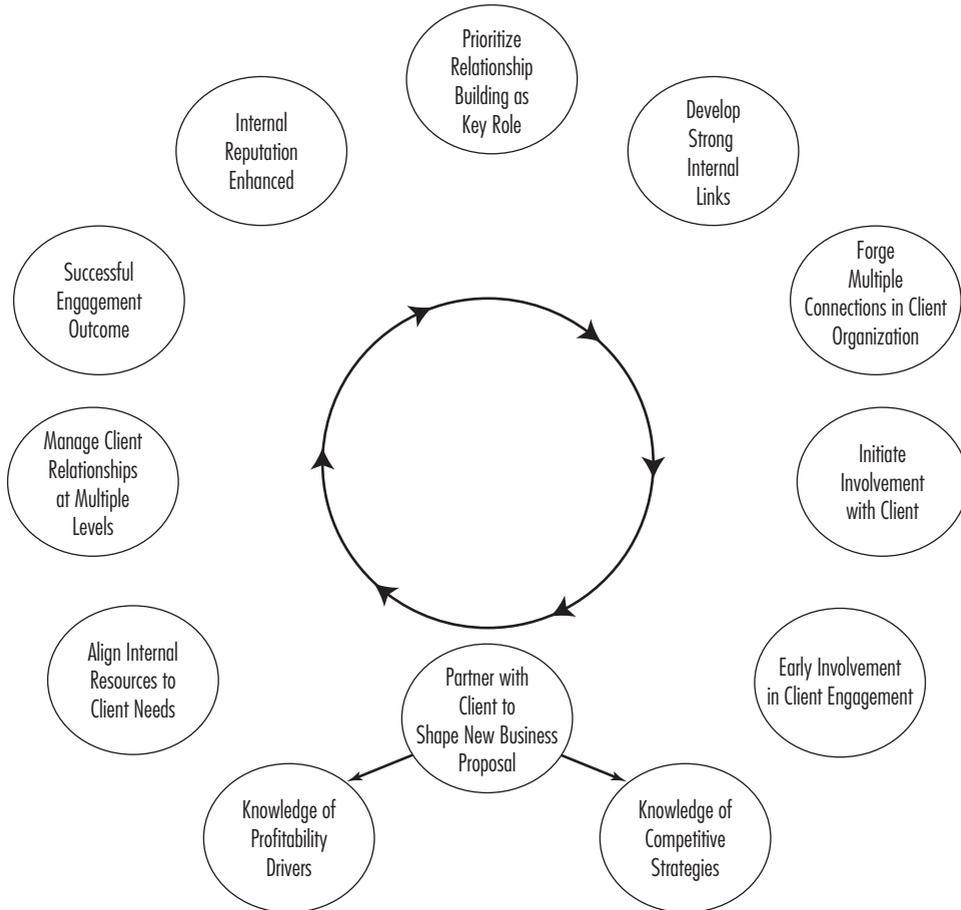
Isolating the Account Management Process²⁷

To explore the work that account managers perform, our focus is on complex sales situations in business markets, which are characterized by large dollar values, protracted sales cycles, customized solutions, and the involvement of many organizational members on both the buying and selling sides. Frequently, in these sales situations an account manager is assigned to a particular set of customers and then assembles an ad hoc team as customer requirements or opportunities dictate. For example, large information technology firms, such as IBM, reserve key account teams for a carefully chosen set of customers but rely on an assigned account manager to cover the majority of large-enterprise customers.

Assuming a central role in a particular engagement is the account manager who diagnoses what the customer needs, identifies the appropriate set of internal experts, recruits them onto the ad hoc team, and then orchestrates the selling center's activities to deliver a solution that matches customer needs. Let's examine how high-performing account managers undertake these activities and highlight how they differ from their peers. Recent studies that explored the characteristics of high-performing account managers at two *Fortune* 500 firms provide some valuable insights.

²⁷This section draws on Michael D. Hutt and Beth A. Walker, "A Network Perspective of Account Manager Performance," *Journal of Business & Industrial Marketing* 21 (7, 2006): pp. 466–473.

FIGURE 16.2 | THE CYCLE OF ACCOUNT MANAGEMENT SUCCESS



Account Management Success

For complex sales situations, account manager performance is contingent on securing access to the right people and the right information to solve novel problems for the customer. Figure 16.2 highlights the key milestones in a customer engagement and emphasizes the crucial role of relationship-building activities in the firm and in the client organization. High performers excel at relationship building. Capitalizing on these relationship connections, the account manager is better equipped to design a business proposal that aligns the firm's capabilities to customer goals. Moreover, observe that successful outcomes enhance the account manager's internal reputation, providing social capital the manager can invest in future customer engagements.

Building Internal Relationships High-performing account managers form more cross-functional and cross-unit ties within the organization than their colleagues.

A diverse social network provides a manager with access to unique skills and knowledge. Account managers with ties to a number of distinct knowledge pools in the organization can draw on a large array of skills, knowledge, and resources—thereby enhancing their customer responsiveness. Research suggests that top-performing salespeople are able to “navigate their own organization to discover personnel, resources, or capabilities that may benefit them in specific sales situations. . . .”²⁸

Forging Relationships Within the Customer Organization Being centrally involved in a customer organization’s buying system improves an account manager’s ability to understand the customer’s requirements and business goals. Compared with their peers, high performers possess more cross-functional ties and a larger network of contacts within the customer organization. Because complex sales situations involve a buying center that includes participants from multiple levels of the organizational hierarchy and diverse units, an account manager’s communication network must go beyond the focal purchasing unit.

Managing the Customer Engagement Process By developing a network of relationships both within the firm and within the customer organization, an account manager is ideally equipped to manage the customer engagement process. Through these connections account managers receive vital information about emerging customer opportunities, customer requirements and solutions, and competitive challenges (see Figure 16.2). Compared with low performers, high-performing account managers are more proactive in initiating involvement with the customer and tend to be involved in client engagements earlier in the purchasing process than their peers. Capitalizing on this early involvement, high performers are also more inclined to take an active role in shaping the client’s request for proposals (RFP).

Aligning and Crafting A successful client engagement hinges on both customer knowledge and competitive intelligence. High performers know more about client goals and the drivers of client profitability than low performers. When creating a customer solution, a salesperson must “act as a broker and assemble an ad-hoc team of experts, coordinating the efforts of people who may not have met one another before.”²⁹ Drawing on this knowledge allows them to align the capabilities of the firm to the goals of the customer. High-performing account managers develop sound competitive intelligence and use this knowledge to outmaneuver their rivals in a particular client engagement.

Enhanced Internal Reputation By building a strong network of relationships within both the firm and the customer organization, high-performing account managers—compared with their peers—are better able to diagnose customer requirements, mobilize internal experts, and choreograph the activities that are required to outmaneuver rivals and create the desired customer solution. Successful outcomes enhance the reputation of an account manager in the organization, thereby strengthening internal working relationships and assuring ready access to the right people and right information for future engagements.

²⁸Christopher R. Plouffe and Donald W. Barclay, “Salesperson Navigation: The Intraorganizational Dimension of the Sales Role,” *Industrial Marketing Management* 36 (May 2007): p. 529.

²⁹Tuba Ustuner and David Godes, “Better Sales Networks,” *Harvard Business Review* 84 (July–August 2006): p. 108.

Sales Administration

Successful sales force administration involves recruiting and selecting salespersons, then training, motivating, supervising, evaluating, and controlling them. The industrial firm should foster an organizational climate that encourages the development of a successful sales force.

Recruitment and Selection of Salespersons

The recruiting process presents numerous trade-offs for the business marketer. Should the company seek experienced salespersons, or should it hire and train inexperienced individuals? The answer depends on the specific situation; it varies with the size of the firm, the nature of the selling task, the firm's training capability, and its market experience. Smaller firms often reduce training costs by hiring experienced and more expensive salespersons. In contrast, large organizations with a more complete training function can hire less experienced personnel and support them with a carefully developed training program.

A second trade-off is quantity versus quality. Often, sales managers screen as many recruits as possible when selecting new salespersons. However, this can overload the selection process, hampering the firm's ability to identify quality candidates. Recruiting, like selling, is an exchange process between two parties. Sales managers are realizing that, for prospective salespersons, they need to demonstrate the personal development and career opportunities that a career with the firm offers. A poorly organized recruiting effort that lacks closure leaves candidates with a negative impression. A well-organized recruiting effort ensures that qualified candidates get the proper level of attention in the screening process. Thus, procedures must be established to ensure that inappropriate candidates are screened out early so that the pool of candidates is reduced to a manageable size.³⁰

Responsibility for recruiting and selecting salespersons may lie with the first-line supervisor (who often receives assistance from an immediate superior), or with the human resources department, or with other executives at the headquarters level. The latter group tends to be more involved when the sales force is viewed as the training ground for marketing or general managers.

Training

To prepare new salespersons adequately, the training program must be carefully designed. Periodic training is required to sharpen the skills of experienced salespersons, especially when the firm's environment is changing rapidly. Changes in business marketing strategy (for example, new products, new market segments) require corresponding changes in personal selling styles.

The salesperson needs a wealth of knowledge about the company, the product line, customer segments, competition, organizational buying behavior, and effective communication skills.³¹ All these must be part of sales training programs. Compared with their counterparts, top-performing sales organizations train new salespeople in

³⁰Wesley J. Johnston and Martha C. Cooper, "Industrial Sales Force Selection: Current Knowledge and Needed Research," *Journal of Personal Selling & Sales Management* 1 (Spring/Summer 1981): pp. 49–53.

³¹William L. Cron, Greg W. Marshall, Jagdip Singh, Rosann Spiro, and Harish Sujjan, "Salesperson Selection, Training, and Development Trends: Implications, and Research Opportunities," *Journal of Personal Selling & Sales Management* 25 (Spring 2005): pp. 123–136.

a broader range of areas: market knowledge, communication skills, listening techniques, complaint-handling skills, and industry knowledge.³²

With the expansion in global marketing, firms need to include a sales training module that examines how to approach and respond to customers of different cultures. Such training would focus on the role of intercultural communication in developing global buyer-seller relationships.³³ Effective training builds the salesperson's confidence and motivation, thereby increasing the probability of success. In turn, training helps the business marketer by keeping personal selling in line with marketing program objectives. A successful training effort can reduce the costs of recruiting; many business-to-business firms have found that salesperson turnover declines as training improves. Clearly, a salesperson who is inadequately prepared to meet the demands of selling can quickly become discouraged, frustrated, and envious of friends who chose other career options. Effective training and capable first-line supervision can alleviate much of this anxiety, which is especially prevalent in the early stages of many careers.

Supervision and Motivation

The sales force must be directed in a way that is consistent with the company's policies and marketing objectives. Critical supervisory tasks are continued training, counseling, assistance (for example, time management), and activities that help sales personnel plan and execute their work. Supervision also sets sales performance standards, fulfills company policy, and integrates the sales force with higher organizational levels.

Orville Walker Jr., Gilbert Churchill Jr., and Neil Ford define **motivation** as the amount of effort the salesperson "desires to expend on each of the activities or tasks associated with his (her) job, such as calling on potential new accounts, planning sales presentations, and filling out reports."³⁴ The model presented in Figure 16.3 hypothesizes that a salesperson's job performance is a function of three factors: (1) level of motivation, (2) aptitude or ability, and (3) perceptions about how to perform his or her role. Each is influenced by personal variables (for example, personality), organizational variables (for example, training programs), and environmental variables (for example, economic conditions). Sales managers can influence some of the personal and organizational variables through selection, training, and supervision.

Motivation is related strongly to (1) the individual's perceptions of the types and amounts of rewards from various degrees of job performance and (2) the value the salesperson places on these rewards. For a given level of performance, two types of rewards might be offered:

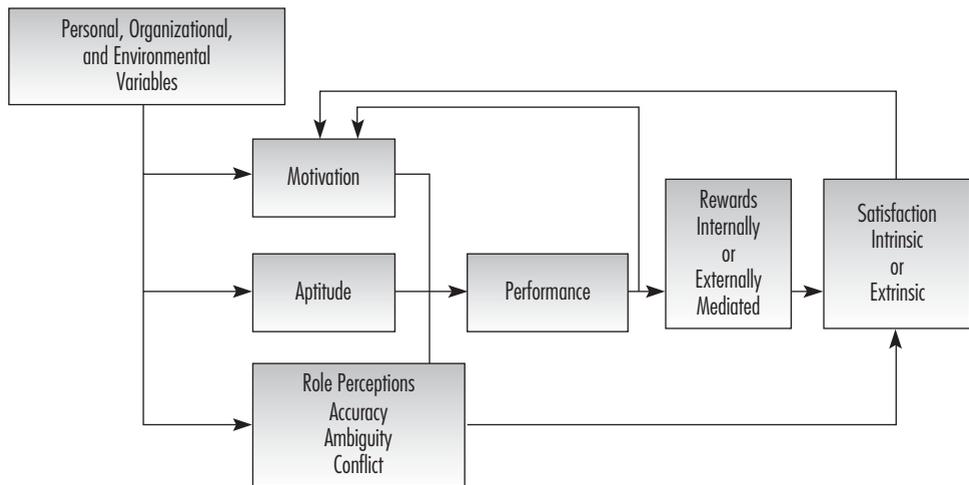
1. **Internally mediated rewards:** The salesperson attains rewards on a personal basis, such as feelings of accomplishment or self-worth.
2. **Externally mediated rewards:** Rewards are controlled and offered by managers or customers, such as financial incentives, pay, or recognition.

³²Adel I. El-Ansary, "Selling and Sales Management in Action: Sales Force Effectiveness Research Reveals New Insights and Reward-Penalty Patterns in Sales Force Training," *Journal of Personal Selling & Sales Management* 13 (Spring 1993): pp. 83-90.

³³Victoria D. Bush and Thomas Ingram, "Adapting to Diverse Customers: A Training Matrix for International Marketers," *Industrial Marketing Management* 25 (September 1996): pp. 373-383.

³⁴Orville C. Walker Jr., Gilbert A. Churchill Jr., and Neil M. Ford, "Motivation and Performance in Industrial Selling: Present Knowledge and Needed Research," *Journal of Marketing Research* 14 (May 1977): pp. 156-168; see also Steven P. Brown, William L. Cron, and Thomas W. Leigh, "Do Feelings of Success Mediate Sales Performance-Work Attitude Relationships?" *Journal of the Academy of Marketing Science* 21 (Spring 1993): pp. 91-100.

FIGURE 16.3 | DETERMINANTS OF A SALESPERSON'S PERFORMANCE



SOURCE: Orville C. Walker Jr., Gilbert A. Churchill Jr., and Neil M. Ford, "Motivation and Performance in Industrial Selling: Present Knowledge and Needed Research," *Journal of Marketing Research* 14 (May 1977): p. 158. Reprinted by permission of the American Marketing Association.

The rewards strongly influence salesperson satisfaction with the job and the work environment, which is also influenced by the individual's role perceptions. Job satisfaction declines when the salesperson's perception of the role is (1) *inaccurate* in terms of the expectations of superiors, (2) characterized by *conflicting* demands among role partners (company and customer) that the salesperson cannot possibly resolve, or (3) surrounded by *uncertainty* because of a lack of information about the expectations and evaluation criteria of superiors and customers.

Business marketers often use formal incentive programs to achieve specified customer service, sales, and profit results. Typically, an incentive program offers rewards for achieving a well-defined goal during a specified time frame. The rewards must be well conceived, based on what salespeople value, tied to achieving desired behavior, and recognize both individual and team behavior.³⁵ Frequently, recognition is a key ingredient in sales incentive programs and may run the gamut from Hewlett-Packard's quarterly award for a salesperson who was particularly astute in converting an objection into an order to the elaborate sales award presentations at IBM.

Organizational Climate and Job Satisfaction³⁶ Churchill, Ford, and Walker, who contributed the model in Figure 16.3, also provide empirical support for some propositions that flow from the model. In examining job satisfaction in a cross section of industrial salespersons, the authors found that role ambiguity and role

³⁵Katherine Morrall, "Motivating Sales Staff with Rewards," *Bank Marketing* 28 (July 1996): pp. 32–38.

³⁶This section is based on Gilbert A. Churchill Jr., Neil M. Ford, and Orville C. Walker Jr., "Organizational Climate and Job Satisfaction in the Salesforce," *Journal of Marketing Research* 13 (November 1976): pp. 323–332. For related discussions, see R. Kenneth Teas and James C. McElroy, "Causal Attributions and Expectancy Estimates: A Framework for Understanding the Dynamics of Salesforce Motivation," *Journal of Marketing* 50 (January 1986): pp. 75–86; William L. Cron, Alan J. Dubinsky, and Ronald E. Michaels, "The Influence of Career Stages on Components of Salesperson Motivation," *Journal of Marketing* 52 (January 1988): pp. 78–92; and Jeffrey K. Sager, Charles M. Futrell, and Rajan Varadarajan, "Exploring Salesperson Turnover: A Causal Model," *Journal of Business Research* 18 (June 1989): pp. 303–326.

conflict undermine job satisfaction. Salespersons are likely to be anxious and dissatisfied when they are uncertain about the expectations of role partners or feel that role partners (for example, customers, superiors) are making incompatible and impossible demands.

An effective approach for reducing role ambiguity among new salespeople is training and socialization that offer sufficient information about role expectations and minimize potential confusion about performance requirements. Strategies that reduce role ambiguity are likely to boost sales performance and job satisfaction.³⁷ Moreover, a socialization program that provides newly hired salespersons with a realistic picture of their job strengthens their commitment to the organization.³⁸

Job Satisfaction Really Matters Salespersons tend to have a higher level of job satisfaction when (1) they perceive that their first-line supervisor closely directs and monitors their activities, (2) management provides them with the assistance and support they need to solve unusual and nonroutine problems, and (3) they perceive themselves to have an active part in determining company policies and standards that affect them. Job satisfaction also appears to be related more to the substance of the contact between sales managers and salespersons than to its frequency. Also, satisfied salespersons appear to be able to accept direction from a number of departments in the organization without a significant negative effect on job satisfaction—unity of command does not appear to be a prerequisite for high morale.

Direct Link to Customer Satisfaction A recent study by Christian Homburg and Ruth M. Stock demonstrates a positive relationship between salespeople's job satisfaction and customer satisfaction.³⁹ Why? First, when they are exposed to a salesperson's positive emotions, customers experience a corresponding change in their own affective state. This phenomenon, rooted in the field of social psychology, is referred to as emotional contagion and has a positive influence on customer satisfaction. Second, the higher the salesperson's job satisfaction, the higher the quality of customer interaction, reflected by the salesperson's openness, flexibility, and customer orientation. The relationship between job satisfaction and customer satisfaction is particularly strong when customer interactions are frequent, customers assume a central role in the value-creation process, or innovative products or services are involved.

Turnover Performance and individual differences in motivation, self-esteem, and verbal intelligence may also affect job satisfaction. Richard Bagozzi notes:

Salespeople tend to be more satisfied as they perform better, but the relationship is particularly sensitive to the level of motivation and positive self-image of the person. Although management may have no direct control over the performance achieved by salespeople, they can influence the level of motivation and self-esteem through effective incentive and sensitive

³⁷Steven P. Brown and Robert A. Peterson, "Antecedents and Consequences of Salesperson Job Satisfaction: Meta-Analysis and Assessment of Causal Effects," *Journal of Marketing Research* 30 (February 1993): pp. 63–77.

³⁸Mark W. Johnston, A. Parasuraman, Charles M. Futrell, and William C. Black, "A Longitudinal Assessment of the Impact of Selected Organizational Influences on Salespeople's Organizational Commitment during Early Employment," *Journal of Marketing Research* 27 (August 1990): pp. 333–343.

³⁹Homburg and Stock, "The Link between Salespeople's Job Satisfaction and Customer Satisfaction in a Business-to-Business Context," pp. 144–158.

supervisor-employee programs and thereby indirectly affect both performance and job satisfaction.⁴⁰

Research suggests that sales manager leadership directly and indirectly influences salespersons' job satisfaction, which in turn affects sales force turnover.⁴¹ In addition, another study indicates that salespeople who are managed by "high-performing" sales managers exhibit less role stress and are more satisfied than their colleagues.⁴² Although some factors that influence job satisfaction and performance are beyond the control of sales managers, this line of research points up the importance of responsive training, supportive supervision, and clearly defined company policies that are congruent with the needs of the sales force.

Evaluation and Control

An ongoing sales management responsibility is to monitor and control the industrial sales force at all levels—national, regional, and district—to determine whether objectives are being attained and to identify problems, recommend corrective action, and keep the sales organization in tune with changing competitive and market conditions.

Performance Measures⁴³ Sales managers use both behavior-based and outcome measures of salesperson performance. When a sales force control system is more **behavior based**, the sales manager monitors and directs the activities of salespeople, uses subjective measures to evaluate performance, and emphasizes a compensation system with a large fixed component. Behavior-based selling measures include the salesperson's knowledge of product applications and the company's technology and the clarity of the salesperson's presentations to customers. Behavior-based control systems are a good match when salespeople lack experience, companies need to control how salespeople present their products and services, and when salespeople are asked to perform a number of nonsales activities (for example, assisting with new product development).

By contrast, an **outcome-based** sales force control system involves less direct field supervision of salesperson activities and uses objective measures to evaluate performance and a compensation system with a large incentive component. Sales force outcome measures include sales results, market-share gains, new-product sales, and profit contributions. Outcome-based control fits when the skills and efforts of the sales force are the major determinants of sales results. "When sales reps make that big of a difference to the bottom line, it is worth it to give them autonomy and to pay them handsomely to do what they do," say Erin Anderson and Vincent Onyemah.⁴⁴

Setting Performance Standards The standards for evaluating salespersons offer ways to compare the performance of various salespersons or sales units (for example,

⁴⁰Richard P. Bagozzi, "Performance and Satisfaction in an Industrial Sales Force: A Causal Modeling Approach," in *Sales Management: New Developments from Behavioral and Decision Model Research*, Richard P. Bagozzi, ed. (Cambridge, MA: Marketing Science Institute, 1979), pp. 70–91; see also Bagozzi, "Performance and Satisfaction in an Industrial Sales Force: An Examination of Their Antecedents and Simultaneity," *Journal of Marketing* 44 (Spring 1980): pp. 65–77.

⁴¹Eli Jones, "Leader Behavior, Work Attitudes, and Turnover of Salespeople: An Integrative Study," *Journal of Personal Selling & Sales Management* 16 (Spring 1996): pp. 13–23.

⁴²Frederick A. Russ, Kevin M. McNeilly, and James M. Comer, "Leadership, Decision-Making, and Performance of Sales Managers," *Journal of Personal Selling & Sales Management* 16 (Summer 1996): pp. 1–15.

⁴³This section is based on Erin Anderson and Vincent Onyemah, "How Right Should the Customer Be?" *Harvard Business Review* 84 (July–August 2006): pp. 59–67.

⁴⁴*Ibid.*, p. 64.

districts), as well as for gauging the overall productivity of the sales organization. Managerial experience and judgment are important in developing appropriate standards. Importantly, the standards must relate to overall marketing objectives, and they must take into account differences in sales territories, which can vary markedly in the number and aggressiveness of competitors, the level of market potential, and the workload.

Evidence suggests that a strict reliance on outcome measures and incentive compensation plans may not produce the desired sales or marketing performance results: “The alleged automatic supervisory power of incentive pay plans has lulled some sales executives into thinking that important sales outcomes could be reasonably accomplished without intense management reinforcement in noncompensation areas.”⁴⁵ Often more effective is a more balanced approach that assigns a more prominent role to field sales managers and emphasizes behavior-based measures.⁴⁶

Behavior-based measures also fit relationship selling—an important strategy in the business market. Relationship selling requires salespeople with a team orientation who can focus on activities such as sales planning and sales support, as well as on goals such as customer satisfaction.

Models for Business-to-Business Sales Force Management

To this point, our discussion has been concerned with (1) recruiting and selection, (2) training, (3) motivating and supervising, and (4) evaluating and controlling. Poor decisions in one area can create a backlash in other areas. One critical sales management task remains: deploying the sales force. The objective is to form the most profitable sales territories, deploy salespersons to serve potential customers in those territories, and effectively allocate sales force time among those customers.

Deployment Analysis: A Strategic Approach

The size of the sales force establishes the level of selling effort that the business marketer can use. The selling effort is then organized by designating sales districts and sales territories. Allocation decisions determine how the selling effort is to be assigned to customers, prospects, and products. All these are illustrated in Table 16.2.

Proper deployment requires a multistage approach to find the most effective and efficient way to assign sales resources (for example, sales calls, number of salespersons, percentage of salesperson’s time) across all of the **planning and control units (PCUs)** the firm serves (for example, prospects, customers, territories, districts, products).⁴⁷ Thus, effective deployment means understanding the factors that influence sales in a particular PCU, such as a territory.

Territory Sales Response What influences the potential level of sales in a particular territory? Table 16.3 outlines eight classes of variables. This list shows the complexity

⁴⁵David W. Cravens, Thomas N. Ingram, Raymond W. LaForge, and Clifford E. Young, “Behavior-Based and Outcome-Based Salesforce Control Systems,” *Journal of Marketing* 57 (October 1993): p. 56.

⁴⁶Richard L. Oliver, “Behavior- and Outcome-Based Sales Control Systems: Evidence and Consequences of Price-Form and Hybrid Governance,” *Journal of Personal Selling & Sales Management* 15 (Fall 1995): pp. 1–15.

⁴⁷David W. Cravens and Raymond W. LaForge, “Sales Force Deployment,” in *Advances in Business Marketing*, vol. 1, Arch G. Woodside, ed. (Greenwich, CT: JAI Press, 1986), pp. 67–112; and LaForge and Cravens, “Steps in Selling Effort Deployment,” *Industrial Marketing Management* 11 (July 1982): pp. 183–194.

TABLE 16.2 | DEPLOYMENT DECISIONS FACING SALES ORGANIZATIONS

Type of Decision	Specific Development Decisions
Set total level of selling effort	Determine sales force size
Organize selling effort	Design sales districts
	Design sales territories
Allocate selling effort	Allocate effort to trading areas
	Allocate sales calls to accounts
	Allocate sales calls to prospects
	Allocate sales call time to products
	Determine length of sales call

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TABLE 16.3 | SELECTED DETERMINANTS OF TERRITORY SALES RESPONSE

1. Environmental factors (e.g., health of economy)
2. Competition (e.g., number of competitive salespersons)
3. Company marketing strategy and tactics
4. Sales force organization, policies, and procedures
5. Field sales manager characteristics
6. Salesperson characteristics
7. Territory characteristics (e.g., potential)
8. Individual customer factors

SOURCE: Adapted from Adrian B. Ryans and Charles B. Weinberg, “Territory Sales Response,” *Journal of Marketing Research* 16 (November 1979): pp. 453–465.

of estimating sales response functions. Such estimates are needed, however, to make meaningful sales allocations.

Three territory traits deserve particular attention in sales response studies: potential, concentration, and dispersion.⁴⁸ **Potential** (as discussed in Chapter 5) is a measure of the total business opportunity for all sellers in a particular market. **Concentration** refers to how much potential lies with a few larger accounts in that territory. If potential is concentrated, the salesperson can cover with a few calls a large proportion of the potential. Finally, if the territory is geographically **dispersed**, sales are probably lower because of time wasted in travel. Past research often centered on **territory workload**—the number of accounts. However, Adrian Ryans and Charles Weinberg report that workload is of questionable value in estimating sales response: “From a managerial standpoint, the recurrent finding of an association between potential and sales results suggests that sales managers should stress territory potential when making sales force decisions.”⁴⁹

Sales Resource Opportunity Grid Deployment analysis matches sales resources to market opportunities. Planning and control units such as sales territories or districts

⁴⁸Adrian B. Ryans and Charles B. Weinberg, “Territory Sales Response,” *Journal of Marketing Research* 16 (November 1979): pp. 453–465; see also Ryans and Weinberg, “Territory Sales Response Models: Stability over Time,” *Journal of Marketing Research* 24 (May 1987): pp. 229–233.

⁴⁹Ryans and Weinberg, “Territory Sales Response,” p. 464.

FIGURE 16.4 | SALES RESOURCE OPPORTUNITY GRID

PCU Opportunity	High	<p>Opportunity Analysis PCU offers good opportunity because it has high potential and because sales organization has strong position</p> <p>Sales Resource Assignment High level of sales resources to take advantage of opportunity</p>	<p>Opportunity Analysis PCU may offer good opportunity if sales organization can strengthen its position</p> <p>Sales Resource Assignment Either direct a high level of sales resources to improve position and take advantage of opportunity or shift resources to other PCUs</p>
	Low	<p>Opportunity Analysis PCU offers stable opportunity because sales organization has strong position</p> <p>Sales Resource Assignment Moderate level of sales resources to keep current position strength</p>	<p>Opportunity Analysis PCU offers little opportunity</p> <p>Sales Resource Assignment Minimal level of sales resources; selectively eliminate resource coverage; possible elimination of PCU</p>
		High	Low
		Sales Organization Strength	

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are part of an overall portfolio, with various units offering various levels of opportunity and requiring various levels of sales resources. A sales resource opportunity grid can be used to classify the business-to-business firm's portfolio of PCUs.⁵⁰ In Figure 16.4, each PCU is classified on the basis of PCU opportunity and sales organization strength.

PCU opportunity is the PCU's total potential for all sellers, whereas **sales organization strength** includes the firm's competitive advantages or distinctive competencies within the PCU. By positioning all PCUs on the grid, the sales manager can assign sales resources to those that have the greatest level of opportunity and capitalize on the particular strengths of the sales organization. For example, existing customers and prospects that are most appropriately positioned in the upper left cell of the grid represent the most attractive target while those in the lower right cell represent the least attractive.

⁵⁰LaForge and Cravens, "Steps in Selling Effort Deployment," pp. 183–194.

At various points in deployment decision making, the sales resource opportunity grid is important for screening the size of the sales force, the territory design, and the allocation of sales calls to customer segments. This method can isolate deployment problems or deployment opportunities worthy of sales management attention and further data analysis.

Summary

Personal selling is a significant demand-stimulating force in the business market. Given the rapidly escalating cost of personal sales calls and the massive resources invested in personal selling, the business marketer must carefully manage this function and take full advantage of available technology to enhance sales force productivity. Relationship marketing (RM) activities represent dedicated relationship marketing programs, developed and implemented to build strong relational bonds with customers. These activities influence the three important drivers of RM effectiveness—relationship quality, breadth, and composition. To strengthen relational ties with customers, three types of RM programs are used: social, structural, and financial. Returns on RM investments improve when business marketers are able to target customers on the basis of their relationship orientation rather than size.

To manage the complex web of influences that intersect in buyer-seller relationships, an account manager must initiate, develop, and sustain a network of relationships, within both the firm and the customer organization. Compared with their colleagues, high-performing account managers excel at building relationships and develop a richer base of customer and competitor knowledge that they use to create superior solutions for the customer.

Managing the sales force is a multifaceted task. First, the marketer must clearly define the role of personal selling in overall marketing strategy. Second, the sales organization must be appropriately structured—by geography, product, market, or some combination of all three. Regardless of the sales force organization, an increasing number of business-to-business firms are also establishing a key account sales force so they can profitably serve large customers with complex purchasing requirements. Third, the ongoing process of sales force administration includes recruitment and selection, training, supervision and motivation, and evaluation and control.

A particularly challenging sales management task is deploying sales effort across products, customer types, and territories. The sales resource opportunity grid is a useful organizing framework for sales deployment decisions. Likewise, the business marketer can benefit by implementing a CRM system. Such tools can help the sales manager pinpoint attractive accounts, deploy the selling effort, coordinate activities across multiple sales channels, and build customer loyalty.

Discussion Questions

1. As drivers of relationship marketing effectiveness, compare and contrast relationship breadth and relationship composition.
2. Some customers are more open to relationship marketing initiatives than others. Under what conditions would customers tend to be more responsive to relationship-building efforts by the salesperson?

3. On the basis of return on investment, why do financial relationship marketing programs (for example, discounts) often fail to pay off?
4. When planning a sales call on a particular account in the business market, what information would you require about the buying center, the purchasing requirements, and the competition?
5. Some business marketers organize their sales force around products; others are market centered. What factors must be considered in selecting the most appropriate organizational arrangement for the sales force?
6. Christine Lojaco started as a Xerox sales rep several years ago and is now a key account manager, directing activities for five key accounts. Compare the nature of the job and the nature of the selling task for a key account manager with those of a field sales representative.
7. Explain how a successful sales training program can reduce the costs of recruiting.
8. Develop a list of skills and characteristics that distinguish between high performers and average performers in a sales organization. Next, describe the steps that a firm might take to improve the skill set of the average performers.
9. To make effective and efficient sales force allocation decisions, the sales manager must analyze sales territories. Describe how the sales manager can profit by examining (a) the potential, (b) the concentration, and (c) the dispersion of territories.
10. Research suggests that the greater the salesperson's satisfaction, the greater the customer satisfaction. Given the important relationship, what steps can a business-to-business firm take to nurture and sustain job satisfaction in the sales force?

Internet Exercise

1. Oracle, Inc., designs, develops, markets, and supports a family of enterprise application software products for large and medium-sized organizations. For example, the company provides enterprise application software for customer relationship management (CRM). Go to <http://www.oracle.com>, click on "Products," then on "Customer Relationship Management" to locate case studies of customers that have purchased the Oracle CRM product. Identify one of these customers and describe the benefits that the CRM system provided.

Account Management at YRC Worldwide: Choosing Customers Wisely

YRC Worldwide is a *Fortune* 500 company that provides a full range of transportation services for customers across all U.S. industry sectors. YRC's customers, which number more than 300,000, include industrial and consumer-goods manufacturers, large and small, as well as retailers, including those that operate on a regional or national scale. Whereas key account teams serve large corporate customers, YRC serves the majority of its customers through a network of local sales offices.

For example, in a metropolitan area, such as Seattle, Chicago, or Boston, account managers—working out of a fully staffed sales office and directed by a sales manager and area director—are assigned a particular section of the city and given responsibility for covering all of the customers within those boundaries. Depending on the concentration of business activity in an area, the number of potential customers that fall within an account manager's assigned territory might range from 300 to more than 1,500. Of course, the transportation services each customer requires are unique—some need guaranteed, time-definite delivery service or expedited delivery, whereas others are looking for the lowest-cost route. Moreover, the products involved are equally diverse, ranging from appliances or heavy machinery to apparel, component parts, or specialty chemicals.

Given the large number of potential customers they cover, coupled with the unique shipping requirements that each can present, account managers must give special attention to the most promising prospects, reaching others only if time permits.

Discussion Question

1. Develop a list of criteria an account manager at YRC could use to evaluate the relative attractiveness of 600 potential customers and isolate the “top-100” prospects. Assume that you have full access to any company information, including past purchasing behavior, revenue and profit data, customer satisfaction reports, and a complete demographic profile of each customer organization.