

10

Relationship selling

OBJECTIVES

After studying this chapter, you should be able to:

1. Relate to the ideas put forward by the early quality practitioners
2. See that quality now embraces the organisation as a whole rather than being the sole concern of manufacturing
3. Understand how freer world trade is driving companies towards accepting the need for quality in terms of their relationships with their customers and suppliers
4. Appreciate the role that is being played by just-in-time manufacturing in bringing about these changes
5. Understand the notion of reverse marketing and the change it is bringing about in the traditionally accepted roles of the field salesperson
6. Understand the notion of relationship selling as being the tactical marketing and sales key stemming from the adoption of reverse marketing

KEY CONCEPTS

- best practice benchmarking (BPB)
- business process re-engineering
- customer care
- marketing information system (MkIS)
- open accounting
- product or project champion
- lean manufacturing
- internal marketing
- relationship marketing
- relationship selling
- reverse marketing
- simultaneous engineering
- supply chain integration (SCI)
- total quality management (TQM)
- value chain

10.1 FROM TOTAL QUALITY MANAGEMENT TO CUSTOMER CARE

When the buyer moves on does the relationship end?

Relationship marketing plays a significant role in modern sales management. Companies have realised the benefits of practising a relational approach to selling rather than a transactional one. Many markets are volatile or have long product life-cycles that make the practice of relationship selling challenging. This far-sighted quotation from 1954 came from Peter Drucker.¹

There is only one valid definition of business: to create customers. It is the customer who determines the nature of the business. Consequently, any business has two basic functions:

- marketing (customer orientation)
- innovation.

The importance of the customer remains clear. Gummesson² who, in his classic article, claims that ‘customer focus’ not only ‘compels management to realise the firm’s primary responsibility – to serve the customer’, but also ‘to recognise that customer knowledge is paramount to achieving market orientation’.

Another management thinker more often associated with engineering than management was W. Edwards Deming, who has been credited with guiding the Ford Motor Company (USA) towards a sharp focus on quality, not just in manufacturing but in all of its operations, including selling. Although Henry Ford is accredited with the production orientated notion of ‘You can have any colour that you like as long as it is black’, in the 1970s Deming formulated a mature theory of quality based upon his observations of Japanese manufacturing. His theory revolved around 14 points of philosophical thinking and he is widely regarded as being the modern quality guru. His thinking has changed the way that manufacturing companies operate, as was evidenced from earlier applications in the late 1970s and early 1980s through ‘quality circles’, or self-motivated works committees assigned to the improvement of quality.

This tactical thinking has now been replaced by the more mature and strategic view of **total quality management (TQM)** that dominates present-day thinking, not just in manufacturing, but also as shown by Omachonu *et al.*³ in a wide variety of different types of organisations and markets. In line with the dynamics of TQM, in 1985, when General Motors announced the creation of the Saturn Corporation, calling it the ‘the key to GM’s long-term competitiveness, survival and success as a domestic provider’, the new company’s mission was not only to market compact vehicles ‘developed and manufactured in the US’, but perhaps more importantly to become a world leader in terms of quality, cost and customer satisfaction. Indeed, Saturn was an ambitious undertaking for GM. This positioning was further worsened by the established market share of imports, especially in the compact market. Additionally, the Saturn project was pursued at a time when the general feeling was that US manufacturers lacked the ability to make world-class compact cars, and General Motors itself had already aborted several attempts to develop such cars. Yet after four years

on the market, Saturn had succeeded in building from scratch one of the strongest brands from the United States. The brand was even compared to the Ford Mustang of the 1960s, the Ford Pinto of the 1970s and the Ford Taurus of the 1980s.

There is no doubt that the notion of TQM has added considerably to brand building and marketing success and as both Kemp⁴ and Hoyle⁵ demonstrate, the essential principles of TQM are relatively easy to understand and are now well established in organizations. However, Taeger⁶ contends that for many the ideas of quality still tend to trigger mental pictures more related to manufacturing than to the business of selling. This is because its phraseology and concepts relate back to the origins of the quality philosophy of the manufacturing processes whence Deming took his inspiration. Taeger goes on to say that the difficulty in measuring the success of the quality process in sales is that, even when the initial phase has passed, there are rarely any positive pointers that can be identified as having been improved as a result of the introduction of TQM as part of the philosophy of selling. Indeed, as Aaker⁷ points out, strong brands are built on a number of factors many of which are qualitative in nature.

Despite negative thinking that still exists in relation to the perception of quality, it is a fact that since the 1980s many bigger companies have recognised that the key to success is the need to evolve from a production- and cost-dominant stance towards one of serving a diverse range of customers through personal contact. A key factor in this transition relates to the process of forming relationships. As the strategic perspective of companies is changing from regional to global thinking, the selling model is changing from a 'transactions' to a 'relationships' focus.

This change of perspective in the commercial environment has been supported by academics from the 'Nordic School of Thought', namely Gronroos⁸ and Gummesson.⁹ These academics have led the argument that the marketing mix theory is inadequate in today's business environment. While Gronroos's main argument is that the traditional marketing mix approach is inadequate for operating in line with the marketing concept (i.e. satisfying customer needs and wants) appears to be based on the four Ps approach constituting a production-orientated definition of marketing and a reliance, at best, on mass marketing, Gummesson argues that the marketing mix approach is supplier orientated as opposed to customer orientated. Hence, it excludes or treats marginally matters like complaints handling, invoicing, design and production. Additionally, he advocates that the 4Ps approach is narrowly limited to functions and is not an integral part of the total management process.

The general consensus about this change of focus lies mainly in the fact that, although customer focus prevails, relationship marketing aims to cover the whole organisation. Marketing has adopted a more strategic dimension, with manufacturing, finance and human resource management being integrated and matched to support a coherent competitive strategy to assist marketing in such matters as cost leadership and product differentiation.

As the worldwide political and regulatory climate continues to be increasingly liberal towards the encouragement of free trade, it becomes more difficult to sustain market leadership based on short-term, sales orientated transactions. As Harwood *et al.*¹⁰ show, in order to succeed in their search for new ways of gaining competitive advantage over rivals, sellers must now engage in building and maintaining long-lasting relationships with their customers.

As competition intensifies, companies are seeking to differentiate their products not only via the *actual product* (the primary focus of the traditional marketing mix) by styling, packaging, brand image, quality and price benefits, but more holistically at the level of the *augmented product*. Accordingly, added benefits such as sales support, guarantees and after-sales care that support purchase and consumption experiences are increasingly being provided.

Stalk, Evans and Schulman¹¹ cite the case of Honda's original success in motorcycles resulting from the company's distinctive capability in dealer management, which departed from the traditional relationship between motorcycle manufacturers and dealers. Honda provided operating procedures and policies of merchandising, selling, floor planning and service management. It trained all its dealers and their staff in these new management systems and supported them with a computerised dealer management information system.

Customer-focused quality is now essential because it involves a change from an operations-centred to a customer-targeted activity. As the move towards a global economy quickens, so customers demand quality in terms of their relationships with sellers, with increased emphasis being placed on reliability, durability, ease of use and after-sales service.

Supporting the argument that changes in the global environment are threatening established value chains, Walters and Lancaster¹² offer an alternative view: traditional value chains begin with the company's core competencies, whereas evidence suggests that modern value chain analysis reverses this approach and uses customers as its starting point.

This leads to the modern notion of **customer care**. Customer care is a philosophy which ensures that products or services and the after-care associated with serving customers' needs at least meets, and in most cases exceeds, expectations. Cook¹³ argues that today's customers have more choice than ever before and demand high levels of service and care. In support of this view, it is argued that customer loyalty can no longer be relied upon because there is greater product and service choice.

Modern studies show how reduced marketing expenditures and lifetime values based on commitment and trust make keeping of existing customers more cost effective than recruiting new ones. Marketing should, however, integrate new customers into a company by developing a positive relationship between them and the company's designers and ensure that they interact with consumers, which is central to the notion of customer care.

IT is important in maintaining customer relationships. As companies look to possible customer needs for technological advancements, communication tools provide opportunities for creating long-term, close relationships.

This view is evidenced by the approach of Nissan, the Japanese car manufacturer, when it saw that its market share was in decline. It changed its organisational structure and company philosophy to reflect, as its first priority, the concept of customer satisfaction. Development times were cut, leading to quicker lead times. Coupled with a greater awareness of what customers wanted, this had the effect of turning around the fortunes of the company and placing it in a more stable position in the marketplace. More recent evidence of the success that close attention to customer needs can create is provided by the Microsoft Corporation. Microsoft realised that the average person had little training or knowledge of computer software or programming.

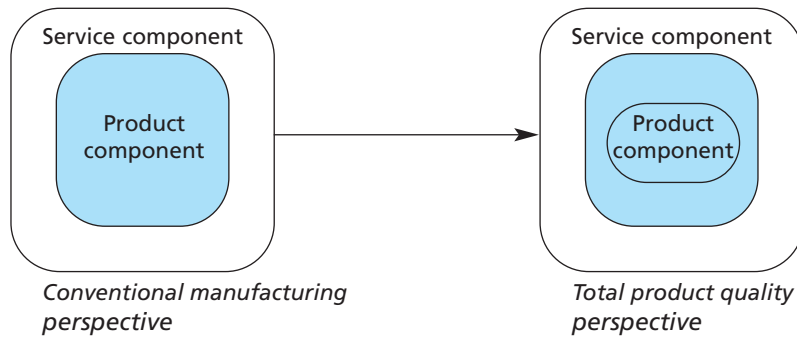


Figure 10.1 Internal to external focus of total quality perspective

It replaced technical jargon with easily understandable icons and graphical representations of the tasks to be done. Microsoft is now the largest software company in the world.

Quality-led manufacturing is relevant to companies adopting a market-driven approach to TQM. This leads to market-led quality that ensures customers perceive quality being built into both the product and the service component of the total product offering, as illustrated in Figure 10.1.

Market-driven TQM and the development of a total product quality for manufacturing and service companies are concepts upon which companies should focus. As product parity is reached between different product offerings, so companies can gain a competitive advantage by increasing the total service component of their market offerings. This is more than simply offering an after-sales service – it is a programme of total customer care. This is illustrated in the example of GTSI, Chantilly, which put in a programme of sales coaching to replace the previous system of transactional purchasing.

GTSI, Chantilly, Virginia, USA

Situational overview

GTSI is a provider of technical solutions to the United States Federal Government. The company had identified that most sales were being conducted as 'transactional' purchases. Little value, beyond technology, was being communicated to the customer. GTSI had also identified that their sales representatives and account managers were not really networking within major agency accounts. These activities were positioning GTSI primarily as a 'commodity' resource with little perceived value and decreasing sales margins. In addition, turnover was increasing and competition was improving. It was GTSI's conclusion that due to minimal sales management input little, if any, coaching was taking place between management and sales representatives.

GTSI, Chantilly, Virginia, USA (*continued*)

Efforts

The Chapman Group was engaged to provide sales and management skills and process training to address these business issues. Initially, strategic sales training workshops that focused on enabling sales staff to communicate and demonstrate value to government agencies were developed. Sales management (coaching) processes and workshops were integrated into the sales organisation. Follow-up individualised training workshops were conducted, on an as-needed basis, including:

- Consultative value-added sales training programmes;
- Sales management and sales coaching curriculum;
- Account management processes, plans, and communication systems.

Results

- Sales grew from \$400 million to \$550 million in 12 months;
- Per agency contracts grew by 20 per cent;
- Sales margins increased approximately 2 per cent;
- The company, as well as participants, captured all efforts on video for future re-use and review.

The company has continued this successful approach applying it to new government sectors. For example in 2008 the company was awarded a BLANKET Purchase Agreement (BPA) to supply local area network solutions to the Administrative Office of the US Court.

Sources: http://www.chapmanHQ.com/our_clients/case_studies with permission; <http://investor.gtsi.com>.

10.2 FROM JIT TO RELATIONSHIP MARKETING

Christopher, Payne and Ballantyne¹⁴ in their text on the subject of **relationship marketing** absorb the TQM ideas of bringing together quality, marketing and customer service. Although there is no singular consensus on what relationship marketing constitutes, the general agreement is that relationship marketing means that organisations must be designed to enable them to pick up changes in the marketplace on a continuing basis, and this is where the quality chain must be anchored. This is the essence of what is termed **business process re-engineering**, and this was initiated by Toyota who based its pioneering just-in-time (JIT) manufacturing system around the needs of customers. Work was reorganised to accommodate a variety of customer preferences in terms of the fastest possible response time and it is a system that delivers input to its production site at the rate and time it is needed. It thus reduces

inventories within the firm and is a mechanism for regulating the flow of products between adjacent firms in the distribution system channel.

The notion of JIT has already been dealt with from a buyer behaviour point of view in Chapter 3. A more modern term that describes JIT is **lean manufacturing**, and in this context it is argued that in a well-synchronised lean manufacturing system, customer demands can be met and profits maintained or increased through a reduction in stockpiles and inventory levels which do not gain in value as they await the production process. In fact, they cost the organisation money in terms of financing an unproductive resource. In such a system the supplier and manufacturer relationship is critical and close associations must be developed. Typically, this means a reduction in the number of suppliers to a single source and long-term relationships. In such situations the role of salespeople is not to sell, but to provide a tactical liaison between their customers' buyers, manufacturers and their own production department. This leads us to the notion of relationship selling, which will be discussed later.

In contrast to the dynamics of the traditional marketing mix, relationship marketing means that an organisation's marketing effort should be designed around a series of contacts with customers over time, rather than based on single transactions. This means that more non-marketing people are involved in the process, and has led to the notion of Gummesson's idea of the *part-time marketer*. It means that non-marketing people are increasingly brought into contact with customers at an operational level. TQM has become an integrator between production orientation and marketing orientation, meaning the convergence of these two approaches towards the same goal of creating customer-perceived quality and satisfaction.

Traditional company marketing structures cannot respond quickly enough to new segments or niches within a market. Developing high-quality products should be a priority to enable companies to remain competitive. Marketing should be brought into product development at a very early stage in the decision-making process. Temporary task forces should be set up as project teams involving personnel from different departments led by a team leader or project manager to oversee the introduction of new products. Such people are called **product champions** or **project champions**. In the automotive industry this normally starts at the design stage of a new vehicle when the product concept is being developed through initial brainstorming and lasts right through to the product's launch. As a result there is continuity of interest and impetus and it is not a matter of the project being 'handed over' to the next stage of the development through to launch process.

At a practical level a company can introduce the technique **best practice benchmarking (BPB)** which as Moore¹⁵ suggests should be aimed at achieving what he refers to as 'world-class performance'. This involves an organisation forming a project team of people from multifunctional areas, such as marketing, production, quality and purchasing. The team's task is to obtain information about products or companies in their industry which have a higher level of performance or activity, and to identify areas in their own organisation that need improving. The team also needs to be given the facility for research on product development and quality. It is

contended that the benefits of shared knowledge in such a multifunctional team mean that companies implementing BPB should find that this drives members of the team to meet new standards, or even to exceed them as discussed in Nissan's case.

Total quality management

TQM is a key feature of Nissan's way of working. It involves making customer satisfaction top priority. Given this goal, everything the organisation and its people do is focused on creating high quality. To achieve this, Nissan has to:

- understand customer requirements;
- consider the processes involved in providing quality, not just the end result;
- prioritise and standardise tasks to deliver quality;
- educate all employees to work in this way.

In practical terms TQM involves:

- identifying customers and their requirements;
- establishing and using objectives (targets) for all areas of activity;
- basing decisions on researched hard facts rather than on hunches;
- identifying and eliminating the root causes of problems;
- educating and training employees.

TQM is an ongoing process – a way of thinking and doing that requires an 'improvement culture' in which everyone looks for ways of doing better. Building this culture involves making everyone feel their contributions are valued and helping them to develop their capabilities.

A cycle of Plan, Do, Check, Action becomes part of every employee's thinking, because it represents Nissan's way of working.

Source: http://www.thetimes100.co.uk/case_study with permission.

10.3 REVERSE MARKETING

At this juncture we reintroduce the concept of **reverse marketing**. The significance of this to the selling function will be seen shortly. Reverse marketing has already been described in Chapter 3 (see Figure 3.7, p. 104). Although buyers have the purchasing power to initiate commercial transactions, it is traditionally the case within organisational buying situations that sellers tend to visit buyers. This is termed 'transactional marketing', where the emphasis is likely to be on a single sale and the time horizon is usually short term. Quality is generally seen to be the concern of production and there tends to be an emphasis on product features and price.

To re-emphasise what was said earlier, the concept of reverse marketing occurs where buyers take the initiative and they source suppliers (i.e. sellers). This scenario is particularly applicable in retailing and in lean manufacturing situations, which has proved to be so economical and efficient that it is now common-place in production line manufacturing situations where a relatively standardised product is being produced on a continuous basis. In this situation, buyers source suppliers whom they retain for a long period. The main criteria being sought from suppliers rests upon the quality of goods and reliability of their supplies as and when they are demanded. In such manufacturing situations down-time on the production line resulting from faulty components or late delivery can be very costly, so effectively the cheapest may well prove to be the most expensive.

Such long-term agreements can take two years before acceptable quality and delivery standards from suppliers are satisfactorily established. Suppliers and buyers form long-term 'co-makership' agreements where both parties derive mutual benefits.

Hines¹⁶ makes a powerful argument for the advantages to be gained by not looking at business in isolation, but by looking at the supply chain as a whole to find new opportunities to improve overall effectiveness. Especially where this process is customer focused. Additional areas of duplication and waste become evident and offer new sources of cost reduction. Service to the end-customer can be driven to even higher standards by focusing the whole supply chain towards that goal, rather than diluting the efforts of individual companies through conflicting objectives. This broader vision is termed **supply chain integration (SCI)**. Most now believe that closer relationships between suppliers and customers will become a competitive necessity. However, it is important not to believe that achieving co-ordination and co-operation throughout the supply chain is easy – it is not. A level of realism is required in SCI to take account of the practical difficulties of integration, the level of sophistication of the participants and the nature of competitive advantage and power within the supply chain. Each company has a different mix (or portfolio) of supply chain relationships operating at different levels and the key is to select the right one for the right supply chain.

The trend towards reverse marketing has accelerated over the past decade. Buyers as a group are becoming more professional and indeed such professionalism is needed in JIT purchasing situations. So how does a seller cope with buyer needs once the company is an 'in' supplier and a long-term relationship is anticipated? This brings us back to the notion of relationship marketing. Gronroos¹⁷ argues that implementing the traditional view of marketing is unsatisfactory. He quotes the limitations of the four Ps and claims that other Ps, such as people and planning, have to be added in an attempt to cover new marketing perspectives. He agrees with the concept of a company basing its activities on customer needs and wants in target markets, but argues that this still smacks of production orientation since these ideas stem from the firm and not from the marketplace. His redefinition of marketing perhaps sums up the concept of reverse marketing and the resultant cognition of relationship marketing when he states: 'Marketing is to establish, maintain and enhance long-term customer relationships at a profit so that the objectives of the parties involved are met. This is done by a mutual exchange of promises.'

Building trade groups reject 'naive' partnership targets

Plans to step up the use of collaborative teams in construction projects ignore the need to integrate the wider supply chain, industry bodies have warned. There has been too much emphasis on forming integrated supply teams at the expense of understanding how to improve each organisation's individual supply chain.

This sentiment has been echoed by Brian Wilson, construction minister, who has called for the public sector to take a stronger lead in collaborative projects. 'We need teams and supply chains moving from one project to another, building up expertise that encourages innovation and a constant quest for better value,' he said.

Steven Ratcliffe, chief executive of the Construction Confederation has said: 'Each project will need to rely to some extent on local supply chains, which will be different from job to job.'

Source: Adapted from an article that first appeared in *Supply Management*, 18 July 2002, p. 10.

10.4 FROM RELATIONSHIP MARKETING TO RELATIONSHIP SELLING

As we have seen additional value can be secured in buyer–supplier relationships by focusing on the supply chain. From a purchasing perspective this involves an integrated approach between suppliers, customers and manufacturing. The most important feature of buyer–seller transactional relationships tends to revolve around price; indeed, negotiation is one of the key issues in sales presentations. However, a new view has emerged, based on the notion of **open accounting**. This kind of agreement is only possible when long-term relationships between buyers and sellers have been established in typical lean production situations. Here, price negotiation does not feature in buyer–seller transactions because each side sees the other's price make-up. Buyers have access to the seller's accounts in terms of the cost build-up for components or materials being supplied, along with labour costs and overheads that have been incorporated into the cost of such products. As the term *open accounting* suggests, complete open access is afforded. Equally, suppliers will have access to the manufacturer's accounts to conduct a similar analysis. A mutually acceptable margin for profit will then be agreed between the buyer and supplier so, in effect, the pricing element of the marketing mix has now become redundant, which gives credence to the earlier view relating to Gronroos's new definition of marketing.

This suggests that certain tactics are needed to implement relationship marketing. A more holistic concept requires a detailed understanding of the consumer's **value chain** from raw material supply right through the extractions and production processes to delivery to the end-customer. This type of marketing involves strategic thinking that accompanies the modern view of marketing brought about as a result

of reverse marketing. It is contended that **relationship selling** concerns the tactical features of securing and building up the relationships implicit in relationship marketing. Thus, what establishes a firm's competitive advantages is an ability to serve customers' present and future needs.

As far back as 1995 a study by Barnet *et al.*¹⁸ observed striking differences between Western and Japanese approaches to the sharing of technological effort. They found that then in Europe, an average of 54 per cent of the approximate 6,800 engineering hours needed to produce a new model were contributed by subcontractors. In the United States only about 14 per cent of the 4,200 engineering hours needed were contributed by subcontractors. In Japan, the hours required to produce a new model were lower at 3,900 but about 72 per cent of those were supplied by subcontractors. A subcontractor's ability to participate in product design then gave Japanese customers the advantage of sharing the workload and reducing the time to market through what is called **simultaneous engineering**. In such relationships it is common for the partners to provide access to shared technology. Since 1995, when the research was originally carried out, this notion has spread to European and US companies, but there are still large gaps between Japan and Europe.

Thus the role of marketing is changing. Selling is often viewed as a tactical arm of the marketing function and its role is also changing. As Johnston¹⁹ shows, selling and sales management are now being approached from a relationship-based approach. In addition to the changes that have been identified so far, the marketing environment is changing in other ways. The penetration of the world-wide market by satellite and cable television means that 'blockbuster' promotional campaigns are becoming increasingly difficult to sustain owing to the fragmentation of viewers' patterns of watching television programmes. The increased abundance of channels had led to potential customers being dispersed into a wide variety of media audiences. Accordingly, the media are segmenting audiences more narrowly and, hence, it is increasingly difficult to reach a wide audience through the same medium. Thus, in order to inform and persuade customers as well as to retain them, methods other than mass advertising ought to be given prominence.

Further, the increase in competition and a greater variety of choice among customers in business and consumer markets, coupled with increasing affluence in the past two decades, has meant that customers have become more sophisticated and demanding. Even when products offered are satisfactory, customers still seek and exercise their right to go from one supplier to another to purchase products they need either at a better price, or merely to experience change and variety. Thus, brand loyalty has become more difficult to sustain.

Meanwhile, as the effectiveness of above-the-line media diminishes, so it will become a less attractive form of promotion for advertisers. Consequently, suppliers are considering different ways of keeping customers loyal to survive and prosper.

There is an accelerating move towards below-the-line activity as more cost-effective campaigns can now be mounted through precisely targeted direct marketing approaches. This has led to more effective ways of generating sales leads. 'Push' rather than 'pull' promotional techniques have become increasingly popular and, of course, a 'push' promotional strategy is very much a concern of the sales function. While many suppliers, in particular retailers, have turned to such tactical devices as loyalty cards, other more visionary companies have adopted a more strategic and philosophical

approach to gaining customer loyalty through designing relationship marketing programmes. This, in turn, implies a general increase in customer care programmes that can be viewed as an effective means of customer retention. Companies, which might have viewed the unique selling proposition as being their 'winning card' when dealing with customers in the past, now have to adopt more of a small business philosophy by staying adjacent to customers in terms of understanding their needs and looking after them post-sale.

Lancaster and Reynolds²⁰ suggest some of the activities that are increasingly becoming the responsibility of the sales function when they describe an expanded role for the modern salesperson that include: servicing, prospecting, information gathering, communicating and allocating. Some of the views of this enlarged role have been extended into what can now be regarded as a modern view of the tactics of relationship selling.

10.5 TACTICS OF RELATIONSHIP SELLING

Customer retention constitutes a prime objective of relationship selling. This can only be achieved in an organisational selling situation by having full regard to customers' needs and by working to form long and trustworthy relationships. In such situations it can be seen that the length of time individual salespersons stay in particular posts is now increasing since buyers generally stay in their positions almost twice as long as field salespeople. This new tendency has given rise to the associated concept of **internal marketing**. Just as in the case of external customers, internal marketing focuses on long-term relationships and employee retention within companies. Under relationship selling circumstances the time individual salespeople spend in a particular post is moving towards that of their purchasing counterparts. Why should this be the case? It can be postulated that buyers, because of the type of role they fulfil, have what may be termed a more 'sedate' occupational lifestyle than that of the traditional salesperson whose lifestyle 'on the road' can be quite frantic. Buyers are thus more 'settled' and stay in their posts longer. As buyers become more proactive in the marketplace under the system of reverse marketing, so their lifestyle is becoming more akin to that of field salespersons. Although there is pressure to purchase effectively, this is different from the pressure to sell in terms of reaching sales targets and quotas in a given period.

At the same time, the role of the field salesperson is now becoming different as under reverse marketing situations there is a different type of pressure from that experienced in transactional marketing situations. Pressure under reverse marketing focuses on the longer-term goal of customer retention rather than the achievement of sales targets and quotas. In reverse marketing situations the traditional sales commission system is disappearing and being replaced by a higher basic salary plus bonuses shared by an expanded sales team whose ranks have been swelled by the concept of the part-time marketer. Thus the role of selling is partially carried out by production, quality and finance people, among others, whose increasingly proactive roles with customers mean that they also contribute to the sales function.

In their proposal of the 'virtuous circle', Reichheld and Scheffer²¹ advocate that the emphasis of this approach is placed on mechanisms that motivate employees to achieve as highly as possible. Thus, support mechanisms such as training programmes that enable employees to do their jobs to the best of their abilities are becoming of prime importance.

Different qualities are required of field salespeople in relationship selling situations. There is now a move away from the traditional qualities of salespeople that are quoted in Figure 13.2 (p. 389). The importance of features such as determination, self-motivation, resilience and tenacity, while still important when establishing long-term relationships, might well be overtaken by the greater relevance of features such as acceptability, attention to detail and a general ability to 'get along' with people on a long-term basis. The 'cut and thrust' traditionally associated with field selling positions is being supplanted by a calmer environment of working together as a team that includes members of both the salesperson's own company and the buyer's company.

Additionally, the attitude of the buyer or customer towards the salesperson needs to be considered. For instance, liking a specific salesperson will positively affect a buyer's attitude towards the products recommended by that person. However, caution must be exercised when interpreting selling relationships, as friendliness might be misinterpreted as assuming that a long-term affiliation has been established and that business will automatically follow, which is not necessarily the case.

Sales visits to individual customers are becoming longer, and in many situations there is somebody from the supplier's company, usually somebody who monitors quality, permanently in place at the customer's company. This is already being practised by some high technology companies, for example those providing computer software and hardware to large retail organisations.

At a more practical level, the following two activities, which traditionally tend to be regarded as ancillary to the task of selling, are becoming more important; these are information gathering and servicing which are now discussed.

Information gathering

Information gathering in terms of collecting market information and intelligence is becoming an increasingly important part of the task of selling. Such information gathering feeds into the company's marketing information system as shown in Figure 10.2.

A company's **marketing information system (MkIS)** has three inputs: marketing research, market intelligence and the company's own internal accounting system. These are inputs into the MkIS which captures the data on a database. Marketing research is provided by the marketing department from primary and secondary research and from commissioned survey data. The company's internal accounting system relates to sales analyses by customer purchases over periods of time by customer group, geographical area, size of order, and by any other combination that may be required. Market intelligence relates to information about competitors and the products and services they supply, plus information on how they generally 'perform' with their customers. It also relates to the company's own customers.

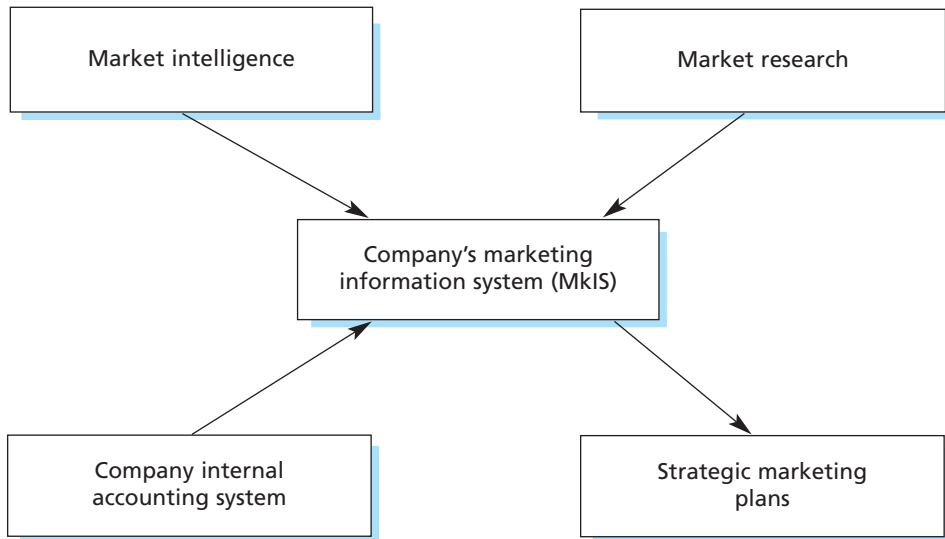


Figure 10.2 Marketing information system

Much of this intelligence comes from the company's own employees from executives, engineers, research personnel and more directly from field sales personnel who are extremely good collectors of market information and intelligence. The responsibility of salespeople as collectors of such information is expanding and information technology skills are increasingly important as individual salespeople interact in terms of input to and output from the MkIS as part of their routine activities. There is, of course, an output from the MkIS and this contributes to the strategic marketing planning system. Business in general is now more strategic and long term, and the MkIS is the principal data input into strategic marketing plans. The role of individual salespeople is becoming of more strategic value as their regular reports are incorporated into the MkIS, which in turn inputs into the organisation's longer-term marketing plans. A formalised process for reporting this information is an essential part of a contemporary marketing information system. It has already been mentioned that salespeople should be encouraged to send back information that is relevant to the marketing of the company's products to head office. In a lean manufacturing situation, the role of information gathering should be seen to be a prime part of the organisational salesperson's task.

It is widely acknowledged that the most effective form of marketing research is the personal interview, and conducting research in this way provides the most accurate information as the interviewer is speaking directly with customers. It can, however, be an expensive form of interview because interviews take place at multiple times and locations. However, this expense is already covered when salespeople, as opposed to separate organisational marketing researchers, are encouraged to use the sales interview to gather marketing research data. It is also higher quality information as the salesperson has already established a rapport with the customer, so responses will be more candid.

A number of advantages are associated with personal interviews in terms of being able to ask detailed questions, an ability to ask follow-up questions and the ability to use visual aids or samples. Respondents can be chosen who specifically comprise the target audience and they can also be called after the interview to verify or clarify what has been said in the research interview.

Concentrated markets are especially good for this kind of research as only a small number of competitors exist, and their activities can be easily investigated simply by asking buyers a few pertinent questions. Buyers will normally be willing to co-operate on the basis that divulging information, perhaps about competitors and how they perform against the salesperson's company, might mean that the salesperson's company will be able to offer the buyer an improved contract.

In fragmented markets that have many competitors it is often the case that Pareto's law exists whereby something like 80 per cent of total market revenues are accounted for by 20 per cent of the competition, so these are the 20 per cent that should be most closely investigated, and the likelihood is that these are the customers whom salespeople visit on a more regular basis, e.g. in the computer industry there are hundreds of clone manufacturers, but the majority of the market is shared by manufacturers such as HP/Compaq, Dell, IBM and Apple. It is, therefore, important to keep well informed about new and upcoming market players who might break into the big time through discovering a new technology, or through aggressive marketing and advertising become a dominant player, and nobody is better able to spot such trends more quickly than the salesperson in the field.

Salespeople can conduct marketing research among their organisational buyer customers and collect and analyse this information and then download this onto the company marketing information system for use in the strategic marketing planning process. Information that can be gathered includes information on the market structure of the industry, numbers of competitors as well as information on their market decisions. Such information can then be used for forecasting purposes and investment decisions, and it might lead to a more scientific assessment of competitive growth and relative market shares.

The preparation of reports is part of the modern salesperson's task, and presenting this market intelligence in a clear and meaningful way is important for policy-makers.

In a competitive business climate an understanding of the dynamics of the market is an essential first step towards business success. A more precise assessment of product positioning, based on an accurate market assessment, is important along with a detailed understanding of consumer behaviour, motivation, needs and attitudes.

Such qualitative research on the part of salespeople means that the company can gain a greater insight into understanding how customers feel about their products alongside those of competitors – insights into buyer behaviour and feelings that might not come out in the course of a traditional sales interview and that provide a vehicle through which the salesperson's company can benefit (i.e. through better market intelligence) and which will also benefit the customer (i.e. through the provision of a better designed and targeted service).

When monitored adequately, this process should be dynamic because interaction with customers is ongoing. The added benefits of such an integrated process include the following:

1. Reducing selling costs achieved through using information derived from the MkIS. New business response provides information to improve future targeting and, through experience of what works and what does not, improves the productivity of subsequent advertising and sales promotion.
2. More sales per customer, achieved through using customer case histories, leading to:
 - better identification and categorisation of customers;
 - better segmentation and targeting;
 - better presentation of relevant offers.
 Identification of 'best customers' will determine future selling efforts; identify potential customers who warrant personal calls or special offers or even the type of representative who can best service each category of customer or enquirer.
3. Superior business forecasting achieved by:
 - analysing 'campaign' and customer case history data, using past performance as a guide to future performance;
 - because the errors in past activities need not be repeated, efficiency should be subject to continuous improvement (control).

Servicing

Servicing is an area in which the role of the salesperson has become invaluable. This includes a certain amount of first-line servicing, so product application is important as well as product knowledge. What we refer to here is servicing in the broader sense of serving customers on a highly individualistic basis. The phenomenon of field sales personnel staying longer in such positions provides them with more time to acquire such skills.

However, such sales personnel now come from more technical backgrounds such as engineering or chemistry. Servicing also includes the provision of technical advice in relation to such matters as levels of quality, arranging after-sales service, establishing improved customer care programmes, and even offering consultancy services. More practical matters, such as agreeing delivery schedules, expediting individual orders and, occasionally, progressing payment for orders supplied, also feature in this context. In lean manufacturing situations the salesperson's company is an integral part of the supply chain, which stretches not only forwards to the end-customer, but also backwards towards the sources of prime manufacture, so buyers often need information from the salesperson's suppliers as part of the process of **supply chain integration (SCI)**.

Does all of this suggest that the salesperson of the future will not need to be versed in any of the skills of selling? In a word, no. The basic elements of the sales cycle discussed earlier still remain. Prospecting skills will always be needed from leads that are increasingly generated from direct marketing approaches rather than from cold calling. Skills of sales presentation are also required in such circumstances. Negotiation skills too are still needed. Communication skills have always been an important part

of the field salesperson's armoury, but under traditional marketing such skills have been honed in such a way as to win orders through 'telling them what they want (or need) to know'. Under reverse marketing situations, communications skills are still essential, but the customer–salesperson dyad is now more in terms of 'equals' than of an 'us and them' situation.

10.6 CONCLUSIONS

This chapter has examined current trends in the marketplace and looked at them in the context of likely future changes within the selling function.

It has traced the development of the movement towards relationship selling from its earliest roots based on quality issues through to the more mature notion of total quality management (TQM). In a more discerning marketplace customers desire and deserve the best in terms of quality. The selling implications of such expectations have been discussed.

Lean manufacturing is growing apace as a manufacturing technique, with the result that longer-term selling relationships are becoming the norm. Traditional marketing is thus beginning to be replaced by reverse marketing, with buyers becoming more proactive in initiating commercial transactions, including long-term strategic relationships.

Relationship selling comprises the raft of sales tactics that actually delivers relationship marketing strategy to the company and to customers.

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PRACTICAL EXERCISE

Microcom

When the buyer moves on does the relationship end?

Relationship marketing plays a significant role in modern sales management. Companies have for some time realised the benefits of practising a relational approach to selling rather than a transactional one. Nevertheless, many markets are volatile or else have long product life-cycles, which make the practice of relationship selling challenging.

Microcom is a UK firm supplying high-quality broadcasting equipment used by national networks such as the BBC, ITV and their equivalents abroad. The product is chiefly customised to customers' specific requirements and has a 10–15 year lifespan. Senior management are troubled by the fact that at present the firm practises a largely transactional approach to selling. They are keen to adopt a relational selling approach, but are uncertain how this might be achieved. The Marketing Director has explained the meaning of relationship marketing and stressed that a relationship is between people. One of the problems Microcom have in this respect is that when a company they have previously sold to requires new equipment the original buyer has often left to go to another job, been promoted away from the buying function, retired, or in some circumstances may even have died.

Although the company is keen to adopt a relational selling approach, another major reservation is the long time between repurchases. One senior manager expressed this issue as follows:

Relationship marketing cannot work because you can guarantee the places we sold to this year won't be in the market to buy again for 15–20 years.

Typically Microcom will design and install the equipment (a process that can last anywhere between two months for small projects and up to three years for larger ones) and will then maintain contact with the customer for a time afterwards to ensure that the system is effective. These systems typically last for anywhere between 15 and 20 years before they must be replaced. There are generally a number of small orders that may crop up in the interim, but Microcom often does not bother with such minor orders as it typically needs a minimum of £20 million worth of business a year, which means that it usually only bids for the large orders. At present, however, Microcom has a poor retention record, with a rate of around 30 per cent, despite the fact that customers claim to be highly satisfied with the equipment and level of service provided by the firm.

Source: Written by Andrew Pressey, Lecturer in Marketing, University of East Anglia and Neville Hunt, Lecturer in Marketing, University of Luton.

Discussion questions

- 1 Advise senior management on the appropriateness of adopting a relational approach to selling.
- 2 Suggest and justify tactics that could be used.

PRACTICAL EXERCISE

Focus Wickes – ‘Fusion’: Winners, 2004 Retail Week Supply Chain Initiative Award

Mergers may bring long-term business benefits, but short-term there are problems with disparate IT systems and corporate culture. For Focus Wickes, with three major mergers in five years, streamlining supplier relations is a key priority – which is where the system termed ‘Eqos’ that was specifically produced for this task helped

Giving them the tools

Focus Wickes labelled its new supplier relationship initiative ‘Fusion’. Over a frantic first five years the DIY chain grew dramatically, acquiring Do It All in 1998 and both Great Mills and Wickes in 2000, to become the UK’s second largest home improvements chain. Very soon there were more than 270 Focus outlets, including a dozen or so trading under the discount ‘No Frills’ fascia, and some 161 Wickes stores.

‘Fusing’ the inevitable disparate IT systems resulting from such expansion was a major consideration and problem for the company. So, too was the need to build a coherent corporate culture that melded good supplier relations with a customer-centric strategy. ‘We have seen something of a cultural revolution in the past few years,’ stated Justin Farrington-Smith, trading director for the Focus division. ‘We’re now giving much greater emphasis to understanding customer needs and also working more closely with suppliers.’

Wickes had been an early enthusiast for collaborative working.

Around 98 per cent of Wickes’ product assortment is own-label, so the company has always tended to work very closely with suppliers to develop new lines and share sales forecasts. What it wanted from a new system was better communications to help cut lead times and improve ‘on-shelf’ availability, as well as something that could help suppliers become more involved in assortment planning and ranging, as the group moved towards a more structured category management model.

Wickes decided to reorganise its business into three broad business units: ‘Trade’, ‘DIY & Garden’ and ‘Showroom’ – the sort of complete kitchens and bathrooms that tend to be delivered direct to customers. The aim was for the new integrated category teams, which made up the business units, to collaborate even more closely with suppliers. ‘We needed something that would be simple for our suppliers to use, easy to link into their own IT systems and would also give us more flexibility in reporting,’ stated Focus Wickes project manager.

Why Eqos?

In August 2002 the company established a project group, bringing together a dozen suppliers, as well as representatives from both Focus and Wickes to define the requirements of the planned supplier relations platform. The resulting request for

information was sent to 12 IT vendors of whom six were then invited to tender. 'In December 2002 Focus Wickes decided to go with Eqos technology. Focus Wickes management felt this system best matched their current and future requirements with good flexibility, rapid implementation and, importantly, the ability to work with a wide range of IT systems so it would be easy for both their suppliers and the different parts of the Focus Wickes group to integrate.'

Implementing an adaptable platform

Rather than putting in place a number of packaged solutions, Focus Wickes wanted an extensive, adaptable platform that would enable a series of collaborative SRM solutions, from performance monitoring through to new product development and vendor managed inventory.

The company signed a three-year agreement with Eqos to develop three operational modules with the flexibility to decide precisely which functions these would address as the system developed and users on both side of the trading partnership began to understand the options. This total platform was called 'Fusion' with the first of the modules addressing product performance management (PPM). Work began in mid-March 2003, with the PPM component completed in 17 weeks and with 145 of Wickes' 150 suppliers live on the system by August. The then project manager for the new system said this about it:

Fusion is one of the fastest business system deployments that we have undertaken in recent years. We did this through running a series of workshops and training sessions for suppliers. As the Eqos system is web-browser based it was very easy to use and most people didn't even need to read the manual.

The system was driven by daily downloads of store-level sales and stock data from both Focus and Wickes outlets. This was then consolidated centrally and input into Fusion, which was hosted by Eqos.

Consolidating data across the group was felt to be especially helpful for those vendors selling to both divisions. Suppliers could access store and depot level information about their products to check sell-through rates, delivery performance and forecasts. Lines selling better than forecast were automatically highlighted with alerts emailed to relevant buyers and suppliers. This alerting system was a key aspect of Fusion usability.

Fusion quickly began initiating dialogue between suppliers and category managers to improve forecasts and streamline deliveries. As familiarity with the system increased, suppliers of items which were sent direct to stores, mostly heavy or bulky goods such as sacks of cement or garden sheds, were expected to play a greater part in helping store managers revise order quantities based on better supply chain visibility.

The benefits

Fusion helped increase sales and margins in the first full year of operations by around 0.5 per cent, while stock-outs were on target to reduce by some 20 per cent. There were significant potential savings in logistics, as well as avoidance of overstocking. It all added up to a likely annual saving of around £10 million across the group.

In addition suppliers became much more proactive and were able to use the information from Fusion to improve their own production schedules which they were not able to do with the old system. Focus Wickes felt that in the future it might even be able a move to vendor managed inventory and greater use of collaborative planning, forecasting and replenishment techniques.

With the new system suppliers could use the information to suggest amendments based on greater visibility of supply chain and demand patterns

Like Wickes, Focus is moving to category management and has reorganised into business units 'Decorative', 'Home enhancement', 'Garden & Pets', and 'Core DIY' with some 26 category teams comprising planners, merchandisers, marketers and buyers.

Eventually nearly 200 of the 220 Focus suppliers became live with Fusion. The company felt that the new system had really been a fundamental change in the way it worked with its suppliers.

As a result of this success Focus and Wickes began conducting further workshops with their suppliers to decide on the next modules for Fusion. Among the possibilities were collaborative product development techniques and an 'open order book' system that would give all involved better visibility of the progress and status of purchase orders to help rid the supply chain of those all-too-familiar 'black holes'. Focus Wickes wanted suppliers to drive much of the development. As a result, this new spirit of collaboration began to help realign the companies' strategic business model. For example, traditionally Focus had sold largely manufacturer branded merchandise but began to consider moving to own-label brands which if anything meant it would have to work even more closely with suppliers.

Source: www.thetimes100.co.uk/case_study with permission.

Discussion question

What would be the implications of Focus Wickes moving to say 50 per cent own-label merchandise within the next year from the viewpoints of:

- end-customers;
- sales staff;
- suppliers?

Examination questions

- 1** Discuss the implications of the move towards relationship marketing in organisational buying/selling situations in the context of how this might change the role of selling.
- 2** Total quality management is a philosophy of management that should permeate every aspect of the organisation and not simply be the concern of production. What is meant by this statement in terms of how TQM can affect the selling function?
- 3** Describe the key elements of a customer care programme that would be appropriate in a manufacturing or service environment with which you are familiar.
- 4** What are the implications for salespeople of the adoption of supply chain integration by larger manufacturers?