

Industrial Sales Forces: Trends and Developments

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Many companies are beginning to take a hard look at the costs and effectiveness of their industrial sales forces. Industrial salesmen are a very expensive resource and any way in which their value to the company can be augmented is worth pursuing. This article examines the changes being made in the duties activities organization of industrial sales forces and comments upon the background against which such developments are happening.

Key words: Industrial sales forces, industrial salesmen and organization

Introduction

Changing economic circumstances together with the quickening pace of technological changes are forcing many companies to bring their industrial selling operations under the microscope. Alexander, Ralph Crossad R. M Hill, 1967.

Operating an industrial sales force is already a very significant fixed or semi-variable cost. The fact that it is liable to account for an increasingly large proportion of such costs must be put the continued operation of scales force at its current level and quality of staffing under intense observation without a very clear view of the future role the sales force, it is easy to take decisions which are potentially harmful to affirms future business prospects. This article examines the key changes that are taking place in industrial sales force operations and indicates the background against which the changes are developing. Observations made in the article are based upon two – on – going research studies involving forty (40) companies in a wide range of industries – one study being concerned with the duties/tasks of industrial salesmen's and the other concentrating on industrial sales force organization patterns.

Changes in Industrial sales force operations

Much attention is being devoted to revising the way in which industrial sales forces are being organized. In decoding the way in which manpower resources should be deployed, the marketing manager's first consideration must be the type of contact and degree of service necessary to satisfy the markets needs. Changes in the structure of markets at high level; demand for specialist advice, and the requirement for a particular ancillary service all force more vigorous examination of how the sales force should be organized. In the past, the most common method of industrial sales force organization has been allocating salesmen by geographical area. However in the industries that have to be responsive to ever- quickening technological change and in industries

beginning to concentrate on the development of 'systems' packages for the market place, it is imperative for the salesman to acquire a high level of technological expertise in demonstrating product benefits and applications. This expertise cannot be developed without providing a more specialized role for the salesmen. It is being gradually recognized that a specialized knowledge of different kinds of customers, their organizations, attitudes, and product applications is essential for developing future marketing plans- particularly for the purpose of identifying trends and growth rates in individual market segments. Most demonstrates that salesmen working in confined geographical territories, covering all types of customer, are weak in interpreting buyer behavior patterns and analyzing customer manufacturing process and rarely report changes in the operational circumstances of customers. Geographically organized sales forces are on the wane and considerable re-structuring is taking place along the following line:-

- (i) Creation of 'key account' sales forces which recognize the significance of large customers. Salesmen working within such a structure have been noticeable at monitoring technological developments and changes at the 'key' location, forecasting likely future volume levels, and investigating particular customer problems in depth by developing a relationship with a large number of industrial decision makers at the customer location.
- (ii) Allocation of sales force duties by function – recognizing that a total selling job necessitates a different type of salesman at different stages has been observed, particularly in the chemicals, plastics and scientific instruments industries that a very reliable data from pioneer salesmen on market size; product acceptability and competitor activities results from adopting a division of sales force activities between pioneer selling and maintenance selling.
- (iii) Development of new accounts sales forces- companies recognizing the principle that gaining ground at the new account location requires more ingenuity, patience, persistence, flexibility and enthusiasm than is needed to obtain a little more business at the regular customers. New account salesmen are proving more able than colleagues in the structures notes Robertson, at estimating the selling proposals made by competitors and at analyzing the crucial areas of proposals upon which the success of negotiations with prospects depend. The constant and heavy pressure on the salesman to acquire new business causes him to take a more critical look at the reasoning behind the purchase of a product by a new customer.
- (iv) Creation of product specialization- sales teams – traditionally, an industrial salesman has had to be acquainted with all his company products, but it is being recognized that where products differ in type of technology this may require a width of knowledge which is not obtainable at a cost proportion able to the potential business. Companies have been observed to be specializing salesmen by product in instances where the key members of the decision-making unit in the prospect companies are different from one category of product to another. Such salesmen have brought back to their companies beneficial feedback concerning product problems; product price policies, strategies to be adopted in marketing the product, and developments in the product range.
- (v) Development of market – centered sales forces- basing the deployment of a sales force a round the industries which they serve most and Hanan refer to several situations in which this market specialization approach is being adopted by companies. Companies are beginning to question whether their current sales force organizations are suitable given the rapidly changing nature of the market place. Methods of doing business are rapidic
- (vi) Ally altering and the ways of organizing sales forces have to be seen in this context.

(vii) Moss, Wotruba and Mhangone note that when re-restructuring their sales forces, many marketing managers have become aware of the need to develop detailed extensive and reliable reporting systems to bring intelligence from the market place via their salesmen. Indeed as more and more companies begin to realize what particularly types of information they need in order to develop effective future plans one is seeing that sales forces are frequently being re-structured with the specific objective of increasing the flow of intelligence from the market place. Webster notes that industrial marketing efficiency can be greatly improved through increased reliance upon the salesman as a source of market information, traditionally very little information has filtered into a company through its sales force- salesmen have found it difficult to integrate the information gathering effort with their selling activities. However marketing managers are beginning to utilize their salesmen to acquire intelligence concerning the following:-

- i) The structure, organization and future development of the customer company forward investment plans, inventory policies; capacity utilization levels, inspection and quality control, assembly operations, make or buy capabilities etc.
- ii) The role of competition in the market place, e.g. the number of companies' competition at each supply point, the organization of competitor sales forces, the types of contract proposals being issued by competitors.
- iii) The reasons for the loss of major orders
- iv) The problems, faults, complaints concerning products which emanate from the customer, and an assessment of the business risk unless

As well as requiring more information from the customer salesmen interface other changes are being noted in the working patterns of industrial salesmen. As companies deal with the impact of recession, they are emphasizing that sales force activities be focused more acutely on expanding their market base- the research for new markets has become critical since the recession has meant for most companies a severe decline in business acquired from the established customers. It is noticeable that a greater proportion of the salesman's time is being devoted to cold conversing calls; saturation, canvassing of industrial conurbations, new factory estates etc, desk research of potential prospects, and cooperate investigations in to likely patterns of diversification.

Amidst this recession a significant change has been noticed in the pattern of education provided to industrial salesmen by their companies. Whilst companies still insist on salesmen processing high standards of product knowledge, much more time than in the past is being devoted to developing a salesman's negotiating skills (particularly in companies who operate specialized key account sales forces). Kirkby, 1981 reflects that many firms have been found that it is the process leading up to the major sale that needs attention and that it is in the management of the process that many sales are lost. The harmony of sales ability and determination, without negotiating skills, can be crucial disadvantage. The salesman may observe every demand for a concession as an objection to be overcome, and remain inflexible that the prospect refuses to purchase because the terms/conditions are unacceptable. On the other hand in his determination to achieve the order, the salesman will make as many concessions as the prospects to requests. The results being an unprofitable order for his/her company. The need for negotiation ability has become more apparent as the interdependence of buying and selling organizations has grown. The salesman is increasingly being made aware of cooperate costs and margins, and of systems which measure the profitability of his major customers. He is being taught about the impact on profit or minor variations in volume, costs, price and sales-mix and how to plan and conduct

customer negotiations. Hanan, 1977 notes that salesmen must see that negotiation is a selling style where buyer and seller benefit from the transaction-the approach being to make the customer in to a partner with salesman so that common objectives of both parties can be formed, leading to common strategies and a common defence against other outside the partnership. Future education programmes for industrial salesmen will need to be carefully balanced between the objectives of augmenting technical skills and of instilling mature business judgment. Hopkins notes that in the future the exercise of traditional forms of salesmanship will become inadequate-the need instead will be for greater marketing knowledge, rather than just selling ability.

Having observed that the commercial relationship between buyer and seller demands negotiating skills then questions inevitably arise for companies concerning the general business acumen of the salesmen. In trying to develop this acumen marketing managers are insisting that their industrial salesmen should be conversant with a wider range of knowledge than ever before which will aid them in the analyzing and solving of customer problems. For example, many industrial salesmen are beginning to gain an appreciation of the following areas of knowledge;-

- a) Cash flow analysis-acquiring the ability to evaluate flow of funds statements and realize the importance of liquidity to business. The salesman is aware that an undesirable strain on the cash position of his company can result from acquiring too many new orders for manufacturer- he has to appreciate the problem of balancing the level of sales with the financial resources available to the company. Understanding this area of knowledge can enable the salesman to access the source of cash flow difficulties occurring in prospect/customer companies.
- b) Interpretation of financial ratios- enabling the salesman to see the significant business pressures- concerned with deployment of assets, control of stock levels, availability of working capital etc: - confronting companies with which he negotiates.
- c) Examination of stockbrokers forecasts for particular industries, bank economic surveys, trade association reports on industrial confidence etc. the salesman needs to understand the implications of projections made in the documents as an input in to his forecasting of future volume levels at the prospect/customer location.
- d) Calculation of product net profits- by appreciating the principles of marginal costing, the salesman is in a position to realize which products within the range upon which he/she should be focusing his/her attention.
- e) In development of technical and engineering drawings, the salesman often finds that prospects/customers suggest new product ideas and innovations and modifications of established products- these requests have to be quickly formulated in to engineering drawings which serve as a realistic specification for designers, technical staff, and manufacturing personnel back at the factory.

These are some examples of the capabilities that forward- looking companies are endeavouring to instil in to their sales teams. These salesmen need to employ these capabilities as an adjunct to his negotiation skills in demonstrating to customers the superiority of his company's offering and services.

Alongside this expansion in the types of knowledge that the industrial salesmen are required to possess, it can be seen that companies are extending the amount of tasks and activities to be undertaken by their sales personnel. Salesmen are becoming increasingly evolved in the following activities:-

- a) Pilot- testing and demonstrating the product in the customer environment.

- b) Installing the product at the customer location.
- c) Training the customer personnel in the operation of the products.

Companies enlarging the selling job are endeavouring to increase the managerial authority of their sales forces. Stephenson *et al.*, 1979, notes that salesmen are increasingly being granted discretionary rising authority during negotiations with key customers. Karney, 1997 sees the salesmen's job as a management job- it is noticeably that territory goal- setting, strategy selection, and decision- making are shifting from being the sole responsibility of sales managers to becoming prerogatives of individual salesmen. Rearden, 1969, comments that the salesmen's job is one of planning, organization, integration of effort, and measurement of results- and these are management elements.

Whilst acknowledging the considerable extension of the sales job, it is important to recognize that the administrative support rendered to the industrial salesman has been increased. Centralized sales services at head or branch offices have been created to deal with invoice posting, debt collection, arrangement of credit facilities etc: - all activities in which salesmen used to have a significant role. As salesmen have withdrawn from these activities, selling firms have assembled teams of personnel at head office with specialities which match those of various key buying influences in a customer firm. Lidstone and Melkman, 1977 note how several companies have teamed their internal desk sales staff with their outside staff around 'key' customers.

In most companies, the industrial selling job serves two purposes- as a selling career and as a management training ground. Rose man 17, 1975, has recognized that it is difficult to reconcile these two objectives salesmen destined to achieve high selling results might not necessarily become effective managers, and yet sales and marketing managers will best understand their organizational responsibilities if they have come up from their own selling ranks. In an attempt to reconcile the purposes noted above it is becoming apparent the many companies.(particularly in rapidly changing technological areas, such as computers, electronics, and radar systems) are increasing the number and time duration of occasions that salesmen spend away from field activities during specific jobs within the firm. Numerous examples have been observed of salesmen being brought away from their selling duties to assist with the following tasks:-

- i) The structure of product launch plans
- ii) The development of product operation manuals
- iii) The devising of possible corporate diversification patterns
- iv) The setting of sales targets. Wortruba and Thurlow 1978, identifying in one survey that more than half the companies investigated had a formal policy for sales force participation in sales forecasting. Three quarters of these same companies used quarters for their sales personnel, and in half of these firms the salesman was asked to submit an estimate of his quarter level.

Companies are increasing their opportunities for salesmen to interchange between the field selling job and internal marketing jobs.

In order to accommodate the changed and broader role of the industrial salesman it is clear that pay plans are being adjusted. A shift is being made from commission- based plans which traditionally rewards for sales volume to primarily salary- based plans which reward for wide span of achievements which are not always directly measurable but which can be varied as customer needs and market requirements vary. Steinbrink 1978 notes that straight commission

plans and salary plus commission plans are becoming less common place while salary only plans are increasingly in use.

Having examined the major changes developing in the conduct of industrial sales force operations it is important to assess the background against which these changes are occurring.

Background to operational changes

It can be observed in numerous industries that the pace of technological change is almost faster than the ability of the salesman to absorb it. Marketing managers are beginning to recognize this fact when changing the structure of their sales force organizations and when establishing reporting systems that emphasize the importance of monitoring technological trends and developments at the customer locations salesmen are becoming increasingly involved in participating with customers in the development of product concepts, and often therefore are the people who first notice the directions in which technological demands are moving. The changes and adaptations being made in the duties/activities of salesmen are being made to counter the increasing professionalism of the customer purchasing process. the impact of purchasing on company's profit level and efficiency has become gradually apparent one –has seen the spread of purchasing decisions among more company personnel whose abilities can aid wiser buying. For example the seller of process machinery and its related ancillary products may find in one prospects organization that a technician is a key influence on machinery buying while production engineers and designers strongly influence ancillary product purchases .the salesman must not only convince these personnel to desire the products, but may also have to persuade senior executives who supervise both sets of influences in order to coordinate the contract (Shaugnessy,1977)comments that finding out who this key buying influences are ,and what procedures they adopt to arrive at a recommendation, are growing challenges to industrial salesmen. Being able to converse with each one in terms of their own interest and decision making criteria requires enhanced negotiating skills and extended knowledge of the customer environment' the skills and knowledge currently being developed in numerous sales force training programmes. An increase is occurring in the efficiency of the purchasing process itself with the adoption of techniques like value analysis and vendor rating. also buyers are seen to be relegating more of the purchasing task to salesmen ,suppose a buyer has a need for computerizing stock control activities .The one salesman who can best supply all the required machinery and associated services is likely to achieve the purchase order . Marketing managers are beginning to recognize that the selling process itself is evolving and broadening in ways which can make the salesman of considerable value to the buyer vastly beyond the value of the product services offered. The growth of systems selling (particularly in the marketing of electronics, air conditioning equipment, computers and office machinery) has meant that the industrial salesman has had to do an integrated marketing job. System selling has evolved to meet the needs of the changing purchasing process outlined above. The salesman for a computer company might begin by examining prospects information requirements, then specify a package of machines and programmes as well as recommended layout of physical facilities, training of operatives and maintenance arrangements. In this environment, salesmen must have an increasing familiarity with the range of service being offered alongside the basic product. Marketing managers are revealing some of the salesman's burden by establishing head office administrative support teams so the salesman can concentrate on his integrated marketing job. Many of the changes occurring in the sales force have been in response to circumstances created

by economic recession. Salesmen have had to become better explorers of customer finances and situations' in recession, the decisions facing customers are no necessarily between choosing products A, B or C, but between choosing a product or delaying /abandoning proposed deals. Salesmen must be able to probe the customer company to see what options face buyers commencing negotiations. Where major sales are concerned customers want suppliers who can offer them bottom line solutions .This means ensuring that salesmen have the breath and depth of customer /prospect knowledge to identify profitable opportunities and to demonstrate supplier superiority. It has also been noticeable during the recession that improvement in market research techniques and a sharp increase in competition have created near parity in product and price offering, so that the emphasis falls more on presentational and service aspects. Industrial salesmen have to be much more creative in exploiting marginal variations in product and price and in the eyes of potential customers become significantly difficult. The consultative salesman must become an expert in his client's business operation so that his value in terms of analytical expertise and problem solving ability can have sufficient payoff to differentiate it from his competitors. Corporate management seems to be acknowledging in times of recession the growing importance of personal selling as a marketing strategy component. Lushch (1976) observes in her study of top corporate managers that sale management and personal selling activities are rated as increasing in importance by 2012'2030 increasing more than any other component of promotional strategy. Competitive success will be dependent on the salesman's ability to differentiate his firm's offerings of products and services and to adapt those offerings to the purchasers' specific patterns of requirements. Increased team work among all marketing staff will be required to construct a competitively appealing offering to buyers.

Conclusion

Economically difficult periods tend to raise questions about the cost and efficiency of the sales force. As the productivity of the sales force operations become increasingly critical, marketing management will have to review the policies, organization, management practices, skills, procedures and training and development needs of its sales operations, and be prepared to adapt them to the changing technological and competitive environment. The article has revealed the developments taking place in industrial sale force organization and practices and assessed the circumstances in which changes have been initiated. Companies must come to terms with the fact that with more competition, increasing rapidly changing technology and markets, and vast investments at risk for longer periods of time, a new approach to industrial selling is necessary.

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