2 STRATEGIC SALES FORCE MANAGEMENT

LEARNING OBJECTIVES

After reading this chapter, you will be able to:

2.1 Describe and explain a firm's marketing system that exists in a network of buyers and suppliers influenced by an array of external and internal forces.

2.2 Summarize how the marketing concept relates to the evolution of marketing.

2.3 Describe and explain how the concepts of objectives, strategies, and tactics relate to strategic planning.

2.4 Understand how the strategic plan of the total company relates to planning within both the marketing department and the sales force.

2.5 Analyze how social selling, hybrid sales channels, multiple relationship strategies, and obligations of social responsibility impact strategic planning.

In a recent revitalization of downtown Sacramento, California, the city opened the Golden 1 Center, which was a new arena for its NBA franchise, the Sacramento Kings. This arena featured a large number of upscale corporate suites and courtside seats to be sold as relatively expensive season ticket packages. The Kings developed a strategic marketing plan that was focused on selling these packages to a target market that consisted of specific corporate clients from the greater Sacramento area. A key goal was to significantly increase ticket sales from the previous year. The Kings hired several new salespeople and trained them to use LinkedIn's powerful social selling tool called Sales Navigator.

As described in more detail toward the end of this chapter, social selling is the practice of using social media platforms (like LinkedIn) to build relationships, engage with potential customers, and drive sales. Increasingly, social selling strategies are included in the planning process of sales organizations. Drawing from the vast amount of information found in the LinkedIn profiles of millions of professionals, Sales Navigator allows users to filter and pinpoint potential customers based on various criteria like job titles, industries, company sizes, professional backgrounds, interests, connections, and more. Sales Navigator even sends out continual notifications that provide updates on any changes happening within their target market.

Social selling is a team effort in that it involves employees from both marketing and sales. Marketing executives manipulate the data and identify who to contact, but salespeople are the ones who actually execute the plan by meeting with and selling to prospects. If done well, salespeople strike up the right conversation, to the right people, at the right time—and, in fact, it did go well! The Kings surpassed their own goal for selling in-game tickets by 50%, which was more than three times their previous best, elevating their position to one of the top teams in the NBA. Further analysis showed that 6% of their new business originated from deals discovered through LinkedIn or Sales Navigator.[1]

As this scenario demonstrates, sales can play a key role in a firm's corporate strategy and marketing plans.[2] Too often, people think of sales as an activity that is separate from marketing. In fact, marketing and sales often operate as if they are engaged in some sort of win-lose contest in which neither side cooperates with the other. The reality is that the marketing objectives can be achieved only when sales becomes an integral part of the marketing strategy—the part that carries out strategy. By working together as a team, marketing and sales personnel become key contributors to the success of the overall strategic plan for the business.[3]

The purpose of this chapter is to place sales force management within the context of the total marketing program. To make wise strategic decisions about the sales force, the sales manager must understand how the field-selling effort fits into the strategic marketing plan and how that fits into strategic planning for the total company.

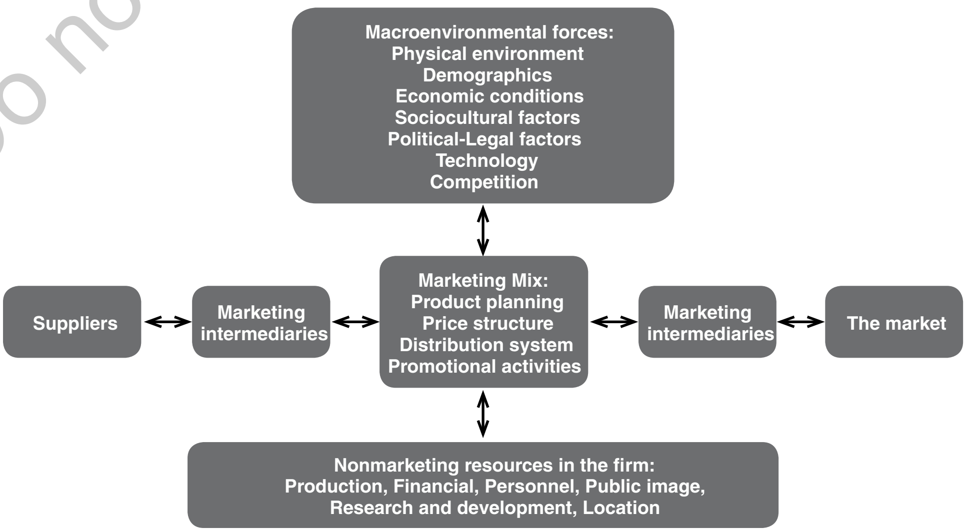
THE MARKETING SYSTEM

LEARNING OBJECTIVE

2.1 Describe and explain a firm's marketing system that exists in a network of buyers and suppliers influenced by an array of external and internal forces.

A **marketing system** is the network of buyers, sellers, and other actors (such as intermediaries and suppliers) that come together for the creation, promotion, distribution, and exchange of a company's products. This system operates within a framework of forces—its environment. Two sets of these forces are external to the company, and another two sets are internal. Their relationship is seen in Figure 2-1.

FIGURE 2-1 ■ A Company's Complete Marketing System: A Framework of Internal Resources Operating Within a Set of External Forces



External Environment

The first set of external forces are macroenvironmental and impinge considerably on any company's marketing system. Management cannot control these factors, but they must closely monitor and react to them by changing elements of the marketing mix. These forces are defined below, along with examples of how a company's marketing activities might be impacted by changes in these forces.

1. **Physical environment** consists of the aspects of the natural world, including general climate and weather conditions, and also natural resources such as water, oil, and other minerals. This can have a major impact on a company's marketing system. For example, the oil market has been incredibly volatile over the last several years and prices even briefly went negative! Several years later, oil prices rebounded to over $100 a barrel and demand is expected to plateau in the mid-2030s. Given the world's reliance on oil, the volatility means that it can be difficult for any organization to plan effectively.[4]
2. **Demography** is the measurement of basic characteristics of the human population such as age, sex, race, income, and stage in family life cycle. Customer demographics can have a major impact on a firm's marketing system, which, of course, includes the sales force. For example, the population of the United States is aging at a rapid pace. Because of this, sales opportunities in pharmaceuticals are likely to continue to have good growth prospects.[5]
3. **Economic conditions** refer to the overall health of the economy. This has a huge impact on a variety of industries, including home sales. Before the pandemic, low interest rates, years of under-building and intense demand all coalesced to produce an aggressive bull market in housing prices throughout the United States.[6] More recently, higher interest rates have had the opposite effect.[7]
4. **Sociocultural factors** are the fundamental values and beliefs of society. Americans, for example, have placed a high priority on fitness and health in recent years. This trend benefits companies like Planet Fitness, which operates with a unique business model that rarely involves price increases. As a result, the company has performed exceptionally well in recent years.[8]
5. **Political-legal factors**—laws, ordinances, regulations—can impact sales organizations in many ways. For example, during the onset of the Covid-19 pandemic large portions of the economy went into a lockdown. This had a direct impact on salespeople because they were not able to see customers and had to deal with supply chain constraints.[9] A more comprehensive discussion on laws that impact salespeople can be found in Chapter 16.
6. **Technology** includes inventions, innovations, and advances in scientific knowledge. Such advances have had a tremendous effect on day-to-day jobs of salespeople. We are living in an era of rapid technological advancement. Recent advancements in artificial intelligence (AI) have been proposed as tools that salespeople can use to manage relationships and help with tasks such as prospecting.[10] Data from the United States Bureau of Labor Statistics highlight that there will be big demand for highly complex, technology-driven sales roles.[11]
7. **Competition** involves the marketing activities of rival firms. In most cases, this force has the greatest impact on the sales organization. Falling behind competitors in the digital transformation and losing talent to competing organizations are two common fears of organizational leaders.[12] However, for students who are adept at technology, this should be reassuring as you will help to advance the business world with your skills!

In addition to these seven macroenvironmental forces, the second set of external forces a company faces are a *direct* part of the firm's marketing system. These are the company's market, its suppliers, and its marketing intermediaries (primarily middlemen). While generally classed as uncontrollable, these three elements are susceptible to a greater degree of company influence than are the macroenvironmental forces. Note the two-way flows between the company and these three external elements in Figure 2-1. The company receives products and promotional messages from its suppliers. In return, the company sends out payments and marketing information. The same types of exchanges occur between the company and its market. Any of these exchanges can go through one or more intermediaries.

Internal Variables

To reach its marketing goal, management has at its disposal two sets of internal, controllable forces: (1) the company's resources in nonmarketing areas and (2) the components of its marketing mix. Figure 2-1 shows these internal forces in relation to the forces in the external environment. The result is the company's total marketing system set within its environment.

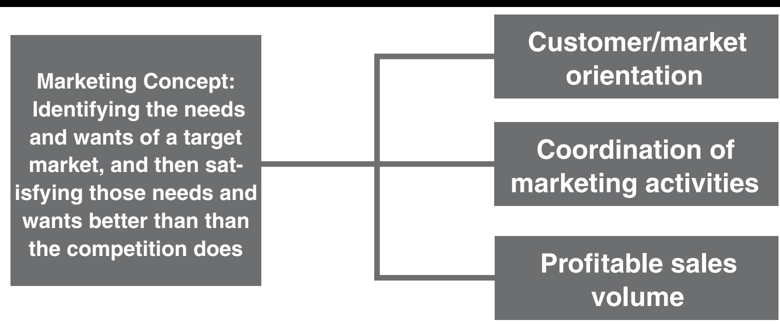
Recall from Chapter 1 that the term *marketing mix* describes the combination of four ingredients that constitute the core of a company's marketing system. When effectively blended, these four—product, price, distribution, and promotion—form a marketing program designed to provide want-satisfying goods and services to the company's market. Also recall that promotional activities form a separate sub-mix in the company's marketing program that we call the *promotional mix* or the *communications mix*. The promotional mix is defined as the specific set of advertising, sales promotions, public relations, direct marketing, and personal selling activities used by the selling firm.

THE MARKETING CONCEPT AND MARKETING MANAGEMENT

LEARNING OBJECTIVE	
2.2	Summarize how the marketing concept relates to the evolution of marketing.

As businesspeople have come to recognize marketing's vital importance to a firm's success, a way of business thinking—a philosophy—has evolved. Called the **marketing concept**, this philosophy holds that the overriding goal of an organization is to *identify the needs and wants of a target market and then satisfy those needs and wants better than the competition does.* As shown in Figure 2-2, there are three keys to being successful with

FIGURE 2-2 ■ Marketing Concept Success Factors



this philosophy. First, all employees and business functions of the firm must be focused on the customer. This is called a customer- or market-orientation. Second, there must be good communication throughout the firm such that the various marketing activities are organizationally coordinated (i.e., they must work together). And third, the firm must efficiently manage margins and minimize cost so that a profit is generated over the long run.

Evolution of Marketing Management

Marketing management is the process of planning, implementing, and coordinating all marketing activities and integrating them into the overall operations of the firm. In most successful firms, this process is the responsibility of the chief marketing executive and is guided by the marketing concept. In other words, the needs and wants of customers should be at the center of marketing management, but this is not always the case.

Marketing management evolves through four stages: production orientation, sales orientation, marketing orientation, and relationship orientation (see Figure 2-3). As explained below, the marketing concept is embraced by firms in the third and fourth stages, but not by those in the first two stages. The stages have direct implications for how salespeople deal with customers.

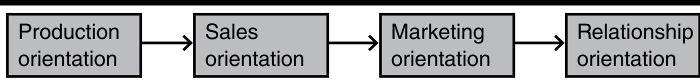
Production-Orientation Stage

During the first stage, a company is typically production oriented. The executives in production and engineering shape the company's objectives and planning. The focus is on taking advantage of economies of scale and mass-producing a limited variety of products for as little cost as possible. The function of the sales department is simply to sell the production output at the price set by production and financial executives.

With this stage, marketing is not recognized. In fact, the top "marketing" executive is the sales manager, who leads a sales department that is essentially within manufacturing. Salespeople are mere order-takers, as the product tends to sell itself. This stage is more likely to exist when demand greatly exceeds supply. For example, Ford Motor Company embraced this orientation one century ago when selling its very popular Model T automobile. Henry Ford famously quipped that customers could buy the Model T in any color, "as long as it's black." No automobile maker could be successful today with this same attitude!

Sometimes production-orientation is confused with product-orientation. They are similar in certain ways, but we argue that they are distinct (see box titled "Henry Ford and Steve Jobs").

FIGURE 2-3 ■ The Evolution of Marketing Management



CONSIDER THIS. . .

HENRY FORD AND STEVE JOBS: PRODUCTION VS. PRODUCT

Henry Ford (Ford Motor Company) and Steve Jobs (Apple) are ranked as two of the most successful entrepreneurs in the history of the United States, but their business strategies were quite different. While Ford focused on production, Jobs focused on product.

Production-orientation involves mass producing products at low cost. This works best when demand greatly exceeds supply, and products can sell themselves. Salespeople are mere order-takers, and marketing executives have very little say or power. The best example of this was Ford during its Model-T heyday, when Henry Ford famously quipped that customers could buy the Model T in any color, "as long as it's black." **Product-orientation** focuses on continually improving the product through creative and innovative means. Because Steve Jobs used this strategy, Apple salespeople are tech-savvy, highly knowledgeable, and fervent ambassadors of the products they represent. Jobs and his fellow marketing executives developed a string of successful products using out-of-box thinking that arguably goes beyond customer needs. A relevant Steve Jobs quote sums this up: "Some people say give the customers what they want, but that's not my approach. Our job is to figure out what they're going to want before they do."

Sales-Orientation Stage

When supply catches up to demand, the first reaction of many companies is to engage in the aggressive, "hard sell" approach. In this stage, companies focus on selling their product to any and all prospects, regardless of their needs. Salespeople do not take "no" for an answer and might even engage in trickery to get the sale. Of course, this style of high-pressure selling continues to give salespeople a bad reputation, even though most modern, professional salespeople are not at all like this. This orientation is much more likely to be found in transaction (one-time) selling than in relationship selling.

Marketing-Orientation Stage

The marketing concept first emerges in the marketing-orientation stage. In this third stage, companies use a coordinated marketing management strategy directed toward the twin goals of customer satisfaction and profitable sales volume. Attention focuses on identifying and meeting customer needs, rather than on high-pressure selling. The top executive is a marketing manager or the vice president of marketing. In this stage, several activities—traditionally the province of other executives—become the responsibility of the marketing manager. For instance, inventory control, warehousing, and aspects of product planning are often turned over to the marketing manager.

Ideally, a marketing-oriented firm goes beyond its own boundaries and coordinates its marketing activities with a select group of customers and suppliers. After all, customer needs and wants can be more easily understood and responded to if the selling firm has developed a close working relationship with its customers.

Relationship-Orientation Stage

The relationship-orientation stage is characterized by relationship building and is a natural extension of the marketing-orientation stage. Relationship-oriented firms continue to embrace the marketing concept. At the same time, the buyer and seller make a commitment to do business with each other *over a long time.* Thus, a given sale is not viewed as a solitary transaction. Because of this ongoing relationship, salespeople better understand their customers' business and can become more like consultants. Their goal is to improve each customer's overall profitability rather than just to sell products. Over time, salespeople earn the customer's trust, which adds significant value to the relationship from the customer's perspective.[13] As noted in Chapter 1, this process of close cooperation and collaboration between selling and buying firms is called relationship marketing.

Interestingly, the evolution of marketing management has not necessarily progressed in a uniform, chronological manner. There are still firms today in the early production-orientation and sales-orientation stages. This tends to vary by industry. As a recent example, a large bank was fined $3 billion for pressuring its sales force into opening fraudulent accounts.[14]

As another example of a relationship-oriented organization, Dell Technologies is a global leader in technology, software solutions, and computing. When the Covid-19 crisis struck, Dell sprung to action and quickly reoriented its strategy to meet the challenges that lay ahead. The approach of Dell Technologies included an abrupt shift into digital selling, price reductions for suppliers, and a focus on channel efficiency. Because of the frontline role of salespeople, they were tasked with implementing these changes.[15]

Evolution of Selling in the United States[16]

Selling has evolved along with marketing management. Over the past two centuries, American businesses have put forth extraordinary effort toward organizing, training, and further developing their sales forces. Increasingly, selling and sales management strategy has been approached as a science, as opposed to an art. That is, U.S. firms systematically have adapted and refined their business strategies to make their sales forces as effective and efficient as possible. To appreciate the sophistication of the modern sales organization, it is useful to examine how sales jobs have evolved over time.

Independent **peddlers** were the dominant form of salespeople in the first century of the United States. These peddlers were similar to those that had existed in Europe for centuries. They worked for themselves, traveling across the country selling pots, pans, clocks, medicines, and many other small goods, which they carried in large trunks or wagons. Peddlers sold directly to consumers, who were mostly farmers (since the vast majority of the American workforce lived and worked on farms). The profession was not well respected by the general public, who generally distrusted these strangers who came knocking on their doors. At the same time, the U.S. economy was not very advanced, and there were not many other options for consumers, such as retail stores. To become a peddler, little investment was required, but, of course, the job did require lots of travel. It appealed mostly to young, unmarried men. Bartering was a way of life in this time period. And since most of the peddlers' customers were farmers, who grew and made most of what they consumed, peddlers would often trade their goods in exchange for blankets, pillows, scarves, or some other item that had been made by the farmer's family. The new goods would then be added to the peddler's wagon to potentially sell to the next customer.

As the U.S. economy developed in the later 1800s, more and more manufacturers came into existence. To gain a larger market, many of these companies opted to sell through their own sales force consisting of salespeople known as **canvassers.** Canvassers were paid straight commission (no salary). Like the peddlers, they tended to sell small goods, door-to-door. However, canvassers sold a product line from a single manufacturer, unlike peddlers who typically sold a wide variety of products. Further, canvassers would sell goods "by subscription," meaning that the customer would commit to the sale, make a down payment, and then the good would be delivered at a later date. This was possible for the first time due to the increasing sophistication of the product distribution system, which relied on trains and canal boats. In addition, this was an era in which selling was first considered a science. These companies studied the psychology of persuasion and provided canvassers with elaborate sales kits. Canvassers, therefore, used intricate sales tactics, which tended to be high-pressure. Common products sold this way were lightning rods, brushes, seeds, bulbs, roots, shrubs, fruit trees, and anything that might improve life or lighten the workload for farmers.

At the same time, large book publishers hired salespeople called **book agents.** These agents were similar to canvassers in most respects, except that females were hired more often to be book agents (essentially all peddlers and canvassers were men). One of the most successful campaigns carried out by book agents was the selling of the memoirs of President Ulysses S. Grant, a national best-seller.

Toward the end of the 19th century, most manufacturers distributed their goods through large wholesale companies. These wholesale companies hired traveling salesmen, typically called **drummers,** to sell *the goods of the many manufacturers they represented* to owners of general stores. Drummers usually were paid a mixture of salary and commission. The typical drummer was a white, Protestant man (they were almost all men), who was very entertaining with a seemingly endless number of jokes and stories. Ironically, drummers approached selling in a much less *scientific* manner than did canvassers, who emerged before them. This was an era in which demand exceeded supply, and the products essentially sold themselves. Yes, the drummer had a close relationship with customers, but the relationship was personal (not business-focused). Drummers were not consultative salespeople like we see today.

In the 1920s, drummers began to be replaced by what could be viewed as the modern sales force. With technological advancements, especially in the areas of transportation, the reliability and efficiency of distribution greatly increased. This allowed manufacturers to sell directly to retailers *with their own sales force.* Two of the leading examples of this time were the sales organizations of Singer Sewing Machine and National Cash Register. Although this was the era in which a production-orientation was predominate, the salespeople of these companies were sophisticated, well-respected professionals that were successful to the extent they understood customer needs.

Figure 2-4 shows the evolution of selling in a cartoon that was first published in 1927. The purpose of this cartoon was to contrast "The Salesman of Today" (i.e., the salesman of 1927) with two "outdated" sales types: the drummer and the solicitor (the solicitor is like the canvasser described above). Of course, there have been many changes and advances since that cartoon was drawn 80 years ago—yet the cartoon's portrayal of the right way to approach sales is just as true today. Unfortunately, the old styles of selling are also still around today, and this sometimes disgraces the sales profession. It is important to understand, however, that salespeople have a long history of helping customers and solving problems. In fact, the growth and development of selling and sales management has helped the United States become the largest and most technologically powerful economy in the world.

Relationship Marketing

As discussed in an earlier section of this chapter, marketing has evolved to a relationship-orientation stage, which is why relationship marketing is important to understand. Relationship marketing is defined as a process of collaboration between the buying and selling firms that results in economic benefits for *both* firms. Instead of being adversarial, the relationship between firms is built on cooperation, trust, commitment, and information.

The sales manager and salespeople play a key role in these activities, and thus, relationship marketing is often called relationship selling. Often a person-to-person (or social) relationship between the salesperson and buyer leads to integration at the firm level, which is the ultimate goal of relationship marketing. The seller and buyer firms collaborate to align their systems of order processing, accounting and budgeting, merchandising processes, and other operating functions.

Such firm = to = firm relationships are complex and can be difficult to set up. Salespeople are typically key facilitators of these collaborations. In fact, salespeople are expected to provide customers with more and more service, and many of these activities do not entail immediate revenue generation. Relationship selling has become holistic and concerned with long-term value

FIGURE 2-4 ■ Selling Styles, 1927

Source: 52 letters to Salesmen, Chicago: Stevens-Davis Co., © 1926–1927.

creation for both parties.[17] Salespeople focus achieving "win-win" outcomes for their organization as well as their customer base.

In particular, salespeople engaged in relationship marketing must facilitate the following four key issues: promoting open communication, empowering employees, involving customers in the planning process, and working in teams.[18] Each of these is discussed below.

Open Communication

Because relationship marketing is often complex, the selling and buying firms must exchange extensive amounts of information. Open communication is the lifeblood of relationship marketing. It fosters trust and provides the information and knowledge necessary to carry out the cooperative and collaborative activities. Nobody in the selling firm knows more about the customer than the salesperson, who is therefore a key coordinator of the information flow. That is, a salesperson's responsibilities include collecting information from the customer and then dispensing that information to the appropriate person or department in their own organization. Of course, the salesperson also represents the firm and thus keeps the customer informed of events within that firm.

Employee Empowerment

In relationship marketing, salespeople do more than simply sell their product to customers; they help solve customer problems. They can only do this if they have the skills, responsibility, and authority to make decisions and take action. Thus, companies must encourage and reward their salespeople for taking initiative and using creativity to solve customer problems. Further, managers must foster an environment in which salespeople do not fear losing their jobs if they make a mistake.

Customers and the Planning Process

Close, effective collaboration exists between firms when they agree on what tactics should be performed to carry out strategies that will lead to the accomplishment of goals. In other words, the selling firm should allow the customer to be involved in the seller's planning process. This ensures the customer's support in the implementation of the plan. In most cases, it is not feasible to involve all customers, but selling firms should at least solicit input from the larger firms among its customer base. Again, the salesperson is the key facilitator of this process; they are responsible for keeping the customer apprised of the latest planning decisions and for collecting feedback about those decisions.

Teamwork

"It's never an individual who closes a sale. It's an effort by your entire team," says a senior VP of sales for IBT Media.[19] Certainly, a firm engaged in relationship marketing must encourage teamwork—both among its own employees and among those of its partner firm. As indicated above, the relationship is often complex, with various operating processes of the two firms being closely aligned. Consequently, to effectively provide meaningful service and value to the buyer, the seller must use **team selling,** involving a team of people with diverse, complementary skills. In addition to one or more salespeople, the selling team is composed of design engineers, financial experts, customer service representatives, quality control engineers—anyone and everyone who can contribute to solving customer problems and thus keeping the relationship on good terms.

Salespeople play a key role in coordinating the many different actions of the diverse team, which interacts with an equally diverse group of individuals from the customer firm. This group or team of people from the customer firm can be made up of functional specialists from purchasing, manufacturing, engineering, and/or product development, each of whom might view the purchase from a different strategic perspective. Again, this can be complex, which is why it can require so many people.

Team selling has many benefits in the business-to-business realm and is arguably the most widespread and significant trend to influence sales in recent years. With the growing importance of team selling, there are many ideas and thoughts on how to best manage a team. Recent research suggests that managers need to pay more attention to guiding experienced teams, while simultaneously helping less experienced teams deal directly with their customers.[20] In other words, management plays a crucial role in guiding a sales team regardless of experience. The tactics may differ, but sales managers have a role to play when it comes to helping their teams succeed.

Interestingly, these relationship marketing concepts, such as employee empowerment and working in teams, emerged decades ago as part of the **total quality management (TQM)** movement. TQM is the process by which a company strives to improve customer satisfaction through the continuous improvement of all its operations. The entire supply chain focuses on improving product quality through eliminating manufacturing defects and collaboration with both customers and suppliers. Thus, firms that embrace the TQM philosophy are necessarily engaged in relationship marketing. Again, salespeople play a critical role in these relationships as they oversee the transfer of relevant, accurate, and timely information between firms.

If a company is successful in implementing a relationship marketing program, it can expect to have higher quality products, higher customer satisfaction, more loyal customers, and greater profitability.[21] As more and more companies focus on customer relations and satisfaction as a measure of the effectiveness of their marketing programs, sales managers and salespeople will be expected to assume greater responsibility for directing and coordinating the marketing efforts of the firm.

Integrating Marketing and Sales Functions

As discussed in the chapter introduction, one common problem in marketing management is the lack of integration between a firm's marketing department and its sales function.[22] The marketing department typically develops a firm's overall marketing strategy, which includes decisions about how to promote, distribute, and price the product line. The salespeople ultimately determine success or failure of the strategy because they have the responsibility of implementing it in the field. Thus, integration between the activities of the marketing and sales functions is critical to the success of the firm.

The marketing strategy can be effective only when it is clearly understood and embraced by the sales force. This is more likely to happen when salespeople are involved in the strategy development process. After all, salespeople are an invaluable source of information in this regard, given their unique position of working closely with customers. Further, the marketing department must assist the salespeople in carrying out the marketing strategy by providing them with the right marketing tools, such as advertising, support services, and sales promotions. But if salespeople don't like a particular tool, they probably won't use it—or at least they won't use it as effectively as they could.

Recently, sales researchers have identified pathways for a better integrated marketing and sales function. Specifically, management should focus on culture, power distribution between units, internal resources (i.e., people), and collaborative relationships.[23] What this means for future sales managers is that this is one more "hat" that you will be wearing.

Integrating Production and Sales

Coordinating the activities of the sales force and the production function is also critical to the overall success of the firm. Materials requirements and production schedules are developed according to sales forecasts. Therefore, firms avoid operational problems by integrating the plans of the production and sales functions. When the amount sold exceeds production output, customers become dissatisfied because the products they ordered do not arrive on time. Of course, the opposite situation is also a serious problem, because high levels of unsold inventory become extremely costly to the firm.

In spite of the intuitive connection between production and sales, many companies do a poor job of coordinating the activities of these two business functions. The problem stems from the fact that salespeople for a given company are often dispersed across many different territories throughout the world. This makes it difficult for the company to keep up to date on the needs of each sales territory. Fortunately, new technology is becoming available to fix this. For example, artificial intelligence (AI) products are emerging to help production and sales to better align themselves. This occurs because AI can handle "busy work" and help managers audit their sales force across a wide geographical range.[24]

STRATEGIC PLANNING

LEARNING OBJECTIVE

2.3 Describe and explain how the concepts of objectives, strategies, and tactics relate to strategic planning.

When shaping sales force management strategy, sales executives are guided and limited by the firm's overall **strategic planning,** which is the process of identifying the firm's general direction and making decisions on allocating resources to successfully reach its goals. For example, in the early 1990s, IBM made some significant changes in its overall strategic approach to the personal computer market. For several years, IBM concentrated on selling networks to big businesses and more or less ignored the individual, the educational, and the small-business market segments that Apple Computer solicited. However, Apple's success in its markets forced IBM to reconsider its own company strategies. IBM altered its marketing strategies accordingly, and IBM sales management planning also soon reflected the new company strategies.

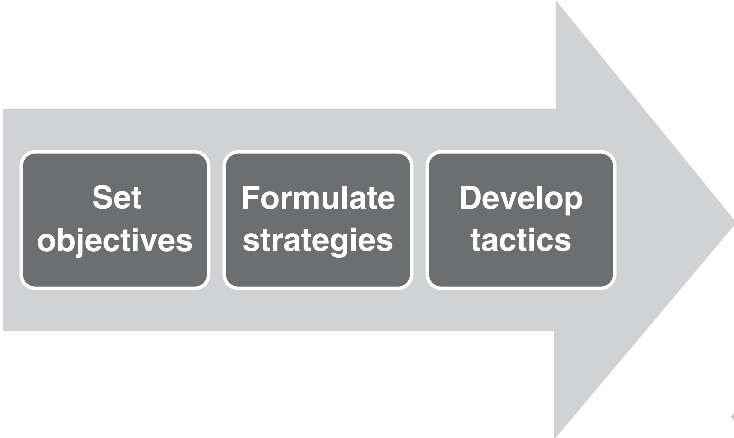
Three concepts—objectives, strategies, and tactics—are the heart of planning at any level in the organizational hierarchy. All sales managers should have a thorough understanding of these concepts—what they are and how to use them.

Objectives

Objectives are goals around which a strategic plan is formulated. Without goals, it is impossible to create a meaningful plan. Objectives must be more than platitudes. Such clichés as "We should be of service to our customers and treat our employees fairly" are only hazy guideposts for making business decisions. To be useful, objectives must be specific and measurable.

Once the firm's objectives are agreed on, all decisions should align with them. Decisions incompatible with the objectives only hinder the company's realization of its goals. This alignment seems simple and obvious, but it is not easy to achieve. For instance, goals of a 15% return on investment and a 10% annual growth rate can clash. *Heublein, Inc.*, encountered this difficulty when it acquired *Hamm's* beer. One of Heublein's objectives was a 15% rate of return on its investment. It also had ambitious growth objectives. Hamm's large sales volume fit the company's growth objective. However, profits in the beer business are far less than 15%—Hamm's realized about a 5% return on investment. To satisfy its growth objective, Heublein would have had to sacrifice its profit objective. A few years after acquiring the brand, Heublein sold Hamm's at a loss.

FIGURE 2-5 ■ Relationship of Objectives, Strategies, and Tactics



Strategies

The terms *objectives, strategies,* and *tactics* gain more meaning when viewed in relation to each other, as in Figure 2-5. Companies set objectives first and then develop **strategies,** or plans of action, to achieve the objectives. For instance, the sales manager may have the goal of achieving a certain dollar volume of sales in a coming period. They proceed to formulate strategies to accomplish this goal. These strategies may include entering new markets or covering the existing markets more intensely.

Strategies should be followed with some degree of perseverance. Some strategies require time to be effective. Impatient managers eager for results may not allow certain programs time to bear fruit. These managers often take new products off the market before the products have had a fair chance to develop a following. One sales manager fired a salesperson that had been sent to open up a new territory because dealers were not buying the product as fast as the manager had expected. The fault was not that the salesperson was inefficient, but rather that the manager had unrealistic expectations.

Salespeople are often at the forefront of company strategy. In fact, they are typically tasked with implementing strategies. This means that the company needs to have buy-in to implement strategic changes.

Tactics

After all the talking, the firm implements its chosen strategies. Some work must be done. **Tactics** are the activities that people must perform in order to carry out the strategy.

There are no perfect tactics, and in most situations there is no one best tactic that should always be used. Rather, managers must evaluate the situation and choose those tactics they feel are consistent with the strategy and have the highest probability of success at a given time.

Generally, when a company changes its strategies, it also must change its tactics. However, many administrators use the same tactics repeatedly, regardless of the circumstances, because those tactics worked for them in the past. But success can be lulling. There comes a time when the tactic will not work, and that is usually the most critical time.

A classic example of using an inappropriate tactic occurs when a company changes its sales strategy from transaction selling to consultative selling yet does not make any changes in its compensation plan (as we will learn in Chapter 8, straight-commission plans do not work well with consultative selling). The following discussion of strategic planning further illustrates the relationship among objectives, strategies, and tactics at different levels within the corporation.

STRATEGIC PLANNING AT THE COMPANY, MARKETING, AND SALES FORCE LEVELS

LEARNING OBJECTIVE

2.4 Understand how the strategic plan of the total company relates to planning within both the marketing department and the sales force.

Several of the administrative concepts we just discussed are involved in the strategic planning process for the total company, its marketing program, and its sales force operations. The strategic planning on all levels in a firm should be well integrated and highly coordinated.

Marketing must create a strategic plan that is consistent with the strategic plan of the total company. In turn, planning by the sales department is determined by the strategic marketing plan. In general, marketing strategy can be thought of as a company taking inputs (i.e., resources) and determining the best way to leverage these resources and the most practical way to do it.[25] Salespeople are involved in every step of this, including the strategic planning. By extension this means that sales managers are involved and have to figure out the most impactful way for their salespeople to be a part of this process.

Strategic Planning for the Total Company

Strategic planning for the total company involves determining the organization's mission, the broad objectives (goals) that will enable the company to fulfill its mission, and the strategies and tactics needed to achieve the objectives. Thus, strategic planning starts with identifying the organization's fundamental **mission.** Management should ask two questions: "What businesses are we in?" and "What business should we be in?" The answers may or may not be the same. A grocer may think that it is in the "food" business, but upon reflection and with the rise of app-based grocery shopping, they quickly realize that they are also in the "data" business.

Once it determines the company's mission, management can set objectives consistent with that mission. For example, the company may have the goal to increase productivity levels by helping their salespeople to be more efficient. They may try to accomplish this with a strategy centered on using AI for prospecting or for better training. Similarly, the same company may also want to enter a new sales territory. For this, the company could accomplish this with a strategy focused on hiring salespeople more skilled at acquiring new clients (i.e., hunters as opposed to farmers).[26] Or perhaps, the company could alter their commission plans to better incentivize new business.[27]

In other words, objectives come first, and then strategies follow, please see Table 2-1 for an example.

TABLE 2-1 ■ Objectives and Possible Strategies

Objectives	Possible Strategies
1. Help salespeople to become more efficient (i.e., increase their productivity levels)	**a)** Integrate generative AI into the prospecting process. **b)** Improve training on digital technology
2. Enter a new territory	**a)** Increase team member specialization **b)** Tailor commission and bonuses for new business development

CONSIDER THIS. . .

AN INTERNATIONAL PERSPECTIVE

International selling is a complicated, yet exciting, endeavor. Many recent global challenges (e.g., COVID-19, Russian war in Ukraine, inflation, supply chain constraints, and energy price shock) have reinforced the point that the world is interconnected. This is a common refrain, but many salespeople have been on the frontlines of these challenges. Given the nature of the sales role, it is likely that they will continue to be some of the first people to respond to international crises and issues.

In the last several years, salespeople have had to manage international relationships that became frayed, and sales organizations had to retool their operations quickly. Trade levels are continuing to stabilize, and salespeople and organizations are crucial players in the economic recovery. However, it must also be noted that the world has always been a turbulent place and there will likely always be a lot of dynamism with regard to international selling.

Think about the different types of difficulties that these challenges have created for managers. For example, how can a manager best interact with salespeople who are in different areas of the globe and have different cultural backgrounds? What does this mean in practice? How can a sales manager best approach sensitive issues with a local sales force? How can a manager take multiple perspectives into consideration? How do you do this in your personal life, and how might this translate into your work life?

Another interesting question pertains to how managers should best navigate complicated regulatory environments. It is no secret that regulations vary widely across the world, yet sales managers are expected to figure these things out so that the sales force can work effectively (and legally). How can a manager navigate complications like these? These are all important things to consider if you are interested in international selling because they will impact you day-to-day.

Sources: Nawar, N., Chaker, J. H., Hewett, K., & Zablah, A. R. (2024). The future of research on international selling and sales management. *Journal of International Marketing, 32*(1), 1–14.

OECD. (2022). International trade during the COVID-19 pandemic: Big shifts and uncertainty. *OECD Policy Responses to Coronavirus (COVID-19)*. OECD Publishing, Paris.

Strategic Marketing Planning

Once the total company planning process is completed, essentially the same procedure can be repeated for the marketing program. The objectives, strategies, and tactics at the marketing level should follow and be consistent with those at the corporate level. To illustrate, see Table 2-2.

Sales Force Strategy

Once the strategic planning process for the entire marketing program has been completed, the role of the sales force has largely been established. That is, the objectives, strategies, and tactics adopted by sales managers generally are limited and guided by the strategic marketing plan. To illustrate, see Table 2-3.

Now, whether the company elects to pursue marketing strategy (sales force goal) a or b will make a big difference in the choice of sales force strategies and tactics. Tactical decisions in the areas of organizational design, selection, training, compensation, supervision, and evaluation must all be aligned with the sales strategy. These principles are illustrated in Table 2-4.

In many companies, this strategic sales force planning is cascaded down the organizational hierarchy. That is, sales force goals and strategies are established for regional sales divisions, and even for individual salespeople and key accounts.

TABLE 2-2 ■ Objectives and Company/Marketing Strategies

Company Objective	Company Strategy	Marketing Strategy
1. Help salespeople to become more productive.	Integrate generative AI into the prospecting process.	Have salespeople focus more on relationships they have developed instead of prospecting.
2. Sell an innovative product/service.	Tailor commission and bonuses for salespeople "hunting" new business.	Assemble a specialized sales team to take on the task.

TABLE 2-3 ■ Company Objectives and Strategy Implementation

Company Objective	Company Strategy (Marketing Goal)	Marketing Strategy (Sales Force Goal)
Sell an innovative product or service.	Increase sales of the product/service by 25% YoY.	a) Create new demand. b) Find existing customers who would benefit.

TABLE 2-4 ■ The Relationship Between Strategy and Tactics

Marketing Strategy	Sales Force Strategy	Sales Force Tactics
a) Create new demand.	Aggressive promotion and sales efforts.	1. Hybrid selling (i.e., inside and outside efforts) to increase awareness. 2. Offer discounts or engage in other negotiation strategies.
b) Find existing customers who would benefit.	"Farming" efforts to work with current accounts.	1. Training on benefits of product/service. 2. Monetary rewards for selling.

STRATEGIC TRENDS

LEARNING OBJECTIVE

2.5 Analyze how social selling, hybrid sales channels, multiple relationship strategies, and obligations of social responsibility impact strategic planning.

Several strategic trends emerging in the past decade continue to have a major impact on the sales strategies of today. These include social selling, hybrid sales channels, and multiple relationship strategies. We elaborate on each trend below.

Social Selling

Social media was first utilized by customers who became empowered by learning about the relative pros and cons of products and companies. Not surprisingly, salespeople have followed suit. Sales management research shows that salespeople of all types are using social media to effectively engage with customers and develop relationships; however, training and best practices are a constant moving target.[28] This practice, known as **social selling,** involves the use of relationship-oriented social media tools to identify the right prospects and turn them into close, long-term customers. The introduction of the chapter is an example of this with *LinkedIn's Sales Navigator*, but *Facebook, Twitter, YouTube, TikTok,* and *Salesforce.com's Chatter* can also be used.

Through social selling, sales organizations can enhance their professional brand image, which ultimately leads to more sales. In part, this is done when account managers post relevant content and/or publish articles that catch the eye and inform prospects. Experts say that relative to traditional sales approaches, social selling is better at helping salespeople connect with the right prospects, engage them in a meaningful exchange of information, and build trust.[29]

Hybrid Sales Channels

To maintain existing customer bases, cut costs, and expand market coverage, many firms use **hybrid sales channels**. That is, a company might sell its products through three distinct channels: a direct sales force, a network of distributors, and its own e-commerce website. This allows that company to reach different segments of customers in different ways for the sake of efficiency. Often, the guiding principle in designing these hybrid systems is to use less expensive selling methods for tasks that do not require face-to-face contact. The trade-off that must be considered is between the need for personalized customer service and the cost of providing that service.

In the B2B realm, online sales are expected to reach nearly $2 trillion in 2023.[30] This startling fact drives home a very important point: We are undergoing a digital transformation that will change the world of sales management and practice permanently. Hybrid sales channels allow for a greater configuration of buyer preferences, and they help to further professionalize the purchasing function.[31]

The trend is a positive one, as a digital transformation will help salespeople to better manage their time and allocate their decision-making. However, the issue of "technostress" or technological burnout, is also of concern for sales managers.[32] Sales managers need to be mindful that their salespeople are "always on" and help salespeople to unplug and avoid burnout or other serious consequences.

A recent study from McKinsey highlights that a hybrid sales channel approach is here to stay and that buyers are quite fond of the additional options.[33] For sales managers, they will need to manage conflict, coordinate across and within channels, and establish guidelines that help salespeople and teams focus on their key customers.

A firm might use a single sales channel of its own direct sales force, yet segment customers according to what kind of relationship the company has (or wants to develop) with the sales force. For example, a selling firm might reach some customers through transaction selling and other customers through consultative selling. This is called a **multiple relationship strategies** approach.

That is, on one end of the continuum, transaction selling (discussed in Chapter 1) is targeted at customers who are not interested in, or who are unable to afford, the value-added services offered by the selling firm. With this approach, the salesperson does not follow up with the customer after the sale and is not concerned about cultivating a long-term relationship.

Alternatively, **consultative selling** is used for those customers interested in the value-added services. Consultative selling involves salespeople who have in-depth knowledge of their customers' company and business. In fact, a team of individuals from the selling firm might be involved since it is often difficult for a single salesperson to provide all the necessary knowledge. Consultative salespeople or sales teams create value for their customers by identifying problems and finding mutually beneficial solutions. In fact, the term **value-based selling** is an emerging concept in sales practice that involves an intense focus on value creation for the customer. Value-based selling is based upon an in-depth understanding of the customer's business model. In a value-based selling model, the salesperson (and their firm) will become closely involved in the customer's business (i.e., moving from purchase to lease agreements, customized digitization) in order to create sustained value. Given its complex nature, value-based selling is increasingly popular in a team selling context.[34]

Interestingly, the different relationships do not always correspond to the size of the customer. For example, Microsoft has a wide range of relationships with its many customers, including *transactional relationships with some of its largest national accounts.* Certain firms simply have corporate cultures that resist forming close partnerships; for example, Walmart sets strict terms with their suppliers, and if they don't abide by the terms, they face monetary penalties.[35]

Marketing Management's Social Responsibility

Climate change, toxic waste, pollution, and other concerns have led to another important development in the evolution of marketing management: Marketing executives in this era must act in a socially responsible manner if they wish to succeed, or even survive. External pressures—consumer discontent, concern for environmental problems, and political-legal forces—influence marketing programs in countless firms.

As an example, the Environmental Social and Governance framework (ESG) is an increasingly popular metric to measure firm behavior. High ESG scores are also correlated with profitability, which highlights that these trends are here to stay.[36] However, it must also be noted that ESG is highly controversial, and the controversy and dialogue over ESG is likely to continue.[37] A likely outcome will be that ESG will eventually be referred to as something else, but this remains to be seen.

Viewed more broadly, there is a growing concern for the management of human resources. We sense a change in emphasis from materialism to humanitarianism in our society. One mark of an affluent society is a shift in consumption from products to services and a shift in cultural emphasis from things to people. As we progress, marketing management must be concerned not only with establishing a better material standard of *living*, but also with creating and delivering a better quality of *life*.

SUMMARY

Modern sales managers understand that they are but one link in the total marketing strategy for the firm. Moreover, they understand the place of the firm's marketing strategy within the company's total strategic plan.

In addition, both managers and salespeople should understand the external environmental forces that affect their operations. Specifically, they must monitor and respond to any changes in the physical environment, demographics, economic conditions, sociocultural factors, political-legal factors, technology, and competition associated with their market. They also must understand their markets, their suppliers, and the marketing intermediaries (wholesalers and retailers).

To respond to their environment, managers can manipulate the variables of the marketing mix, which include product, price structure, distribution system, and promotional activities. Personal selling is a major element of promotion.

With the advent of the marketing concept and its acceptance by most businesses, the job of the sales manager has been changed, and sales operations have become but one portion of the firm's total marketing program. Marketing has evolved through several stages. It is now in the relationship-orientation stage, in which buyers and sellers make long-term commitments to do business with each other. For effective relationship marketing, all functions of the selling firm must work together as a team to help solve customer problems.

Setting specific, clear-cut objectives is an essential step in the management of a company. Once the company's objectives are set, management can develop appropriate strategies. Tactics are the organizational behaviors that execute the strategy.

Strategic planning across all levels in a firm should be coordinated. Strategic decisions at the top of the organization dictate what goes into the strategic marketing plan, which in turn guides the activities of the sales force. At the same time, top-level executives cannot plan effectively without listening to lower level employees such as salespeople.

Several strategic trends have emerged in the past decade and are shaping the strategy of sales organizations. These include social selling, hybrid sales channels, and multiple relationship strategies. Finally, today's managers must act in a socially responsible manner if they wish to succeed.

KEY TERMS

Book agents
Canvassers
Competition
Consultative selling
Demography
Drummers
Economic conditions
External environment
Hybrid sales channels
Marketing concept

Marketing management
Marketing system
Mission
Multiple relationship strategies
Objectives
Peddlers
Physical environment
Political-legal factors
Product-orientation
Social selling
Sociocultural factors
Strategic planning
Strategies
Tactics
Team selling
Technology
Total quality management (TQM)
Value-based selling

QUESTIONS AND PROBLEMS

1. How can top management keep the sales manager abreast of changes in the environment that affect the company? How can the sales manager pass on such information to the sales force?
2. We said company planning should be customer oriented. Exactly what does that mean? In what way or by what stretch of the imagination might the planning of the firm's employee benefit package by affected by customer considerations?
3. Why should a company be concerned about the profitability of its customers?
4. What are some ways in which sales manager can empower their salespeople?
5. How do marketing people depend on salespeople? How do salespeople depend on marketing people?
6. Why should a sales manager prepare an annual operating plan?
7. If you, as a sales manager, were required to prepare an annual operating plan, what would you include in the plan?
8. As a salesperson, you are required to develop an annual sales plan for your territory. What would you include in your plan? *Hint:* Think in terms of objectives, strategies, and tactics.
9. What role does the quality of the information you possess have in your tactical behavior?
10. In what way is the existence of a sales force the reflection of a strategy?
11. One management writer observed that it is folly to expect behavior A when rewarding behavior B. How might his insight be applied to the problem of aligning sales force behavior with corporate goals?
12. What are some of the ways sales managers can limit the amount of conflict between various distributors if their company is using a multiple-channel strategy?
13. How should a company decide whether to use transaction selling or consultative selling with each of its customers?
14. How does a manager reward the team members in a team-selling situation?
15. In what industries are salespeople's jobs most likely to change due to the increasing predominance of the Internet in our society? Elaborate on how the sales job will change.

EXPERIENTIAL EXERCISES

A. Interview a marketing or product manager. Ask him or her to identify the primary sales objective for one of the company's products. Ask a sales manager and a salesperson at that company the same question for the same product. Compare and contrast the three viewpoints.

B. Interview a salesperson on how social media has impacted their responsibilities. Which specific social media website or websites are liked, and which ones are not liked? Why is that?

C. Choose two companies and visit their websites. After examining each company's mission statement and other basic information, compare and contrast the marketing and sales strategies of the two companies. Which company is more customer-focused? Do the companies' sales organizations appear to use transaction selling or consultative selling?

D. Using a search engine (e.g., Google), enter "team-building exercises" or another similar search phrase. From the list of hits that is returned, find a few specific exercises that you feel would be most likely to help a sales team bond and work together, and describe these briefly. Then try to find price information. If you were a sales manager, would you pay to have your salespeople go through any such programs? Why or why not?

CASE 2-1: CANTOPIA

NAVIGATING PERSPECTIVES: CRAFTING A STRATEGY FOR CANDELARIUM'S TURNAROUND

"The numbers just came in, and we had a terrible quarter," said Candelarium's President and CEO, Connie Chief, her voice carrying a tinge of frustration. She leaned back in her chair, eyes fixed on to the spreadsheet that depicted an underwhelming 10% market share. Among the four producers of aromatherapy candles in Cantopia, Candelarium was languishing in last place. The weight of the situation weighed heavily on Connie's shoulders—she wanted a swift solution.

"So what do you propose? How can we fix this?" Connie asked the three other executives in the boardroom: Chief Marketing Officer Ken Product, VP of Sales Johnny Hawk, and Chief Procurement Officer Kelly Kost.

After what seemed like a long pause, Ken Product spoke first. "I think we need a new product line of improved candles," he finally offered, his tone confident as he referred to an idea he held dear. "Let's focus on product quality. Like Ralph Waldo Emerson said, 'Build a better mousetrap, and the world will beat a path to your door.' I think we need to develop a new line of better candles."

Connie leaned back, her brow furrowed, as she absorbed the CMO's suggestion. She knew the Emerson quote well—Ken had repeated it so often it was almost a mantra for him. However, she was acutely aware that the marketing mix had three Ps besides product. Moreover, she found the quote to be somewhat ironic given that the traditional *snap* mousetrap hasn't changed significantly in the last 100 years.

"Ken," Connie began, her voice measured, "while I appreciate your dedication to product quality, have you ever heard of the marketing concept?"

Ken looked slightly confused, suggesting he didn't recall that term from his undergraduate marketing curriculum. He slowly countered, "My view is great products sell themselves. If we make the best candles, why wouldn't customers choose us?"

Connie nodded, acknowledging the validity of Ken's sentiment. "Absolutely, the product is crucial. I don't deny that."

Suddenly, a new voice entered the discussion. Johnny Sales, a charismatic and confident leader of Candelarium's sales team, interjected with an air of fervor. "I don't know about that mousetrap quote, but I do know 'great salespeople can sell ice to Eskimos.' So, guys, I'm thinking our issue might not be the product or the experience. What we need is a better, more aggressive approach to selling.

We should train our salespeople to close deals early and often. Remember the 'ABC rule'—Always Be Closing. That should be our plan of attack."

The others turned their attention to Johnny, intrigued yet wary of his assertiveness. "Johnny, while your enthusiasm is appreciated, we must tread carefully," Connie cautioned, her tone a mixture of diplomacy and concern. "Aren't we trying to form trustworthy, long-lasting relationships with our candle shops? Do you think that kind of selling is consistent with that?"

Johnny did not back down. "Connie, I get where you're coming from. But the thing is, quick sales mean quick results. We need to be bold and assertive. That's what will push us ahead of the competition."

Connie's gaze shifted between Ken and Johnny, each representing a distinct perspective on the path to success. Just as the conversation seemed to find a rhythm, another voice chimed in — that of Kelly Kost, Candelarium's Chief Procurement Officer, known for her pragmatic approach and keen eye for cost efficiency.

"Connie, while both Ken and Johnny offer valid ideas, I believe our path to turning things around might lie in a different direction," Kelly said, her voice steady and composed. "In a world of tight margins, our production costs are a critical factor. Perhaps we should streamline our product offerings and focus on mass producing a smaller range of candles. After all, Ford Motor Company became the number one auto manufacturer in the world with a leader bragging that 'Our customers can have any color car they want as long as it's black.' In other words, lack of product variety was key to their success. Personally, I care more about profit than sales."

As Connie looked at Kelly with a contemplative gaze, she tried not to sound condescending, "Good point, Kelly, but that was like a century ago. Haven't things changed a bit?"

While Ken emphasized product quality and Johnny pushed for different sales tactics, Kelly anchored her perspective in driving down cost. Each view had its merits, yet the range of ideas posed many contradictions. This created a complex quandary. Connie was left with the daunting task of reconciling these differing viewpoints.

Candelarium's CEO was a bit overwhelmed as she pondered her next steps. Who was right? Who was wrong? Or was the truth somewhere in between? Striking a delicate balance across Ken's unwavering belief in product quality, Johnny's fervor for high-pressure tactics, and Kelly's focus on cost cutting measures was Connie's challenge—one that would require wisdom, adaptability, and a keen understanding of what Candelarium truly needed to thrive in the dynamic market of aromatherapy candles.

Questions:

1. How do the perspectives of Ken, Johnny, and Kelly align with the various orientation stages associated with the evolution of marketing?
2. What is accurate and what is misleading about each of these three perspectives?
3. To what extent do you agree with each of the four quotes referenced in the case (building mousetraps, selling ice, always be closing, mass producing Model Ts).

CASE 2-2: CARDINAL CONNECTORS, INC.

E-COMMERCE AND A MULTIPLE SALES CHANNEL STRATEGY

Ms. Sarah Miko, a sales manager for Cardinal Connectors Inc., is suddenly frightened about losing her job! She just stepped out of a meeting with her company's President, Mr. Bill Evans. In the meeting, Mr. Evans outlined a revolutionary e-commerce strategy that would dramatically alter Cardinal's distribution channel in the name of enhanced efficiency and overall productivity. That is, Mr. Evans has begun to believe that Cardinal's customers might be better-served through a company website that actually replaces its current sales force, as well as its network of intermediary wholesalers.

With 100 employees and $10 million in annual sales, Cardinal Connectors Inc. is a relatively small manufacturer of custom-design circuit-board connectors. Cardinal has a loyal base of customers, which consist of firms in the telecom, networking, and auto industries. Currently, these customers are serviced through a multiple sales channel strategy. The bigger customers, which represent about 60% of total revenue, deal directly with Cardinal's 15-person full-time sales force. The remaining 40% of revenue is generated from smaller customers, which buy the product indirectly through one of five intermediary electronics wholesaler firms.

Ms. Sarah Miko has been a loyal and successful sales executive for Cardinal Connectors for over 20 years. She began as a sales representative with Cardinal right out of college and eventually came to be one of Cardinal's most consistent sales performers. Seven years ago, Ms. Miko was promoted to sales manager and has received consistently high evaluations from Mr. Evans, the company president.

Ms. Miko prides herself on her ability to train and coach young sales reps into being professional, consultative salespeople. Above all, Ms. Miko preaches about the importance of relationship selling, and says that Cardinal sales reps are not doing their job unless they are adding value to the interfirm relationship between buyer and seller. For a Cardinal sales rep, most of the creative selling effort involves showing existing customers how they can solve their problems through the purchase of more Cardinal products. Thus, the emphasis is on increasing customer share, as opposed to market share.

Cardinal's sales force, however, does not service all customers. As stated above, a significant portion of revenue is generated from smaller customers who buy Cardinal products through intermediaries. But again, Ms. Miko believes that these intermediaries provide end-user customers with a host of valuable services that Cardinal could never offer itself through any website. These services include access to inventory, parts delivery, engineering support, and chip programming.

Mr. Evans is not so sure that either the direct sales force or the intermediaries are truly adding value. Evans believes that Cardinal circuit-board connectors are unmatched in quality and performance, and thus, current customers will remain loyal to Cardinal as the sales function is moved to the Internet. Evans says this will be especially true since the e-commerce strategy will result in cost savings that can be passed on to the customer. The savings will stem from two sources. First, Cardinal can eliminate the high costs of paying for salesperson compensation and benefits; second, it will no longer have to offer margins to intermediaries. In addition, Mr. Evans thinks that customers will prefer dealing with a well-designed, interactive website, which (unlike salespeople and intermediaries) can be reached from anywhere at any time! And because a website is a great way to organize information, customers can find out all they want about Cardinal products simply by surfing and clicking. Further, Cardinal Connectors's competitors have started to move toward selling products through their company website. However, Mr. Evans is convinced that it is just a matter of time before that happens, and he wants to be the first in the industry to capitalize on the many new e-commerce tools and capabilities that are now available.

Although respectful of Mr. Evans's bold, future-oriented thinking, Sarah Miko still believes in the merits of many aspects of the current system. She feels that Mr. Evans's e-commerce initiatives are too extreme and should be downscaled and better integrated with the existing multiple sales channel strategy. At the same time, she knows it will take a convincing argument to persuade the very strong minded Mr. Evans to consider anything else!

Mr. Evans has called another meeting in a few days to discuss the specifics of his strategy. Of course, Ms. Miko is greatly troubled by the thought of eliminating Cardinal's direct sales force. She is proud of the effort and accomplishments of her salespeople—many of whom she has personally trained. But in addition, Ms. Miko truly believes that Mr. Evans's e-commerce strategy is not in the best interests of Cardinal Connectors Inc. Consequently, she wants to come to that meeting prepared to make a case for the benefits of their current strategy.

Questions:

1. What are the pros and cons of Mr. Evans's e-commerce strategy?
2. What is the best argument that Ms. Miko can make to keep her sales force intact?
3. In your opinion, should Cardinal Connectors Inc. eliminate its sales force? Explain.