Implementing New Business-to-Business Selling Methods

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Introduction

As industrial firms increasingly experiment with and adopt new selling techniques such as national account management and telemarketing, they must find ways to integrate the new selling techniques with those already in use by the firm. The use of several personal selling techniques in a concerted effort to reach customers requires the development of a selling mix (Cardozo and Shipp 1987), which is an integrated, consistent combination of personal selling techniques, including face-to-face selling, telemarketing, national account management, customer incentive programs, trade shows, industrial stores/marts, demonstration centers, demonstrations, and seminars. Non-store selling techniques, such as advertising, direct mail and catalogs are a separate component of the firm's promotional efforts.

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Why Are Companies Employing New Selling Mixes?

Companies are experimenting with new selling mixes for at least three reasons. First, marketers need to control the rapidly rising costs of industrial selling. Based on a survey of over 600 firms across a number of SIC categories by McGraw-Hill (1987), an average industrial sales call costs the firm over $229 while an average of 5.5 calls are required to close a single sale. Given these figures, the average cost of obtaining an order exceeds $1250.

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Second, marketers must respond to customers' changing buying habits and service requirements. The increased incidence of centralized purchasing, for example, has encouraged many suppliers to establish national account programs. In addition, customers are requesting—and receiving—access to suppliers' internal information systems to track orders and plan purchases.

Third, marketers may use new selling mixes to gain or secure competitive advantage. As service becomes an increasingly important competitive weapon, industrial marketers have adopted comprehensive support systems, including new selling techniques, to secure their relationships with customers (Shapiro and Moriarty 1984). Classifying customers as national accounts has allowed sellers in several cases to improve communication, and to maintain or increase market share, sales, and profits from those customers. Telemarketing has also proven to be an effective weapon for securing competitive advantage through lowering the cost of providing service.

Some firms have been faced with a combination of these reasons. One firm, for example, needed to reduce selling costs while maintaining current customer service levels. The manufacturer replaced one of every four of its field salespeople with a telemarketing representative, thereby reducing salesperson salary expense by about 15%. A customer survey taken after the change revealed that service was at least as good, and frequently much better, under the new system. The principal reason cited by customers for the improvement in service was that the new system provided more frequent contacts. Further, if the telephone contact was at an inconvenient time, customers could ask the supplier to call back. Many customers did not feel comfortable in asking a face-to-face salesperson to come back later even if the contact was at an inconvenient time because they ran the risk of missing the salesperson until his or her next swing through the territory. The result of the new selling mix, therefore, was a simultaneous reduction in cost and improvement in customer service.

Given these potent reasons for considering a change in the firm's selling mix, and the likelihood of continued pressures from rising costs, changing customer demands and competitive reasons, an increasing number of industrial marketers can be expected to adopt new selling mixes. Unfortunately, many obstacles exist to successful adoption and implementation of a new selling mix. Managers can feel loss of sales and marketplace contact. Customers can feel isolated or overlooked while the new mix is being put into place. The selling firm can experience upheaval, as old employees must learn new selling methods, new employees are hired and trained, and new equipment is purchased and installed.

What New Selling Mixes Are Firms Adopting?

While many new selling methods have been developed and used by industrial firms, telemarketing and national account management have received the greatest attention (Cardozo and Shipp 1984; Coppett and Vorhees 1985; Lydecker 1987; Wooden 1987; Pensky 1987; Kuman 1986; Schneider 1985; Moncrief et al. 1986; Shapiro and Moriarty 1982). Telemarketing and national account management were the dominant new selling methods adopted by firms in our study.

We define telemarketing as a systematic program of placing outbound sales calls to customers and prospects. Telemarketing differs from the salesperson's use of the telephone to support his or her face-to-face selling activities in that telemarketing is systematic, is continuous rather than episodic, may supplant rather than simply support face-to-face selling activities, and is ordinarily done by someone who is not simultaneously employed as a face-to-face salesperson. Telemarketing goes beyond the telephone order desk maintained by many firms, because it involves outbound calling as well as passive receipt of inbound calls. Telemarketing is frequently coupled with inbound WATS ("800" numbers) allowing customers to initiate orders or requests for information or service. Such two-way systems may also include catalogs or coupons to support their efforts (*Marketing Media Decisions* 1985). Many two-way systems are also coupled with automated order entry (Stern and Kaufman 1983) to increase efficiency throughout the entire ordering process.

National account management is a team approach to selling, usually combining sales and service or technical representation, used to provide high levels of customer service to large customers with complex service needs. Typically, national account teams are composed of a national account manager responsible for coordinating communication and service between the account and other members of the selling firm, including applications engineers and technicians required to provide necessary customer service (Shapiro and Moriarty 1982). National account management is usually found in conjunction with other selling methods because not all accounts require or justify its high cost.

Managers seeking to install a new selling mix will find little published information on how to introduce several new selling methods simultaneously into an organization, although several authors have shown the effects of introducing a single new selling method into the organization (see Moncrief et al. 1986 for a discussion of how to develop telemarketing support systems: Shapiro and Moriarty 1984 for a discussion of integrating national account management into a face-to-face sales force). As a result, managers lack guidance on how to implement new selling mixes involving several new selling methods, and what problems and risks they are likely to encounter, as well as what losses or gains they might expect.

To address these issues we conducted intensive interviews with executives in more than 40 firms to learn how they put new selling mixes into place. Our respondents were typically chief operating officers of the business unit concerned, with the titles of vice-president or general manager. In a few instances, general sales managers were interviewed as they were the most qualified to respond on the firm's changes in selling methods. In addition, where appropriate, we interviewed members of the marketing staff. Firms included manufacturers, distributors and end-users of industrial equipment and supplies in the graphic arts, shoe supply and repair, fluid handling and finishing, metal cleaning, process control and liquid conditioning industries. Businesses ranged in size from $10 million to $100 million in sales.

An Analytical Framework for Adopting New Selling Mixes

To illustrate the process by which firms change their existing selling mixes, we will analyze the experiences of two companies in detail, augmenting those descriptions with observations from other firms in the study. We will organize our analysis using a seven-stage selling mix adoption and implementation model. The model's seven stages are:

Situation,
Problem Formulation,
Analysis of Alternatives,
Classifying Customers,
Mix Selection,
Changing the Organizational Structure to Match the New Selling Mix, and
Payoffs.

Situation describes the organization's circumstances and the motivation that drove the firm to consider a change in selling methods. Most of the firms we interviewed were motivated by a desire—sometimes a pressing need—to reduce selling costs.

Problem Formulation was the manner in which corporate or division marketing personnel defined the nature and scope of the problem. That formulation drove the consideration of new selling methods. Some firms took a broad approach—analyzing the entire selling function—while others focused on the narrower task of improving selling mix efficiency.

Analysis of Alternatives involved an assessment of how changes in the selling mix (by adding or deleting selling methods) would affect sales, profits, marketing costs or other goals. The method of analysis depended on the way the problem had been formulated. For example, firms that were seeking to reduce the cost of serving small customers typically estimated only the costs (usually expressed as a percent of sales) of the new method. Little attention was focused on the level and type of customer service provided by the technique. A broader problem definition led to a comprehensive attempt at matching expressed customer service needs with the most efficient selling technique to provide that level of service.

Classifying Customers involved grouping customers into segments based on the similarity of service needs.

Mix Selection involved deciding what combination of selling methods would be used, and which customers would be served by which method. In most cases, this decision meant determining what method(s) would be used to supplement or substitute for the geographically based face-to-face sales force already in place.

Changing the Organizational Structure required altering reporting relationships and chains of command within the sales organization to reflect the adoption of new selling methods.

Payoffs were the benefits and costs of new selling mixes, in terms of effects on market share, levels of customer service provided, customer satisfaction, sales and selling costs.

We found this analytical framework fit all the companies we interviewed, even though executives in those companies had not consciously articulated this (or any other) framework. Subsequent to this research project, we have recommended this framework to executives in other firms who were experimenting with new selling mixes. The executives have found the model to be helpful in analysis, planning, and implementation of new selling mixes. The approach was successful even when these executives were considering the use of videocassettes and other electronic media as part of the selling mix.

In the following section, we apply the framework to two cases.

Case Study: The Metcon Division

Situation

The Metcon Division of ChemInc (disguised names), a Fortune 500 company, sold and serviced systems that included equipment and supplies to clean, condition and lubricate various types of metals. Metcon served the pulp and paper, electroplating, metalworking, transportation and metallurgical industries. Metcon accounted for approximately 20% of ChemInc's sales. Metcon reached hundreds of customers exclusively through its own 150-person sales force, and shipped orders directly to users.

Like other divisions in ChemInc, Metcon's organization had changed little over the years. One executive described ChemInc and its divisions as "... bureaucratic. Executive status is determined by how many people report to you."

The Metcon division had experienced flat sales for several years, with losses from sales of routinely reordered supplies to small customers offset by sales of capital equipment to large customers. Metcon had not shown a profit for three years. In response to Metcon's lackluster performance, ChemInc management hired a new vice-president with a mandate to improve performance and cut costs. Shortly after he was hired, the new vice-president requested an internal study of sales force productivity, because the division had the highest selling cost/sales ratio of any division in the firm as well as the lowest sales/employee. The study showed that sales force productivity had stagnated during the last three years. Further investigation revealed that salespeople had become order takers and were making little effort to cultivate new accounts. Morale among the salesforce was at an all-time low.

Problem Formulation

The report on sales force productivity persuaded the vice-president that restructuring the selling effort was a key to improving performance and cutting costs.

He framed the alternatives for restructuring the sales force as follows:

> "Suppose I had $5 million to allocate to personal selling, with each salesperson requiring $50 thousand annually for salary and expenses. If I have to cut selling expenses by 10%, I have several choices. The first, and most obvious, is to cut 10 salespeople. If I did this, the expense reduction target would be met, but some customers would probably receive lower levels of service and Metcon would probably experience some loss in sales. Another choice, not so immediately obvious, would be to determine what services are needed by our customers and to find the most efficient selling mix to meet those needs. This option requires us to consider selling methods other than face-to-face selling."

Analysis of Alternatives

The vice-president rejected the first option as a short-term fix. He feared the sales losses would mount over time as competitors who did not reduce their sales forces would focus on areas Metcon would have to leave uncovered. Analysis of the second option began with a study that found that 30% of Metcon's selling budget was spent serving customers accounting for less than 10% of annual sales. Based on this disparity, it was clear that selling expense dollars could be used more efficiently. The next phase was to survey customers to determine whether the level of service being rendered through the face-to-face sales force was adequate for the customers' service needs. Costs could be reduced by substituting a lower cost per contact method than face-to-face selling in those situations where high levels of service were not required. Conversely, in situations where customers' service needs outstripped the ability of the face-to-face sales force to provide needed levels of service, national account management might be considered to meet desired customer service levels, if account profitability was sufficiently high.

Mix Selection

By comparing customers' assessment of services provided and the cost and level of service provided by each selling method, a selling mix was constructed that provided needed levels of service to all accounts at a lower overall cost. The new selling mix included telemarketing for the smallest accounts, wholesaler/distributors for the mid-sized accounts, and national account management for large accounts.

Customers whose annual purchases exceeded $50,000 were assigned to newly-organized national account teams. National account teams included both sales and technical support personnel who were responsible for the full range of selling and service tasks that these customers required, from recommendation of systems to be installed in plants to routine maintenance of existing systems.

Customers with annual purchase volumes between $10,000 and $50,000 were assigned to regional wholesaler/distributors, a channel Metcon had not previously used. Customers in this volume range purchased a mixture of capital equipment and supply items. These customers needed frequent contact and high levels of post-sale service, but were not individually large enough to justify direct face-to-face sales calls or national account management.

Customers purchasing less than $10,000 annually were assigned to a newly created in-house telemarketing group. Historically, these customers purchased maintenance, repair and operations items on a routine basis. These purchases involved low cost, low margin, standardized high-volume products. Sales to this group of customers had been declining at an annual rate of 35%. The telemarketing group was given three charges: (1) halt the decline in sales to small accounts, (2) take orders from present customers, and (3) maintain customer contact through periodic outbound calls to customers that had not ordered recently. To maximize time spent in selling by the telemarketing group, customers' telephone inquiries about service and the status of previous orders were routed to a separate group of service representatives.

Organizational Structure

This new selling mix enabled the vice president to slash the size of the face-to-face sales force from 150 to 50. Remaining sales people were designated as account managers for large end users and for wholesaler/distributors in particular geographic areas. Small accounts, regardless of their location, were the responsibility of the telemarketing manager, who reported directly to the vice-president.

Payoff

Now in its third year, the new selling mix has reduced selling costs approximately 50% and has dramatically increased sales per employee. Costs of the national account sales force exceed 20% of sales to those accounts, similar to the costs before the changeover, but customer satisfaction is increasing among national accounts. The national account sales force recently recorded its first ever $1 million sale to a single customer. Wholesaler/distributors serve customers at a cost estimated at 15% of sales; telemarketing costs are estimated at 5% of sales. Overall, Metcon now has the lowest selling cost/sales ratio of all ChemInc divisions, and costs continue to decrease.

Although the new selling mix has reduced costs greatly, not all customers expressed satisfaction with the level of service they now receive. Mid-sized customers, in particular, criticized wholesaler/distributors as being unresponsive. This was partially because national account managers assigned to develop distributors had no experience in working through resellers, and could therefore offer little help to the distributor or its customers. The national account managers also tended to place distributor development as a second priority behind serving the national accounts assigned to them.

In response to these problems, the vice-president encouraged national account managers to give wholesaler/distributors a higher priority. Complaints began to decrease as national account managers gained more experience in dealing with wholesaler/distributors, and as the wholesaler/distributors gained more experience with Metcon's products and customers.

The telemarketing group also experienced some unexpected customer demands. Telemarketing salespeople, who had been trained to sell maintenance, repair and operations items, found themselves increasingly called upon to respond to customers' requests for information about, and to accept orders for, capital equipment. These requests came from small accounts whose sales had always been below $10,000 per year as well as from accounts that were growing into the mid-sized category. The latter group of customers posed several problems for Metcon. As part of its agreement with its wholesaler/distributors, Metcon agreed to transfer to them any small account whose sales grew to more than $10,000 per year. Many of those customers, however, were pleased with their telemarketing salesperson, and resisted the change to a wholesaler/distributor. They continued to call their Metcon telemarketing representative to place orders and request service. This forced the telemarketing group to monitor calls from those customers and direct them to the appropriate wholesaler/distributor, because Metcon's agreement with its distributors called for them to receive a commission on all Metcon products sold to the distributor's accounts. If a distributor's account placed an order with a Metcon telemarketing representative, Metcon would incur telemarketing costs as well as wholesaler/distributor margins.

To rectify this problem, Metcon restructured its agreements with its wholesaler/distributors. Under the new agreement, Metcon would continue serving small, growing customers through the telemarketing group, as long as the customers found the relationship adequate.

In summary, the vice-president described adopting and implementing the new selling mix as "... an enormous gamble. We put the Division through a traumatic experience. I bet my career both on making this new selling mix work and on changing

ChemInc's informal but accepted rules, which equate power—and hence budgets and ability to command resources within the company—with the number of salespeople."

The Metcon division took large risks, encountered problems that division personnel learned how to manage, and found the gamble paid off handsomely. Not all businesses are driven or prepared to take such risks. For them, the problems and the payoffs are more modest. Diversico is an example of such a firm.

Case Study: Diversico

Situation

Diversico, a Fortune 500 manufacturer of premium specialty products, serves thousands of customers in hundreds of markets. The firm has posted regular increases in sales and profits; many analysts attribute the company's success to its emphasis on innovative products.

Diversico sells its products directly as well as through distributors, whom the company supports extensively. Sales and marketing activities are planned in each division. Division marketing personnel can call on the resources of a central marketing staff for research or other assistance in improving their marketing efforts.

Throughout the company, emphasis is placed on increasing total sales from year to year, and on developing and introducing new products. Reductions in marketing costs have typically received little attention from corporate and division management.

Problem Formulation

Problem formulation was driven by the corporate marketing staff. Although the diversity of the company's product lines and the heterogeneity of its markets have made it difficult to develop a new selling mix that would suit all Diversico's divisions, staff marketing personnel believed that substantial cost savings could be realized by substituting telemarketing for face-to-face selling in several divisions that had large numbers of customers who purchased small quantities of a wide variety of products.

Analysis of Alternatives

To help division marketing managers decide whether the use of telemarketing would be appropriate, two methods were devised. First, staff marketing set up and operated an in-house telemarketing group on a trial basis. Marketing personnel from all divisions were encouraged to use the service to qualify leads, survey customers, or perform other marketing tasks. After a 14-month trial period, however, the in-house telemarketing group was disbanded. Staff marketing personnel found the centralized telemarketing service inefficient because usage by the divisions was sporadic, making staffing levels difficult to plan. Division marketing executives were reluctant to use the in-house telemarketing group because comparable services were available from outside vendors at lower cost.

The second method devised by staff marketing was to develop a means to compare the advantages and disadvantages of face-to-face selling and telemarketing directly. A group of customers in one state was called upon using face-to-face selling, while a comparable group of customers in another state was called upon using only telemarketing. After about a year, a customer survey showed overall levels of customer satisfaction were the same under both selling methods. The telemarketing group, however, recorded 6% higher sales than the face-to-face sales force while incurring selling costs of about 50% of those of the face-to-face sales force (see Table 1). Closer investigation of the comparison of the two methods showed other interesting results. Sales to the largest customers were higher for the face-to-face group, while sales to mid-sized and small customers were higher for the telemarketing group. Diversico executives reasoned that field salespeople maximized their sales (on which their compensation was based) by spending a disproportionate amount of their time with large customers. Telemarketing representatives, on the other hand, since they could make approximately four times as many calls per day as face-to-face salespeople, were making a larger number of calls in a given time period to mid-sized and small customers. The increased attention resulted in increased sales. Large customers, however, continued to desire contact by face-to-face salespeople, negating the higher frequency of contacts under telemarketing.

Classifying Customers

Staff marketing personnel made no *a priori* assumptions about customers' service needs, or variation in those needs by size or any other factor. The relationship between account size and the relative effectiveness of face-to-face selling and telemarketing turned up after the fact when results from the comparison were analyzed.

Mix Selection

Based on the results of the comparison of the two selling methods, staff marketing personnel encouraged division marketing managers to assign different

Table 1
Index of Sales and Selling Costs For Different Selling Mixes (Diversico)

	Sales			Selling Costs/Sales		
	FTF[1]	TM	Combination[2]	FTF	TM	Combination
Customer Size						
Large	70	36	70	28	15	28
Mid-Sized	15	35	35	28	15	15
Small	15	35	35	28	15	15
	100	106	140	28%	15%	21.5%[3]

FTF = face-to-face
TM = telemarketing

[1] Face-to-face sales were indexed at 100. Telemarketing sales were 6% higher.
[2] Combination sales figures were derived by selecting the selling technique with the highest index of sales to a given customer class. Face-to-face sales were higher that telemarketing sales for large customers and lower than telemarketing for mid-sized and small customers. Therefore, the combination selling mix used face-to-face selling for large customers, while telemarketing was used to serve mid-sized and small customers.
[3] Total sales from the combination selling mix were 40% more than from a mix using all face-to-face selling. The selling cost/sales ratio under the combination selling mix was 21.5% instead of the 28% experienced under the all face-to-face selling mix.

selling methods to customers based on account size. Face-to-face salespeople would devote all their time to calling on large customers. Face-to-face salespeople would have no routine contact with mid-sized or small customers, who would be served through division telemarketing operations.

Changing the Organizational Structure

Organizational changes have been few, because adoption of new selling methods by Diversico's divisions has been slow. Diversico marketing managers expressed several reasons for the slow diffusion of telemarketing through the divisions, including the fear that it would not be immediately productive, thereby adversely affecting performance evaluations. In addition, managers were reluctant to adopt telemarketing because of their uncertainty about telemarketing's role in the selling mix, how to compensate face-to-face salespeople for telemarketing sales in their territories, and the costs of converting to a telemarketing system.

Payoff

Following the comparison of face-to-face selling and telemarketing, staff and division marketing personnel developed a plan for the division involved to use a combination selling mix comprised of face-to-face selling and telemarketing. Under the new plan, large customers were assigned to the face-to-face sales force; mid-sized and small customers were assigned to telemarketing. Using the comparative performance figures in Table 1, the combination selling mix was expected to generate sales increases of almost 40%. Because of the expected sales increase, even though total dollar selling costs rose nearly 15%, the sales expense ratio was expected to fall from 28% to 21.5%.

Despite their expected benefits, divisions of Diversico have been slow to adopt new selling mixes for the reasons mentioned in the preceding stage. Most of the company's divisions have continued to use selling mixes composed exclusively of face-to-face selling. As a consequence, those divisions have missed opportunities to increase sales and reduce selling expenses.

Implications for Managers

Industrial marketers like Metcon and Diversico are finding that new selling mixes can lead to dramatic payoffs, but have a host of pitfalls that must be carefully managed for the new selling mix to yield maximum benefit. In this section, we summarize our findings from Metcon, Diversico and the other firms in our study to develop guidelines for managers. These guidelines, organized in our seven-stage framework, are intended to help managers avoid opportunity losses and costly problems in adopting and implementing new selling mixes.

Situation

New selling mixes are appearing in industrial markets in many industries with widely varying products and business strategies. The new mixes appear equally frequently in firms with bureaucratic and innovative cultures. Although Metcon and Diversico were large manufacturers, we found new selling mixes were being adopted by smaller manufacturers and wholesaler/distributors as well.

Guideline 1: Don't reject new selling methods as appropriate only for other firms. All companies are subject to the cost pressures, changing customer service requirements and competitive demands that have led many to adopt new selling mixes. The variety of companies that have benefited from new selling mixes suggests that careful appraisal of the efficiency and effectiveness of the firm's selling mix may yield opportunities to reduce selling costs, improve customer service or gain competitive advantage.

Problem Formulation

The manner in which the problem is formulated determines in large part the results obtained. Businesses that asked, "How can we spend our sales dollars most effectively?" made the most dramatic changes and reaped the largest gains. Companies that focused on a narrower issue such as reducing selling costs focused their analyses on lower cost per contact approaches such as telemarketing while ignoring the possible gains in overall performance that could be obtained by a judicious mix of high and low cost selling methods.

Guideline 2: Ask the bold question: "What is the role of selling in my business strategy?" or "How can I use a new selling mix to improve my market position?" rather than asking "Will telemarketing work in my division?" The bold question may lead to the development of a new selling mix using innovative selling methods. It will also allow the consideration of methods that may improve customer service or achieve competitive advantage as well as cut costs.

Analysis of Alternatives

Most of the companies we interviewed performed very little analysis. The most popular feasibility analysis consisted of looking at competitors and other forms in the industry, estimating (with a minimum of calculation) the costs and benefits of new selling methods, and figuring out how to introduce new selling mixes with minimum jeopardy to customer relations. Most decisions to adopt new selling mixes were made intuitively, that is, without the detailed analysis that would be expected for any other major investment, such as whether to invest in a new plant. Yet the dollars involved and the likelihood for alienating or improving customer relations would seem to indicate a need for formal analysis. Calculations like sales per employee and other productivity measures were typically applied after the new mix was in place, rather than being used as rigorous analytical tools before the fact. Analyses of how new selling mixes would advance strategic or overall organizational objectives were not performed, largely, we believe, because initial problem formulation was focused too narrowly.

Guideline 3: As with any major organizational change affecting customer service, some analysis is required. Monitoring competitor selling mix changes is a start, but places the firm in a reactive role. Firms need to monitor proactively all the factors mentioned earlier; costs, competitors, and changing customer requirements to ensure their selling mixes are effective and efficient uses of selling resources. As well, they need to conduct trials of different selling methods to determine the customer service functions each method performs as well as the associated costs. Combining that information with knowledge of the most and least critical customer service functions for each customer classification will help assign the most cost-efficient selling method to each customer.

Classifying Accounts

Metcon, Diversico and the majority of the firms we interviewed used sales volume to classify accounts. Previous research found 91% of firms used sales volume to classify customers (Stevenson 1980). In addition to volume, other bases used included profitability, location and user vs. distributor. Regardless of the method used, the goal was similar—to classify customers into groups with common sets of service needs that could be served profitably by a given selling technique.

An alternative approach was to segregate selling functions rather than accounts. One firm split the selling task into three steps: prospecting and qualifying leads, presentation of information and closing the sale, and service and reorder. This manufacturer used a headquarters-based telemarketing group to qualify leads generated through trade shows and magazine inserts. Information on qualified customers was sent to field sales offices, where a telemarketing group based in the field office called the prospective customers to ascertain specific needs that a face-to-face salesperson might address. After contact and initial sale by a face-to-face salesperson, reorders, minor service and other post-sale support were handled by a customer service group located at corporate headquarters (separate from the lead-qualifying telemarketing group). This approach enabled the manufacturer to cut selling costs more than 16%, with no loss in customer service.

Guideline 4: Test different methods to group customers according to common service needs. Recognize that while characteristics of the account, such as volume or profitability, may be important in classifying the account, the stage in the selling process should not be overlooked as a potential means of determining which accounts should receive which services.

Mix Selection

Mix selection should result in assigning to customers the most cost-efficient selling method capable of meeting their service needs. Careful analysis is necessary to ascertain which selling methods provide the best fit for each set of customers. Unfortunately, identifying the most cost-efficient selling method for a given customer group does not always mean that managers will adopt that method, particularly if it goes against the traditional methods used in the organization.

Guideline 5: Be aware that implementing a new selling mix requires overcoming organizational inertia, especially if management perceives no pressure to change. ChemInc is a good example of a company in which staff drove consideration of a change in selling mix for which line management commitment was not obtained; hence the low level of acceptance in the corporation. Wooden (1987) provides an excellent discussion of the advantages of obtaining top management commitment in adopting and implementing telemarketing.

Changing the Organizational Structure

Structural changes in organizations depend on the relative emphasis of different selling methods in the selling mix. The adoption of telemarketing or national account management in conjunction with an existing face-to-face salesforce often leads to the creation of separate departments with a manager in charge of each selling method (Cardozo and Shipp 1987).

Guideline 6: Determine the needed staffing levels for the new mix. Set up separate management structures if the new methods will command a sufficiently large share of selling resources.

Payoffs

Across the companies we interviewed, we found that new selling mixes yielded both benefits and opportunity losses. Benefits of national account management included increases or no change in short-term market share results, which was consistent with previous research (Shapiro and Moriarty 1982). National account management improved customer service, leading to enhanced customer satisfaction.

Use of national account management can lead to opportunity losses if the company concentrates on serving existing customers to the exclusion of prospecting for new accounts. A more subtle problem is that firms using selling mixes composed exclusively of national account management may miss fundamental changes in the market as a whole (e.g., entirely new technology being introduced by a firm not currently competing in the market) that will ultimately affect their important customers. Knowledge of market-wide changes is necessary to enable firms using national account management to be more effective suppliers to their present customers.

Telemarketing also yielded increases or no changes in short-term market share, while customer service levels and satisfaction increased uniformly. These benefits appeared to result from the more frequent contact that telemarketing provided between a supplier and its customers, and the flexibility of that contact. As one executive explained, "... small problems don't grow into big ones, and customers feel you are really interested in their business." Another commented, "With telemarketing you can call the customer when it's convenient for him—if you call when it's not a good time, he can call you back, and many of our customers do."

These telemarketing benefits accrue primarily to firms that designate particular individuals as "inside account representatives" responsible for specified customers. These inside reps become acquainted with contacts in customers' firms and learn their customers' particular needs. Some suppliers have distributed pictures of their inside reps to customers, and have arranged for customers and inside reps to meet each other at trade shows.

The favorable payoff from telemarketing surprised most executives, who had feared losses in share and customer satisfaction. Without exception, new mixes with telemarketing as a component experienced reductions in selling costs as a percentage of sales. In many firms, however, the costs of putting telemarketing into place increased selling costs temporarily, as the new and old systems were being run simultaneously.

Unfortunately, adopting telemarketing exposes the firm to opportunity losses. In one instance, a firm using telemarketing to serve a territory found that sales doubled when one of its executives retired to the territory and began to act as a part-time salesperson. In another instance, a firm using telemarketing exclusively to service accounts that had been developed by a face-to-face sales force many years previously discovered that a competitor's sales force had identified a significant number of new entrants in the field and had established close relationships with them. This effectively locked out the firm that had relied solely on telemarketing and reduced the firm's long-term sales potential.

One distributor of supplies and fixtures sought to limit these opportunity losses by combining telemarketing with periodic market assessment visits by senior marketing personnel, who toured markets to identify prospective customers. If worthwhile prospects were found, face-to-face calls were made to establish them as customers, after which they were served through telemarketing.

> Guideline 7: Monitor sales, market share, net accounts added, customers' perceptions of service provided and customer satisfaction. Plan for increased selling expenses for at least twelve months after putting a new selling mix into place, followed by decreasing selling costs as a percent of sales.

Conclusion

Desire for lower selling costs, customer demands for better service, and increased competitive pressure are all forcing firms to consider altering their selling mixes. While previous articles have focused on changes brought about by adopting or implementing one new selling method, this paper focused on the pervasive effects of adopting several new selling methods simultaneously. Our suggested guidelines, based on a study of over 40 firms, can help managers understand the forces driving the need to alter traditional selling methods as well as the entire process of adopting and implementing a new selling mix.

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