

PRESENTATION SUMMARIES

(in the conference agenda order)

JAGDISH N. SHETH:

SELLING WITHOUT THE SALES FORCE

The Forces Reshaping Business Selling

The traditional selling function in business-to-business marketing is edging toward two extremes, maintains Professor Jagdish N. Sheth of Emory University. At some companies, the sales organization will likely be outsourced. At others, the selling function will combine with customer service to create "customer focused teams." Teams will organize around individual key accounts and channels rather than the hard-to-meaningfully segment geographic or industrial sector markets typical today.

"Selling will survive, of course, but it will not necessarily be performed by the sales force alone," Dr. Sheth told the ISBM-CBIM audience. Salespeople will need sensitivity to the customer's perspective, rather than dwell exclusively on the supplier's technology. "They will have to see the product as users do, and that knowledge usually resides in the supplier's service organization rather than the sales force."

Dr. Sheth, director of Emory's Center for Relationship Marketing, explained how he expects customer-focused teams, technology, changing sales cultures, and need for marketing productivity to shape the future of business selling.

SELLING WITHOUT THE SALES FORCE

Customer-Focused Teams. Business marketing is not as productive as it could be, in part because the typical supplier-customer relationship narrows to a limited number of interfaces between organizations: sales interacts with purchasing;

customer service staffs work with end users at the customer company. It is a "fragile, very nebulous relationship," Dr. Sheth said.

Suppliers and customers in the future, however, will build interactions at many levels of specialization, as suggested in Exhibit 1. For example, functional specialties such as information systems, human resources, and logistics departments at the supplier firm will work directly with their counterparts at the customer organization, Dr. Sheth predicted. Procter & Gamble, AT&T, and Coca-Cola, for

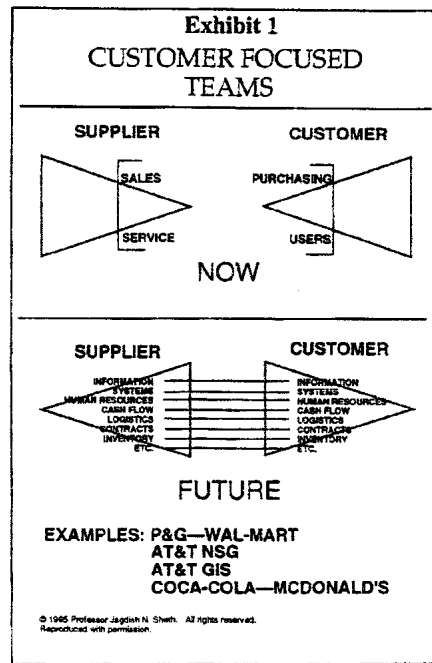
example, already field the customer-focused teams needed to provide that degree of intercorporate intimacy. The future portends supplier-firm teams with perhaps as many as 200 or so people organized by account rather than by traditional market definitions.

But, "The focused team approach is not a one-way street," Dr. Sheth continued. Customers too will have to reorganize in order to accommodate such relationships. But will they? "While it's easy to be a world-class supplier, it's harder to be a world-class customer." Dr. Sheth quipped. "Customers are extremely demanding."

Customer-focused teams can sidestep an overemphasis on price, and pursue long-term partnering goals such as:

- Retention marketing: finding and retaining the most profitable customers, and reducing the high cost of customer churn.

- Fulfilling total quality management objectives.



- Reducing the number of suppliers.
- Enabling more speed and flexibility of supply as in just-in-time programs.

Marketing Productivity. Dr. Sheth pointed to a favorite example of marketing waste: 98 percent of consumer coupons are not redeemed, and 40 percent of the rest are redeemed fraudulently. He said that business-to-business marketing suffers from similar extravagances.

Manufacturing and management costs declined from 80 percent to less than half of corporate expense since the 1950s, marketing now comprises nearly half of company costs. Often the money is spent unproductively. Dr. Sheth blamed the "marketing productivity crisis" on:

- A lack of marketing metrics, such as the ability to measure advertising effects and the productivity of field sales.
- The vicious cycles of "causal inference" in marketing thinking, such as the scramble to close fourth-quarter business perpetuating the belief that sales peak naturally at that time.
- The short-term expense of retaining customers in the face of competition and account churn.
- The growing cost of increasingly inefficient personal sales calls.

Sales Culture. The nature and image of selling affects the future, Dr. Sheth continued, pointing to:

- High salesperson turnover, such as the 22 percent experienced in the life insurance field.
- Imprecise matching of sales aptitudes to selling jobs. Dr. Sheth said, for instance, that less than 15 percent of chemical engineers can be good salespeople, yet they seek the experience hoping to achieve promotions.
- Career advancement often requires promotion out of field selling, frequently to jobs such as branch management replete with the paperwork salespeople hate.
- Selling's image problem—an anti-sales bias in Western culture—leads salespeople to call themselves "marketers" rather than salespeople. They are "the Rodney Dangerfields of marketing."

Technology Advances. As technology revolutionizes corporate processes and the production, distribution, and consumption of products, it has a powerful impact on competitive marketing, Dr. Sheth added.

- CAD/CAM (computer-aided design and manufacturing), flexible manufacturing, and just-in-time supply, for example, raise acceptable minimum quality standards, enable product mass customization with reduced cycle times, and provide mass-market affordability.

- Computer-aided logistics, scanner technology, and data base marketing accelerate the speed and breadth of selling and channel management, creating new sources of competitive advantage.

- Facilitating technologies, such as electronic data interchange transactions, computer networking, and video-based training and selling similarly raise the competitive standards sellers must meet globally as well as domestically.

- Technology's effect on how, when, and where users can consume products, exercise their creativity, and configure them to personal tastes changes what buyers expect from their purchases. Computerized functions will appear within more products, obviating the need for stand-alone computers in many applications.

The Customer Service Analog. The customer service function has undergone substantial automation in several industries, and has matured into full-service teams in others. The same will happen to personal selling, Dr. Sheth believes. The traditional sales force is stuck in the middle between the alternatives of more electronic selling and more customer-focused team selling.

So as much customer service has adopted the self-service methods, so business selling will rely more on customer self-ordering, he continued. The selling analog to growing telephone-based product support is more telemarketing. Personal attention in the service arena presages more personalized selling. And the service team has its counterpart in team selling.

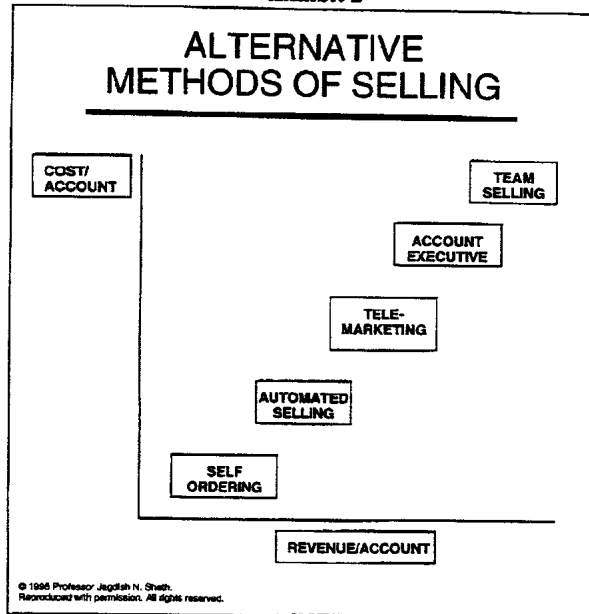
Exhibit 2 illustrates the appropriateness of each selling option to the cost and revenue associated with an account. The traditional account executive function of today, for instance, might upgrade to a team selling approach, or become automated. The shift depends on the available technology and costs, plus the culture and needs of the customer.

TEN FUTURE TRENDS IN BUSINESS SELLING

Dr. Sheth points to ten business selling trends:

1. Outsourcing the sales force. Examples: franchising, independent reps, telemarketing firms.
2. Distributing the sales force to serve direct and indirect channels and manage channel conflict.

Exhibit 2



3. Customer-focused team selling integrating sales and service cultures and providing a streamlined one-stop shopping experience to customers.
4. Solution selling, requiring a knowledge-intensive sales force able to serve vertical markets.
5. More electronic selling, thanks to the convergence of cable TV, computer, and networking technologies.
6. More data base marketing, including continued growth in direct marketing and self-ordering through computerized order-entry systems.
7. Multiple direct and indirect distribution channel proliferation, requiring more channel conflict management.
8. Value-added reselling growth as manufacturers pursue technological specialization, leaving more of the solution customization to resellers and original-equipment manufacturers. Value-added selling demands that manufacturer salespeople possess not only technical expertise, but also the ability to "know the customer's business better than the customer," and the "bedside manner" of professional behavior that reassures customers.
9. Global coverage facilitated by technologies such as the Internet and other world-spanning networks.
10. Mass customization: winning a greater share of market by efficiently meeting individual customers' unique needs. Dr. Sheth's analogy is the difference between French and Chinese restaurants. French restaurants with relatively limited menu variety rely on large market areas of individual diners visiting the restaurant infrequently. Chinese restaurants, offering virtually unlimited menu choices prepared quickly to the patron's order, win diners' frequent visits and therefore can survive in much smaller markets.