MARKETING

CONTEMPORARY DIMENSIONS OF SALES MANAGEMENT

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Abstract: The paper analyses changes in the factors of the macro- and micro-marketing environment that have given a new image to contemporary sales over the last two decades. It also reviews key concepts and approaches to modern sales management and contributes to the theory of sales management by designing a conceptual goal-oriented model. The model presents three levels of relations that exist between three modules of metrics — those of sales, marketing and business organisations, and function as a system. The flexibility of the model renders it universally applicable to business organisations in different sectors of the economy.

Key words: sales; sales management; sales management model; sales management metrics.

JEL: M31.

Introduction

The sales management process has been affected by new developments in contemporary marketing environment that started at the beginning of the 21st century. A number of objective structural and functional changes have taken place in economics in terms of improved e-commerce, more specific customer demand, the adoption of technological, product and sales innovations, etc. As a result, the nature and the focus of sales management have been changing, too. It is now possible to employ new conceptual approaches and models to sales management. The *main objective* of this paper is to systematize these contemporary dimensions and to suggest a new conceptual model that will contribute to the

methodological foundations of sales management. The model presents the direct and indirect relations between sales metrics and marketing performance metrics and the business performance of enterprises in compliance with set goals. It is applicable and relevant to the modern concept of business entities as organisations that seek to accomplish their short-term and long-term goals through the sales process. The specific *tasks* that need to be fulfilled in order to accomplish the aim of the research are: to analyse changes in the characteristics of the sales process (at a macro- and micro-level); to identify contemporary aspects of sales management and to use them as the basis for designing a new integrated goal-oriented sales management model.

1. Dynamics of Contemporary Sales Features

As a result of the numerous external and internal, exogenous and endogenous, objective and subjective processes that have been going on over the last two decades, it is possible to identify the following **macroeconomic trends affecting sales** (Kostova & Petrov, 2002):

- The shorter life cycle of products leads to their increasing uniformity and lack of product differentiation, thus establishing product parity;
- Extended and more complex product purchase the purchase decision is affected by an increasing number of criteria, thus going through numerous stages and resulting in more complicated consumer behaviour models:
- **Growing consumer awareness and knowledge** the number of sources providing information about products and their use is increasing, and so are the opportunities for comparing uniform products;
- **Decisions about purchasing a product are made by groups** the decision-making process involves individuals with different roles in a specific group (a family, a circle of friends, a religious or ethnic community, etc.);
- More intense competition the presence of multiple competitors on the market makes it difficult to analyse or evaluate their

position and behaviour and therefore requires higher flexibility in designing and implementing the strategy of a business organization;

- **Declining customer loyalty** has been registered for nearly all products due to market saturation, better price awareness and the migration of consumers to other products, product categories or brands as a result of pricing campaigns.
- At a **micro-economic level**, the following trends have been identified in contemporary sales processes:
- 1) A pursuit to simultaneously add value to customers and to business organisations. There are two aspects of the process. On the one hand, customer value is added by expanding the benefits from a product, providing ancillary services to a purchase, reducing purchase costs, etc. On the other hand, value is added to companies by improving the quality of customer service, reducing the time that customers spend to search for information, etc.
- 2) **Fast rate of development of e-sales** which is due to reducing the costs of acquiring and storing goods, hiring sales staff, conducting negotiations, closing deals, delivering goods, etc. Online sales are virtual and automated and therefore do not incur such costs. Furthermore, e-markets enable sellers to automatically create a virtual real-time target product range by choosing from thousands of articles.
- 3) A new mode of organizing production the systems for managing enterprises and responsibilities have changed. Flexibility and responsiveness have become a major criterion for competitiveness in business. The need to maintain enormous mass production facilities and take responsibility for the entire process from the supply of resources to the sale of manufactured items on the market has been declining. In contrast, the number of small specialized companies, including outsourcing and virtual ones, that divide into fragments the process of commodity movement has been on the increase. Business organisations adopt high-tech solutions to identify external sources of competitive advantages in three *strategic dimensions*: making the transition from functions to processes, from goods to buyers and from profit to efficiency (Christopher & Peck, 2003). Responsibilities are now delegated similar to rights. Manufacturers become owners of technologies, organisers and managers of the production and

distribution process and tend to operate as *single integrated centres*. The rest of the functions are often outsourced to external specialized enterprises.

- 4) A new mode of organizing the movement of commodities. Radical changes in commodity movement mechanisms relate to the new practice of delegating responsibilities to independent intermediaries that are part of informal supply chains. Instead of gaining competitive advantages from sales while incurring costs on logistics and infrastructure, contemporary distribution channels (including virtual ones) choose not to maintain warehouses, accumulate stocks or make credit payments, but to use short channels and outsource logistics activities to companies with established high standards. In result, both the turnover of funds and the ability to manage turnover are accelerated; wholesale and retail intermediaries are no longer required; and it is possible to exercise stricter control on deliveries during all stages of commodity movement. In addition, continuous feedback on demand is endured and the efficiency of distribution activities increases significantly. Priority is given to the development of systems and networks of value-laden relationships, thus fostering competition between efficiently operating management systems.
- 5) Changes in the structure of supply chains¹ marketing theory and practice traditionally employ endogenous (i.e. internal to the business entity) approaches, the focus being on manufacturers and intermediaries, whereas contemporary distribution chains are becoming an element of the network economy and affect the market through exogenous (external) approaches. In contrast to the traditional marketing concept of consumers being subject to influence and studying the mass, rather than the individual, characteristics of demand, in the modern concept of supply chains management consumers are approached as an element of the process that often initiates the development of new products and the design of new modes of delivery and determines the volume and features of distributed items. The significance of traditional market agents is declining, while that of consumer demand is growing (Hendfild, 2003). Peter Drucker described the new process in the following manner: 'the aim of business is to create a customer,

¹ In classical logistics theory, the concept 'supply chain' is used to refer to 'the activities and organisations which materials go through in the process of their movement from primary suppliers to end users'. (Waters, 2003, p. 32)

i.e. to attract an independent external entity that is able to choose and willing to pay for a good' (Drucker, 2002, pp. 107-129). The focus of marketing is thus shifted on consumers. The contemporary sales process that takes place on the Internet is characterized by perfect competition, the range of products nearly reaching its absolute maximum. Goods sold via the Internet are accessible from any point in the world, wherever the country they are manufactured or stored in is.

- 6) A new mode of organising supply chains sales processes are automated and accelerated by switching from conventional methods to e-commerce in order to react promptly to customer needs and to enable enterprises to be more flexible in identifying new demands on the market. The rearrangement of supply chains means that manufacturers need to make certain changes in two major aspects (Kaluzhskiy, 2014, p. 53-64):
- Optimization of production processes lower volumes of stocks;
 an ability to quickly generate a range of goods; short production cycles;
 competitive advantages gained by supplying necessary resources within short deadlines;
- Reorganisation of information flows ensuring high awareness within the organisation about the internal processes of supply, production and distribution of goods, and about market demand that determines the swiftness of making and executing production decisions based on available information.
- 7) A new attitude to business processes the concept of 'key business processes management' appeared as a result of changes in the attitude to business processes. It relates to managing major activities such as relationships with customers; customer service; demand; delivery of orders; production flows; supplies; product ranges; reverse flows. The purpose of identifying key processes is to ensure their rationalization and to optimise the transaction costs of businesses at large.

All those aspects have changed the nature of sales from an organisational environment perspective. Table 1 makes a comparison between modern and traditional sales:

Table 1 Modern versus traditional sales from an organisational environment perspective

Criteria	Traditional sales	Modern sales
Metrics	Individualistic Transaction-specific Product-focused outcomes or behaviours (activities) Individualistic sales outputs Sales function-oriented	Multiple agents Customer-relationship oriented outcomes or behaviours Customer-focused, e.g. customer satisfaction Team production outputs Cross-functional team-oriented
Goals	Individualistic Product sales quotas Product selling activity quotas	Multiple agent/team goals Customer profitability; Cost-to-serve Customer satisfaction; Value-building and engagement goals
Controls	Individual sales outcome- based behaviour-based Sales function-oriented Formal controls emphasized	Hybrid (outcome and behaviour) controls Cross-functional team-oriented Informal controls emphasized
Incentives and compensation	Individualistic plans Individualistic sales output- based Absolute output-based Product sales-based plans	Multiple agent (team) plans Team output-based (e.g., corporate profits) Relative performance-based Customer satisfaction-based Customer profitability and equity-based

Source: Adapted from Brown, Evans, Mantrala & Challagalla, 2005, p. 155-167.

The trends and factors that determine the development of the sales process also lead to changes in the contemporary profile of sales management in business organisations.

2. New Aspects of the Sales Management Process

The growing influence of all these factors over the last years has affected sales management concepts in several major aspects. There have been new trends in sales management (Albers & Mantrala, 2008, p. 6-8) such as: sales response modelling; sales resource allocation; sales force sizing;

sales territory alignment; integrative models; sales force compensation and incentives; price delegation; sales marketing mix.

It is therefore possible to identify the following laws and principles of sales management:

- Support the implementation of the strategic goal of business entities is;
- Create opportunities for empowering part of the sales staff and for its effective management;
 - Ensure effective sales behavior and skills;
- Monitor customer preferences, competitors' sales and government regulations;
 - Exercise control over the cost of sales;
 - Encourage efforts to achieve maximum customer satisfaction;
- Monitor the processes of pre-sale, sale and post-sale customer service during the warranty and post warranty period.

These principles are materialised by applying up-to-date management approaches:

- The systematic approach. According to the principles of the systematic approach, a process or entity must be approached as a complex of interrelated components (subsystems), the focus being on their integrative features and the internal and external relationships which exist between these components. A sales system is therefore perceived as a set of components that are mutually related and integrated with their environment through an input and an output. Sales management thus refers to specific laws and methods of classification, research and producing a certain impact that are subject to the systems theory.
- An automated sales management system. One of the major assets of businesses that directly affect their performance is their sales process system. The efficiency of an automated sales management system determines the revenues, profit, communication activity, the process of gathering market information, and ultimately the financial viability of businesses and their potential for development. The system makes it possible to set sales goals and tasks, to choose a marketing strategy and to design plans for the implementation of that strategy. In terms of its structure, the system consists of modules for analysing the market situation, the condition of the business organisation,

existing threats and opportunities, the market potential, key customers and suppliers, and consumer segments. The performance of the system can be audited via methods like 'penetration' into the sales process; direct monitoring of the system performance; reviewing reporting documents and documents turnover, gathering information directly from customers, etc.

- Using an Internet and an intranet system to manage sales. This modern trend relates to the need to process large databases, to employ new methods of analysis, to ensure swift and accurate computations and to simultaneously handle a large number of components (modules) of the sales management system. To do so, businesses employ innovative modern technologies based on cloud web services where all data and software are stored on remote servers integrated into a common sales management system. In order to provide such remote Internet services, extensive disk space and appropriate software are required. This benefits the sales process in a number of ways, for example:
 - High speed of sales data processing and transfer ensured;
 - Access to huge disk space is provided;
- A possibility to deal from a distance with a large number of real and prospective customers;
 - Highly personalized sales;
 - High data security and confidentiality;
 - Reduced costs of sales;
 - · An opportunity to use cutting-edge software without acquiring it;
- Automation of the sales management process at all levels of management and execution;
 - Assessing the performance of the sales staff;
 - Identifying and dealing with weaknesses in the sales process;
 - Detailed reports about sales for each period;
 - Flexible working hours of the sale staff;
 - Improved sales service;
 - Sustainably growing income of the business.
- A management system ensuring a continuous sales process. In order to develop successfully, businesses need to ensure sustainable distribution of goods from the manufacturer to the distributor and the end consumer, and to set new, higher sales goals. Such continuity may be ensured

through a sales management system which is functionally related to the system for providing material and non-material incentives to staff. Within the scope of work processes, interim control upon the implementation of sales plans and final outcomes is essential, and so is continuous monitoring on the key metrics of sales performance since it makes it possible to promptly identify any deviations from set goals and introduce any necessary adjustments.

- A relevant structure of sales units. The main function of a Sales Department is to maximise profits and to minimize costs as quickly as possible, while at the same time ensuring maximum customer satisfaction. The design of a Sales Department directly affects sales sustainability and growth, market coverage and the profits of a business entity. In order to ensure its relevance, the design and the optimisation of a Sales Department structure must be based on the findings and assessments of a detailed analysis of external and internal factors and on the plan that has been developed for accomplishing the goals and objectives of the sales management system within the organisation.

Contemporary sales management is also based on the principles of the so-called 'commercial mathematics' which refer to:

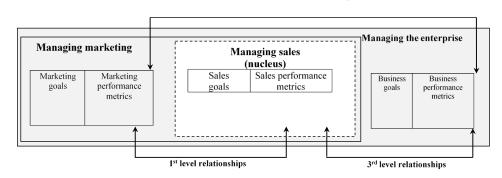
- Employing key economic metrics about the profitability of sales activities, such as gross sales, gross profit and net income;
- Applying pricing methods that are based on profit margins or markups;
- Customer awareness about the goals of recommended prices of products;
 - Categorization of sales staff.

Another issue in contemporary sales management is the lack of a universal method that could be employed to establish the correlation between sales metrics at different organizational and management levels to adequately meet the needs of enterprises.

3. Goals-oriented Sales Management Model

Based on the macro- and micro-characteristics of the identified principles that govern sales management and, above all, on the pursuit to employ the presented complex of contemporary management approaches, it is possible to design conceptual goals-oriented models in which the accomplishment of disaggregated sales activity objectives are measured at three levels. The model is based on the integration of and the logical relation between sales, marketing and business functions. Sales management is the nucleus of the model, since it transforms a marketing strategy into marketing performance (see Chart 1).

2nd level relationships



(Source: Designed by the author)

Chart 1. An integrated goals-oriented model of sales management

The model presents the metrics for measuring sales performance as an element of an integrated measurement system, based on the logical relation 'sales-marketing-business'. Bidirectional relations are thus established at three levels. The *first level* refers to the correlation between sales performance metrics and marketing performance metrics, i.e. product differentiation and innovations, distribution, and the accomplishment of marketing goals. The *second level* refers to the correlation between marketing performance metrics and business performance metrics, according to the type of business which an enterprise develops – commerce, manufacturing, outsourcing, etc. and the goals of the business network, if the organisation is part of such a network. The relations identified at the first and the second level are direct, whereas the *third level* refers to the correlation between sales performance metrics and business performance metrics,

which is essential, despite being an indirect one in terms of functions. Sales are the major factor for applying the marketing mix and accomplishing the goals of a business organisation.

The *nucleus* of the proposed model is the sales management process with its elements (activities) as presented in Chart 2. They are quantified for measurement, analysis and assessment purposes by employing quantitative and qualitative metrics.



(Source: Designed by the author)

Chart 2. The nucleus of the integrated target model

Each of the elements presented in the model includes metrics for measuring sales performance. In some cases, the same metrics could be employed for the different elements, yet they would measure different details.

In terms of the *first-level relations* that are identified in the model, i.e. those between sales and marketing, as presented in Chart 1, two categories of sales metrics are employed – internal and external ones. The model uses *internal* metrics to measure sales within an organisation, i.e. within the sales unit and its relation to the rest of the departments. The model employs *external* metrics to describe the marketing environment and the performance of the Sales Department outside the business organisation. They could be grouped as illustrated in Table 2.

Table 2
Groups of external sales management metrics

Groups	Suggested external sales metrics
Market metrics	Market growth
	Market share
	Market attractiveness
	Market potential
	Market absorption
Competitiveness metrics	Relative quality of the service
	Relative revenue
	Relative prices
	Relative expenses
Customer metrics	Customer satisfaction
	Customer retention
	Customer loyalty
	Customer complaints
	Customer awareness

Source: Adapted from Best, 2005, p. 38.

According to their correlation to the different stages of the sales process, those external and internal metrics may be defined as *metrics for measuring sales performance* and *metrics for measuring sales efficiency*. The relationship between them is illustrated in Table 3.

Table 3
Suggested indicators according to the stage of the sales process

Metrics in terms of the environment	Metrics for measuring sales performance	Metrics for measuring sales efficiency
Internal (Sales Department metrics)	delayed deliveries;errors in reporting;errors in sales management,	 net profit; sales revenues; expenses; sales profit margin; profit per unit sold; inventory turnover.
External (market) metrics	 customer satisfaction; relative service quality; new approaches to encouraging sales; intent to purchase; perceived performance by consumer organisations. 	 market share; customer retention; new products sales growth; revenue per customer; market growth.

Source: Adapted from: Best, 2005, p. 40; Kitova, 2009, p. 65.

Sales performance metrics have three major roles - to assess sales activity, to comply with adopted standards and to improve the sales process.

Those relations are very short due to the fact that sales are an element of the marketing mix. Examples of quantitative relations are those between the market share and the volume of sales; between marketing expenses and sales growth; between the net marketing profit and sales revenues, etc. A qualitative relation is that between marketing performance and customer satisfaction with the service. There are also hybrid relations (i.e. ones that could be measured both qualitatively and quantitatively), for example, the relation between customer satisfaction and the number of complaints submitted in the aftersales period.

It is essential to identify the relation between financial and non-financial sales metrics which distinguishes between the *metrics for measuring the financial effects of sales*, such as expenses, productivity and return, and the *metrics for measuring the non-financial effects of sales* (which relate to customers, internal and external sales processes and the sales staff). There are three types of metrics: financial-financial, financial-non-financial, and non-financial-non-financial ones.

Second-level relations refer to the correlation between marketing and a business organisation and are based on the relation between marketing and corporate goals. Examples of related quantitative metrics include net marketing profit - net profit of the business; marketing expenses – total expenses, etc. where the impact of sales is indirect.

Third-level relations in the presented model refer to the correlation between a business organisation and sales. They develop indirectly in different aspects, for example, between some financial metrics for assessing the performance of the business organisation and sales performance metrics, as illustrated in Table 4.

The sales metrics in the integrated model can be used to measure, analyse and assess sales performance, sales efficiency, the contribution of sales to accomplishing the goals of the business organisation and sales effects. Diverse as they are, those metrics function within a **system** and are integrated by the cause-effect relations which exist between them. One of

the characteristics of that system is that at a higher (management) level at a higher (management) level, sales metrics can be *aggregated* to a couple of key indicators to measure sales activity (for example, net sales profit). On the other hand, key management indicators may be *disintegrated* at a lower (executive) level into operational metrics to measure the individual contribution of each member of the sales staff or the contribution of different units to overall sales performance. Each business organisation determines a limited number of key metrics that are essential to its goals and development.

Table 4
The relationship between an organisation's financial metrics and sales performance metrics

Financial metrics for assessing the performance of an organisation	Metrics for assessing sales performance
Sales revenues	Sales growth by markets as a percentage Relative service quality
Net expenses	Sales growth – total
Net profit	Customer retention as a percentage
Sales expenses	Sales growth by commodity groups as a percentage
Operating expenses	Share of new customers as a percentage
Earnings before interest and taxes	Sales volume worth
Return on sales as a percentage	Dissatisfied customers as a percentage

Source: Table designed by the author

Information provision for the integrated goal model may be ensured through modern software solutions that are based on the complex synchronous transfer of information at all executive and management levels. Examples include 1C systems like Trade ERP for commercial activity with a subsystem for sales planning; CRM for monitoring sales on- premise or in an Internet cloud with Microsoft Dynamics 365 and Power BI modules, and One Touch Retail (OTR) as an integrated retail sales management system, the Sales module of MACS® as commercial software for all sales processes, etc.

Conclusion

The research presents the characteristics of contemporary sales and analyses trends in modern sales management as parameters that change the overall image of the sales process. At the same time, they are used to identify new approaches to sales management. Hence, Bulgarian business organisations could use the proposed integrated goals-oriented model as a sales-management instrument. Due to its universality, flexibility and adaptability, the model could be employed as a sales-management framework by a wide range of enterprises.

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ISSN 0861 - 6604

BUSILESS Managanant

management



PUBLISHED BY D. A. TSENOV ACADEMY OF ECONOMICS - SVISHTOV 4/2019

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In 2019, the printing of the journal will be funded with a grand from the Scientific Research Fund, Contract KP-06-NP/36 by the competition Bulgarian Scientific Periodicals - 2018.

Submitted for publishing on 28.11.2019, published on 05.12.2019, format 70x100/16, total print 100

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