The Management Accountant and Sales-Force Strategies

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Introduction

A new marketing paradigm has emerged due to the rapid changes in the business environment. It is no longer a "do more" marketing that simply turns up the volume on the sales spiels of the past but knowledge – and experience-based marketing (McKenna, 1991, p. 65).

Chances for merchandisers to push their products to customers and realise sales have vastly increased. Thus, it is said that the salesperson's role has been relegated to that of a merchandiser and the role of a salesperson is dead in 'below-the-line' strategies.

This paper looks at the change in the structure of industry and the impact that it has had not only on the salesman but also below the line strategies such as sales promotion and merchandising. It identifies that the salesman of today is much more sophisticated due to the fast-paced environment in which they operate and that they are part of the overall marketing strategy of a firm.

The paper then looks at the role of the management accountant in assisting of firms below the line strategies. It explains that a management accountant plays an important role in controlling the use of below the line strategies through setting, implementing, and measuring them.

Below the Line Strategies and The Role of The Salesperson

A company's corporate objectives and specifically the company's marketing objectives drive firms' marketing strategies. Implementation of firms' marketing strategies will be done via their marketing mix, which is a combination of four elements: Product, Price, Promotion (communication), and Place (distribution).

When taking a closer look at the promotion element, Peattie and Peattie (1995) and Jones and Philip (1990) suggest that the communications mix is denominated by "above the line" and "below the line" strategies. Above the line marketing includes communications such as mass media advertising and represents actual outlays. Below the line approaches refer to all non-advertising forms of promotions that sacrifice income.

Sales promotions and direct marketing are below the line strategies. Jobber (1973) asserts that below-the-line activity includes reduced price offers, pack offers, free mail-ins, gift vouchers, stamps, point of sale displays and trade discounts. They also include direct marketing activities such as a sales force and telemarketing.

But long before sales promotions existed, sales were –and in many cases still are– promoted by sales people at a face-to-face level.

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McMurry (1961) clearly portrays the role of the traditional salesman, which has played a crucial function in the evolution of marketing history[2].

The Impact of Structural Change

Since McMurry defined the different roles for salespeople in 1961 the structure of industry has changed dramatically. The role of the salesman may have been the sole focus of marketing a product or service: it is now only part of the overall marketing mix. This has not created the death of the salesman but has dramatically impacted the manner in which not only salespeople but below the line strategies in general work in today's organisations. Some of the major structural changes are explained below.

Leaner Distribution Channels

Businesses are continually focussing on removing processes that do not add value to the customer (Rummler and Brache, 1995). Hence many of the sales processes mentioned by McMurry (1961) are now obsolete or greatly reduced such as the salesman as "a deliverer" and "the salesman as an order taker". Improved logistics, the growth in self-service, centralised procurement systems and technology improvements have reduced the need for these sales roles.

Growing importance of the service industry

The growth in the services industry has significantly changed the way in which business not only operates but exists. Business focus on reengineering has meant that many processes have been outsourced and created in themselves new businesses (Jallat, 2002). Governments have privatised and deregulated much of what were previously government monopolies to create new business enterprises (Kelly, 1992). Concurrently a growth in traditional professional services such as accounting, financial and legal and new professional services such as management consulting have grown rapidly (Jallat, 2002). The intangible nature of services requires them to adopt different marketing strategies than those used for traditional product and often require salespeople with technical expertise (McGuire, 1999).

Consolidation of retailers and intensified competition

Customers are increasingly having less time to shop and purchase whatever they need from the one store visit (Wright, 1995). This combined with the industry maturing has seen a major consolidation of retailers (Hart 1999; Day & Montgomery, 1999). Simultaneously there has been an increase in competition selling into retailers due to maturing markets and the effects of globalisation (Rodrigues, 1996).

Companies selling through retailers are under increasing pressure to keep their products on the shelf. Merchandising is used by businesses as a means to not only attract customers in store but satisfy retailers and hence keep their products on the shelf (Hart, 1999). Selling into retail chains is rarely done at a store level and occurs at higher levels within the retail business selling into multiple stores at once (Heiman, Sanchez, and Tuleja, 1998).

[2] Appendix 1: Detailed explanation of the sales roles by McMurry (1961)

E-Commerce

The internet has changed the way many purchases occur. In some industries businesses have used on-line purchasing to transform supply chains and purchasing patterns such as Dell who have used their on-line ordering systems with suppliers and customers to become the most successful business in the highly competitive computer industry (Wheelen and Hunger 1998; Frigo, 2004).

More sophisticated consumers

In many markets the increased sophistication of business purchasing procedures is forcing firms to adopt an approach that is much more focussed on the senior management of customers. For businesses to be successful this requires a salesperson that is highly relationship focussed and makes their business of strategic partner of their business (Heiman et al., 1998).

Concurrently end consumers are have more information and choice than ever before and are becoming increasingly sceptical and marketers are increasingly looking for new means to attract customers. Below the line strategies such as sales promotion have become more wide spread, as consumers become desensitised to mass media advertising. In fragmented markets sales promotions can provide more tailored and targeted communication than mass media (Peattie and Peattie, 1993).

Recent approaches to sales promotion and direct marketing strategies

These structural changes have greatly impacted the approaches to marketing strategies. Companies' marketing strategies has evolved from the traditional sales-driven strategies to customer driven strategies and finally to the recent market-driven strategies (McKenna, 1991). As suggested by McKenna (1991) and Wilson (2000) that the approaches and marketing strategies is experiencing a fundamental shift: from manipulation of customer to genuine customer involvement; from tell and selling to communication and sharing knowledge (McKenna, 1991, p. 68); from the traditional transactional buyer-seller relationship to the integrative long-term relationships (Wilson, 2000).

Death of The Salesperson?

Some (McKenna, 1991; Craven, 1996; Wilson, 2000) argued that the involvement of a salesperson in the marketing strategies would vanish due to the advancement of technology and the shifts to a market driven strategy. The merchandisers would eventually take over the role of the salesperson and there will be fewer sales positions within the larger firms (Wilson, 2000). The proposition can be illustrated by the application of Electronic Data Interchange (EDI) in Wal-Mart's example (Craven, 1996). Wal-Mart's satellite information system linking its retail stores, distribution centres, headquarters and suppliers. Inventory replacement orders for the retail stores are transmitted to distribution centres and suppliers. Reordering is triggered by the information system based on reorder guidelines (Craven, 1996). In this example, the traditional salesperson's role is integrated into the customers' systems and accomplished electronically.

The Wal-Mart example is a good example to evident the diminishing need for the presence of a salesperson in some business models. However, Anderson (1996; Wilson, 2000, p. 53) suggests that salespersons' role can never be fully replaced due to their ability to establish trust with customers, respond to subtle cues, anticipate customer needs, provide personalized service, nurture ongoing relationships and create profitable new business strategies in partnership with customers (Anderson 1996; Wilson, 2000, p. 53). Nevertheless, due to the increase in environment complexity and growing intensity of competition and an increasing sophistication of buyers in the marketplace, salesperson should adjust their themselves from holding the traditional front selling role to concentrate on providing information on new products, merchandising support and other supporting services (Craven, 1996, p. 9). The salespersons' responsibility should be further extended from merely finishes at the point of sales to be responsible for customer satisfaction and establish long term customer relationship (Preis, 2003).

Wotruba (1991) has proposed the evolutionary process of salespersons' role in the marketing mix strategies from merely the provider, persuader, and prospector stage to the problem-solver and procreator stage[3]. Robert (1991) has refined Wotruba's evolutionary process into a more practical context, that is the contemporary role of salesperson is to serve as a vital customer link, constantly evaluating customer needs and marketplace trends and influencing their companies to respond to those needs and trends. To facilitate the provision of tailored product-service packages to meet idiosyncratic needs of customers and provide technical help and service that add distinctive value to each transaction.

With the technological advancement, salesperson can be able to facilitate company in the perusal of the new marketing strategies in the sales promotion, direct marketing disciplines through the utilisation of centralized databases from remote locations, and prepare specially designed packages corresponding to unique customer circumstances. In addition, companies can enhance the effectiveness of this information-driven flexibility by empowering their salesperson to make pricing and promotional decisions (Brown, 1991).

The newly defined role of a salesperson can be drawn from a company which adopts an integrative business model. The salesperson takes the role of an ongoing in-plant consultant and acts as part of the buyers' company. Selling still takes place in such context, but in a consultative way. The salesperson would look to leverage off their knowledge and suggest new ways of doing things or provide solutions to improve operational inefficiencies (Wilson, 2000). Salespersons' role has become more interactive with the customer and required them to possess the relevant technical knowledge and skills (Craven, 1996). The example has illustrated the change in salespersons' role taken place in the change in direct marketing strategies. In addition, sales promotion strategies have also taken place by means of reducing operational costs in the exchange process and creating value through cooperation between the buyer and seller (Kalwani & Narayandas, 1995).

The Implication for Management Accounting

Relevance of accounting to sale strategies

Accounting is relevant to below the line strategies for establishing the structure and composition of the sales force, recruitment of salespeople, budget targets and setting, incentive and reward schemes, guidelines for changing sales strategy, and integration of accounting information and customer relationship.

As within all parts of the business control mechanisms are imperative to ensure performance measurement. With below the line strategies it is vital that we have a control mechanism that states the objectives of the below the line strategies so that the right mix of marketing tools can be selected. The control mechanism should also be used to ensure that the strategies are implemented and that the forecasted results are achieved.

[3] Appendix 2: Characteristics of the stages in the evolution of selling

Determining Marketing Strategy

The management accountant plays a key role in the selection which marketing strategies are adopted due to their influence over the allocation of funds in marketing budgets (Ratnatunga, 1993). This involvement should extend to being involved of an analysis of the alternatives chosen within the marketing mix hence determining which below the line strategies are adopted.

The marketing objective will influence the below the line strategies greatly. For instance if a product has a short product life cycle which requires it may require sales promotion to move the product quickly (Peatie et al., 1993). Whereas if a product requires a high degree of technical knowledge in the sales process a highly paid, sophisticated salesperson may be required (Heiman, 1998). Hence the management accountant will have influence over which below the line resources are employed.

Implementation and Performance measurement

Measuring performance of below the line strategies is vital in both their implementation and assessment of their outcomes. The manner in which they are measured should vary between firms according to their marketing objectives and hence will vary between industries. Firms are now adopting more sophisticated measurement techniques that assess more than objective targets such as sales revenue and include subjective measures such as customer interaction[4] (Pilling, Donthu, and Henson, 1999).

The management accountant has an important role to play in evaluating the implementation of below the line strategies and assessing whether there are any emergent trends that require changes in marketing strategies (Marsden, 1998). Hence, if a sales promotion was failing and actually reduced sales, early detection could remove the sales promotion activity and prevent a further reduction in sales.

The measurement of results will ultimately determine as to whether the initial marketing objectives have been met. They should therefore be linked to the firm's reward system to provide incentive for the employees who are implementing the marketing strategies and thus achieve the marketing objectives (William, 1993).

Recent studies show that salespeople will focus more on providing more information, establishing the customer relationship (or become partnership), performing as intermediary between production division and customer (Anderson, 1996 and Wilson, 2000). As a result, costs will re-structured on some areas such as increasing trend on average sale call cost about 12% from 1999 to 2001 (Anonymous, 2001) and increase in internet sale to 25% by year 2007 (Wilson, 2000). As a result, it is expected to be more expenses spend on administration, customer relations, services, and communication. The management accountant needs to consider these changes and incorporate them into the measurement of success of their salespeople.

Reward and incentive system

"The Death of the salesman is one of way to describe the way that management disregards the involvement of sale forces in the planning stage of setting sale incentive programs" (Todd 1991, p.155). Todd (1991) recommended that there are a number of steps to involve their salesperson in the sales incentive program[5].

[4] Appendix 3: Performance Measurement Techniques

[5] Appendix 4: Steps to involve salesperson in the sale incentive program

An effective reward system would enhance the performance of staff through the combination of external factors and internal strengths; therefore, identification the sales management competencies based on the customers expectation would promote development of staff competencies in the changing external factors, reassess customer needs, and readjust sales plan should be done consistently (William, 1993).

Salespeople often have a high proportion of their income determined by reward systems. With the higher calibre of salesperson that exists in today's organisations (Brown, 1991; Wilson, 2000; Craven, 1996) it is vital that the reward mechanisms in place are achievable and fair so as to not only attract the right salesperson but also retain them (Pettijohn et al., 1999). As their roles are changing, it may not be practical for traditional methods of measuring their results for rewards; that is, sales revenue generated. Other measures such as relationship building and profitability of past sales may be built into a balanced scorecard approach to assessing results.

The management accountant plays a vital role in ensuring that the right control mechanisms exist for measuring and monitoring below the line strategies and these mechanisms assist in achieving a firm's marketing objectives.

Conclusion

The below-the-line strategies, such as the sales promotions and direct marketing have evolved into a sophisticated strategic-marketing tool encouraged by the demands of diversity, complex distribution channels, and relationship building tool (McKenna, 1991). Today, with so many choices facing buyers, salesperson's role is beginning to come into its own as a way to add value through service and to improve relationship building and knowledge of customers. Hence the salesman is not dead. His role has evolved to one that services the more sophisticated and knowledgeable customers. The salesman is now become well integrated into the firm's marketing system rather than remaining simply as the sales achiever specialists as in the past. The below the line marketing techniques will vary depending on the type of product or service and the nature of the environment in which they are sold.

Constant structural change to industry creates an important role for the management accountant in controlling the mix of below the line strategies. Reward mechanisms must be established that fit the level of sophistication of the salesman. Below the line strategies must link to the company's marketing objectives. The management accountant must monitor them during implementation to ensure that objectives are met and changes are made to the marketing mix when necessary. After all, what you measure is what you get!

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Appendix 1:

In "The Mystique of Super-Salesmanship" (1961), McMurry describes the different roles of the salesman in terms of the different functions they have performed or still carry out: realise

Function	Illustration
Delivering products, where selling responsibilities are secondary	Few sales are originated by the salesman, e.g., the milkman or fuel pump attendant.
Taking orders because the customers have already made up their minds	All the salesman does is serve behind the counter, e.g., the man at the corner store
Taking orders but working in the field	Little creative selling is made, such as the one made by a warehouse manager who is contacted by the purchaser
Building on good will or educating potential customers (no order taking)	Sales are not actually made by the salesman, they are just promoted, e.g., a pharmaceutical representative
Emphasising in technical knowledge	The salesperson is a consultant to the customer, e.g., engineering sales
Creatively selling tangibles	The salesman has to come up with ideas, methods or approaches to generate the customer's interest, before selling his product, e.g., encyclopaedias, vacuum cleaners
Creatively selling intangibles	The salesman has to come up with the correct approach to sell something that the customer cannot see or touch, which is often more difficult to sell than to sell a tangible, e.g., insurance, advertising services

Appendix 2: Characteristics of the stages in the evolution of selling (Wotruba, T. R., 2000)

Stages	Characteristics of salesperson
Provider stage	Selling is limited to accepting orders for the suppliers available offering and conveying it to the buyer.
Persuader stage	Selling involves attempting to convince any and all market members to buy the supplier's available offering.
Prospector stage	Selling includes seeking out selected buyers who are perceived by the salesperson to have a need for the supplier's available offering as well as the resources and authority to buy it.
Problem-solver stage	Selling involves obtaining the participation of buyers in identifying their problems, which can be translated into needs, and then presenting a selection from the supplier's available offerings that correspond with those needs and can solve these problems.
Procreator stage	Selling is defining buyers' problems or needs and the solutions to those problems or needs through active buyer-seller collaboration, and then creating a market offering uniquely tailored to match those specific needs of each individual customer.

Appendix 3: Recent Performance Management Techniques

Three perspectives of performance measurement are:
1. Output performance measurement;
2. Temper evaluation of performance with a subjective assessment; and,
3. Evaluate actual performance with the expected one

Examples of the recent performance measurements include:
- Data Envelopment Analysis (DEA)
- A meta-analysis of objective and subjective measures
- A scale for measuring adaptive selling ADAPTS
- Selling orientation and customer orientation scale (SOCO)

Method	**Research**	**Purpose**
Data Envelopment Analysis (DEA)	Bruce K Pilling, Naveen Donthu, Steve Henson (1999)	A qualitative tool that is used to measure the efficient of a salesperson by the amount of input he/she consuming to create the output. Such as sales per account, growth rate, market share.
Meta-Analysis	Rich, G., Bommer, W., Mackenzie, S., Podsakoff, P, and Johnson, J. (1999)	A measurement tool that balance between the objectives and subjective measure. Objectives measurement includes sale as percentage of quota or market potential, sales corrected for economic condition. Subjective measurement includes organizational citizenship behaviour.
ADAPTS	Ronald, M. Douglas, V., and Gordon, B. (1996)	The altering of sale behaviours during the customer interaction or across customers' reactions based on the perceived information about the nature of selling situation.
SOCO	Tadepalli, R. (1995)	Developed to measure the degree to which salesperson is engaged in customer-oriented selling. The sale consists of 24 statements that best described ways to which salesperson interact to the customers.

Appendix 4: Steps to involve salesperson in the sale incentive program (Todd, 1991)

(1) Allow salesperson to identify the problems through questionnaire
(2) Share the results from survey with salesperson
(3) Let salesperson announce the incentive program by themselves
(4) Know when to stop involving salesperson
(5) Have sales person evaluate the program
(6) Make sure the feedback performed consistently