Trends of the Sales Force Monitoring Development in Multinational Firms

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Abstract: The sales-force is one of the most important function in the marketing mix in case of many companies. It comes more into prominence when the company operates in business to business relations. The objective of this research to explore and present the development trends of the sales-force controlling procedures in field-force oriented, multinational firms.

Having the sales-force management in key functionality is essential to support this field by well developed innovative reporting system. Decisions are strongly influenced by the sales force reports, so their continuous developments plays very important role in the companies' life. Without that the firm will lose its position in the strong competition. So it is essential to invest in the sales force monitoring developments.

Keywords: sales-force monitoring

Journal of Economic Literature (JEL) code: M16, O3

1 Introduction

The objective of this research is to examine important monitoring processes regarding sales force evaluation used in multinational firms, with relative large field-force team, in which companies the field-force is one of the most important function in the marketing mix. The aim of the study is not to examine all of the sales-force evaluation methods, but to focus on the activity and sales monitoring techniques. The research shows practical realizations and tries to highlight their most important elements.

The sales-force team is one of the most important marketing tool for many companies, which represents the interface between the customers and the company. The field-force is often only function that generates sales, especially in industrial goods, but also in FMCG sector, or on the medical field.

Therefore the intensive control, the proper monitoring system and the adequate compensation system is essential for these kind of companies. The different

combination of these tools might affect the behavior of the sales person differently (Bergen, Dutta, and Walker, 1992).

2 Theory

Beyond matching the business strategy and the marketing policy it is also crucial to build a bridge between marketing policy and the sales force management, which is one of the most important element of the marketing mix. The sales-force management plays a prominent role in creation of customer value (Porter, 1985; Day, 1992). The sales-force management is the most important form of promotion in the business to business market.

There are two dominant frameworks of business strategy in the strategic management approach. These are Miles and Snow (1978) and Porter (1980) typologies.

Miles and Snow model is about the alternative ways in which organizations define and approach their product-market domains and construct processes and structures to achieve success in these domains. This model define four type of aggressiveness strategies: prospector, defender, analyzer, and reactor.

In this model market defenders attempt to cover and seal off a part of the total market to create a stable set of products and customers, while the prospectors continuously try to find and exploit new product and market opportunities.

There is the analyzer type between the defender and prospector. They are less committed to stability than defenders but they take less risk and make less mistakes than a prospectors. They are often second or third place entrants in the market. Most companies are analyzers.

The forth one is the reactor, which has no proactive strategy. These companies responds only when they are forced by pressures coming from their environment. They have no real focus direction. This is the least effective company strategy (Miles and Snow, 1978).

Miles and Snow typology	Strategy	Organization
Prospector	Trying to find new market opportunities, Making innovations, Growing, Taking risk	Flexible structure, decentralized, Innovative and creative
Defender	Protecting its well-established business by doing whatever is necessary to aggressively prevent competitors from entering their turf.	Centralized, strong control, efficient production
Analyzer	Performing moderate innovations, monitoring the activities of the competitors and using their successful ideas.	Flexibility but under tight control, efficient production, creativity
Reactor	There are no clear strategy, responding to environmental changes	No clear organizational approach, depends on current needs

Table 1
Miles and snow strategy typology
Source: Miles and Snow, 1978

Porter proposed to view the entrepreneurial problem as a product of how the firm creates value and how it defines its scope of market coverage. He outlined three generic strategies, cost leadership, differentiated, or focus.

We are talking about cost leadership strategy is when the company wins market share by focusing on cost-conscious or price-sensitive customers. They operating with the lowest prices in the target market segment, or at least the lowest price to value ratio. Due to the low cost products the firm must operate at a lower cost than its rivals, to achieve profitability and a return on investment.

Porter's second strategic approach is the differentiation when the company try to differentiate its products or services. They try to highlight the advantages and gain market share from the customers who are willing to pay more for the better or more fashionable products or services. (E.g. Mercedes, Apple, etc. are following this strategy.)

Lastly there is the so called focus strategy (also called as segmentation strategy), when the company tries to focus on a few target markets, which are distinct groups with specialized needs. The choice of offering low prices or differentiated

products or services depends on the needs of the selected segment and the capabilities of the company.
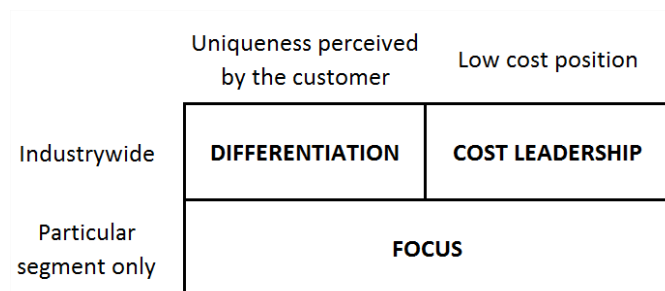

Figure 1
Three generic competitive strategies of Porter
Source: Porter, 1985

This article is not intended to analyze the relation between business strategy and marketing strategy. It is generally known that the business strategy defines the company itself. It is a long term plan of action designed to achieve the goals or objectives, so it is about how business should conduct to achieve the desired goals. It defines the desired goals too (e.g. increasing sales volume, increasing profits, etc.) and identifies the market.

While marketing strategy is about the activities, so it defines the actions like campaigns, direct marketing tools and their timings. So it is about the mix of the tools which will help to reach e.g. the required market share. Marketing strategy includes all the activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market-oriented strategies and therefore contribute to the goals of the company and its marketing objectives (Homburg, Kuester, and Krohmer, 2008).

It is generally known that the sales-force plays the most important role in the implementation of the company's strategy. Therefore the two-way communication - including the sales force monitoring - between the management and the field-force is critical.

If the company follows e.g. the focus strategy, then the sales force monitoring team should be able to control the activities of the field force members whether they really visit the desired segment of costumers, or whether they promote the products and services in line with the desired strategy.

3   Sales-force monitoring development trends

Most of the sales-force controlling systems contain the main trunk databases like the client database, the sales-force[1] structure (which contains the representatives[2] and the area managers[3] and their hierarchical relations), and of course the relations between the data (like representative linking to a group of clients). These linking are mainly based on territorial units, for example by counties, or by subregions (often called as bricks[4]). Of course it is beneficial to use the same level of territorial units in the sales-force controlling system and in the sales monitoring system too, because in that case it will be possible to easily compare the promotional visits[5] and the result of them, so the sales on the same territorial level.

So in the sales-force controlling systems the representatives report their activities and the given promotional materials to the customers. In case of more than one product promotion most of the systems record all of the mentioned products during the promotional visit.

3.1.   Sales-force monitoring development methods

We can extend the controlling functionalities of the sales-force by several quite effective functionalities detailed below.

-   Appointment planning. The representative is able to define the intention of the visit in advance if the appointment has been already discussed with the customer in advance. With the help of that controlling functionality improvement, the representatives, or even their controllers will be able to check the in advance planned visits and optimize the routes of the representatives.

-   Improving the personal sample inventory functionality allow us to handle the product samples, or the promotional materials more effectively. It improves not only the controlling of the representatives, but also helps in the financial

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[1] Sales-force: Sales-force team is a team which operates on the field with customer visits. They promote and/or sale products or services direct to the customers of a company. Sales-force team contains the sales representatives and the area managers. Sales-force and field-force expressions are often used as synonyms.

[2] Representative: Representative person is a sales-force member, who operates on the field with product presentations and promotions to the customers. Most of the companies abbreviate them as REPs.

[3] Area Manager: The area manager is the principal of a small group of representatives.

[4] Brick: The brick is a group of several nearby cities and/or towns. It is a smaller area than the county. Hungary has 175 bricks in 2014.

[5] Visit: In this context we are talking about a visit to a customer done by representative for promotional or sales reasons.

accounting as well. Based on the tax rules in most EU countries a company can reclaim the VAT of the promotional materials if there is a strict recordkeeping of these materials. Without personal inventories it is not possible.

So the personal inventories of the representatives keep the record of all material movement by the representatives. It will save all the material transactions from the headquarter to the corresponding representative and also the transactions between the representatives and the customers. With the help of that we will be able to get an actual stock report at any time even on headquarter, or even on representative level.

- The effective client targeting is also essential. A targeted market is a group of customers towards which the business has decided to aim its marketing efforts (Kurtz, 2010). For that purpose there is a need of grouping, or targeting possibility from the customers' database point of view. In an improved sales-force controlling systems this function is already present, so we can create a "should be visited" customer group for the representatives. The representatives will be able to filter the customers by this group too, having the possibility to see the chosen/grouped customers. Later on, based on the visit experiences the representatives will be able to categorize the clients. They will be able to define important, medium important, or not important clients.

- The client validation is also important. It is not too effective when the representative is able to modify the customer's data but without any control. Of course it can be controlled somehow by a headquarter based team, but this is a huge workload, and an office based worker, or even an office based team will not know all the clients all over the country, so they will not be able to effectively validate the modifications on clients made by the representatives. The semi-automatic validation can be a very effective innovation. It means that we can get the validation from another representative in the same territory. So we can set the sales-force controlling system to accept the modification of a representative if it is accepted by another sales representative as well who works also on this territory (but e.g. on another product line).

- And there is a very beneficial facility which is the correction possibility. The first generation sales-force controlling systems gives the functionalities to report the visits or activities done by the representatives, but if they make reporting errors then it has to be corrected by the headquarter' monitoring team. Of course it can happen that the representative forgets to enter e.g. the given product samples or an expense and he/she sends the daily report to the headquarter. When the representative realizes this mistake then it is too late. So the day will be defective/insufficient and the representative will not be able to correct it anymore. The innovative solution can give a time period

(e.g. some days) while the representatives are able to modify the already sent, or closed days. But this modification can be monitored and has to be approved by his/her manager.

4 Findings regarding operational cost monitoring developments

There are several quite effective ways to improve the field-force monitoring. With the help of them the controlling team is able to reduce the operational costs and improve the efficiency of the activities on the field.

4.1. Market share with customer visit and marketing activity analyzes

Asking marketing managers and sales force managers about most important reports they will answer almost certainly that the measurement of marketing activity effects is one of the most important indicator for them.

They obviously want to know the effect of different sales-force or marketing activities for the activity planning. Of course it is a more unknowns equation. The effect of the activity depends on many internal and external factors, such as competitors activity, seasonality, intensity, volume and effectiveness of the activity, etc.

But based on the empirical evidences from the former activity results coming from the sales-force monitoring the management can predict more effectively the expected results of activity plan's elements. These kind of reports are also very important in the activity effectiveness monitoring. If e.g. a marketing activity result remains below the expected effect then the management can react at once, and can draw the conclusion and detect the execution errors.

Market share is closely monitored for signs of change in the competitive environment, and it frequently drives strategic or tactical action. (Farris et al., 2010).

The following report shows the visit numbers of the representative with a certain product on monthly bases together with the activities and also shows their effect on market share in one graph.

Similar effective reports can be produced by modern sales-force monitoring systems. In case of a business intelligence solution the report interactively changes by altering the filtering parameters (e.g. by choosing another product).
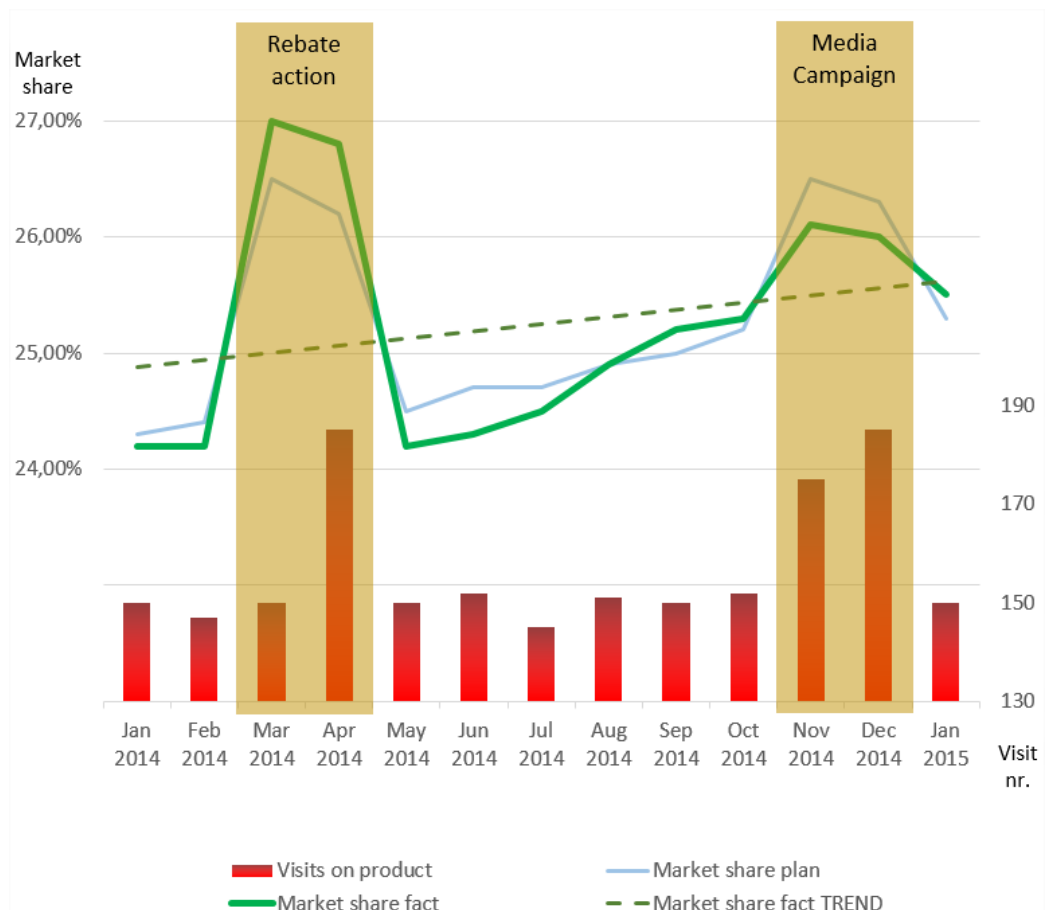
Figure 2
Sales-force report about visit and marketing activity effect on market share
Source: Erményi, 2015

So this report shows two important factors and a key performance indicator together on a quite effective visualized way. In the bottom of this complex chart we see a bar chart with the promotional visit number of the chosen product. The large beige columns - from the top to the bottom of the chart - mark the periods where special marketing activity has been performed on this product. On the top of these columns this activity is specified.

The line graph shows the market share. The pale blue is the market share plan coming from the marketing plan and the green line is the fact market share. The dashed, straight line is the linear trend of the fact data of the market share.

With a help of this report the manager can measure the efficiency of the marketing activities within several seconds and also can evaluate the accuracy of the sales planning on market share basis.

4.2. Crosschecking of dual visits

One of the important controlling functions is the crosschecking of the representatives' and the area managers' data.

We are supposing that we have all data of the promotional visits reported by the representative and all the reported data of the area managers too. In most of the sales-force controlling systems the area managers also have to report their activities, which are short summarization reports about the days. And in most of these controlling systems the area manager has to report the number of the double visits made together with the representative.

So from controlling point of view we are able to make crosschecking. It can happen, that sometimes they do not say the same. Of course there can be some accidental administrative mistakes made by the area manager or by the representative when e.g. the representative forgets to indicate that a certain promotional visit was together with the area manager. But if there are a lot of contradictions between their reporting then somebody is cheating.

Of course the crosschecking of the daily reports is a huge workload because we have to crosscheck the reported visits of the representatives and the activities of the area managers day by day. So the monitoring team can spend even a whole day with a task like that. But in case of innovative sales-force controlling system it will take just some minutes. It will provide the anomalies between the reports of the representatives and the area managers. With the help of that the sales-force manager will be able to easily analyze if there is cheating or not by the sales-force workers.

Most of the sales-force controlling systems defines an indicator which shows the matching ratio of the dual visit reports of the representatives and the area managers. A general equation for that purpose is the following:

Dual visit matching ration = dual visit number reported only by one of the parties / total dual visits

So the controlling system iteratively check all of the representatives (one by one) concerning the reported dual visits. If the system find a dual visit either reported by representative, or by his/her area manager, then it will be counted under the "total dual visits", so it goes to the denominator. Of course the dual visit reported by both will be counted only once.

Then the system will count how many of these visits are reported only by one of the parties, so only by the representative, or only by the area manager. This number goes to the numerator.

The sales-force controller can easily filter the representatives where the ratio is too low (eg. below 90%) and can perform further check on the representative or even on the area manager.

The following figure shows a simple dual visit crosscheck report, where the sales force manager can find the problematic representatives at a glance. The report shows the dual visit matching ratio by representatives as a bar chart. The representatives with lower values (under 90%) are indicated with red column.

The desired time period and the representatives can be filtered by the controls on the top of the report. Currently one month (February of 2015) is shown.
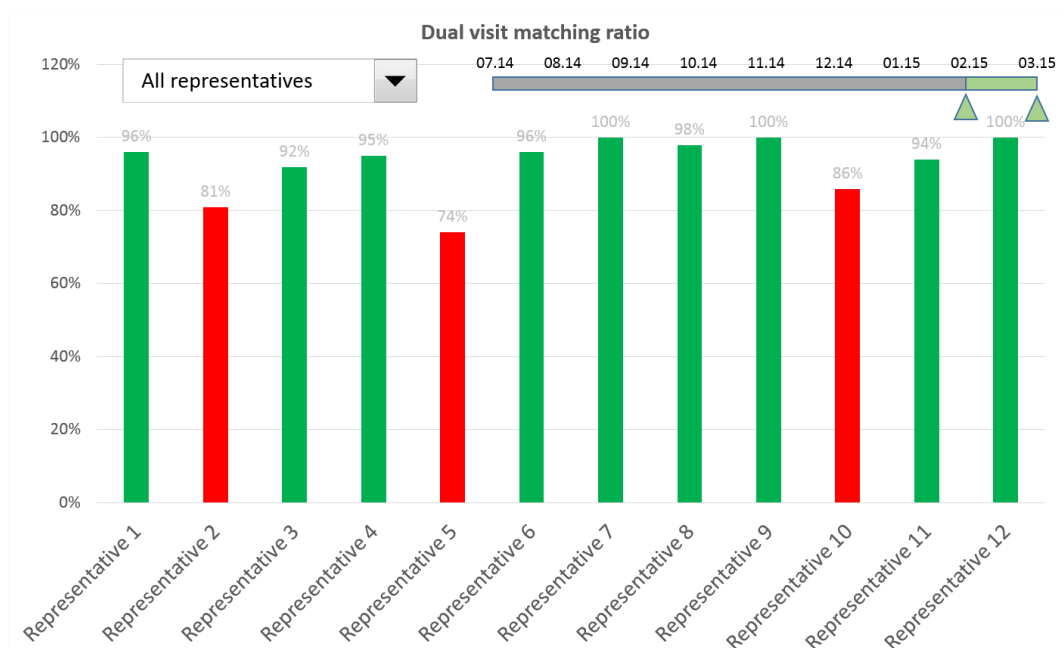
Figure 3

Crosschecking the dual visit reporting of representatives and area managers by dual visit matching ratio

Source: Erményi, 2015

4.3.   Checking the coverage and the frequency of promotional visits

If we project the cost of the visits then we will agree that even one visit costs a lot, due to the representative has salary, uses company car, uses IT or communication appliances, etc.

So it is essential to check the visits from coverage and also from frequency point of view because the company can not afford to perform non-effective visit strategy.

So the companies have to perform monitoring developments to check how the targeted customers are covered by visits and how frequently the representatives visit these persons with the appropriate portfolio. The visit frequency can be calculated by the following formula.

$$\text{Frequency} = \text{Number of visits} / \text{Visited customers}$$

By checking the frequency the controller can conclude whether the representative visits the targeted customers enough frequently or not.

But the coverage information is also very important. The coverage shows how the clients on the territory are covered by visits.

$$\text{Coverage of targeted clients} = \text{Visited clients} / \text{Total targeted clients}$$

$$\text{Coverage of available clients} = \text{Visited clients} / \text{Total active clients}$$

If the graph based outputs are not available then it is worth to develop them. Innovative sales-force monitoring systems provide very effective visualizations as well, because by the help of that the sales-force monitoring can find the too high peaks, or the too low valleys at once. These kind of reports are very informative. If a good target database is available (which show the important clients from the company point of view) then it is worth to use the so called "coverage of targeted clients", due to it will show the percentage of the visited customers from the "should be visited clients" data-set.

An example - from a company interested in medical products - is shown about the amount of targeted customers, the visited customers and the visit frequency together. The report currently shows half year period, but the period can be modified arbitrarily.

The bottom of the composite chart contains a bar chart. The grey columns represent the numbers of the important customers. Beside that there is a colored column about the coverage, which is the number of the really visited customers. This column is red in case of lower values than the planned amount, and green when all of the important customers were visited.
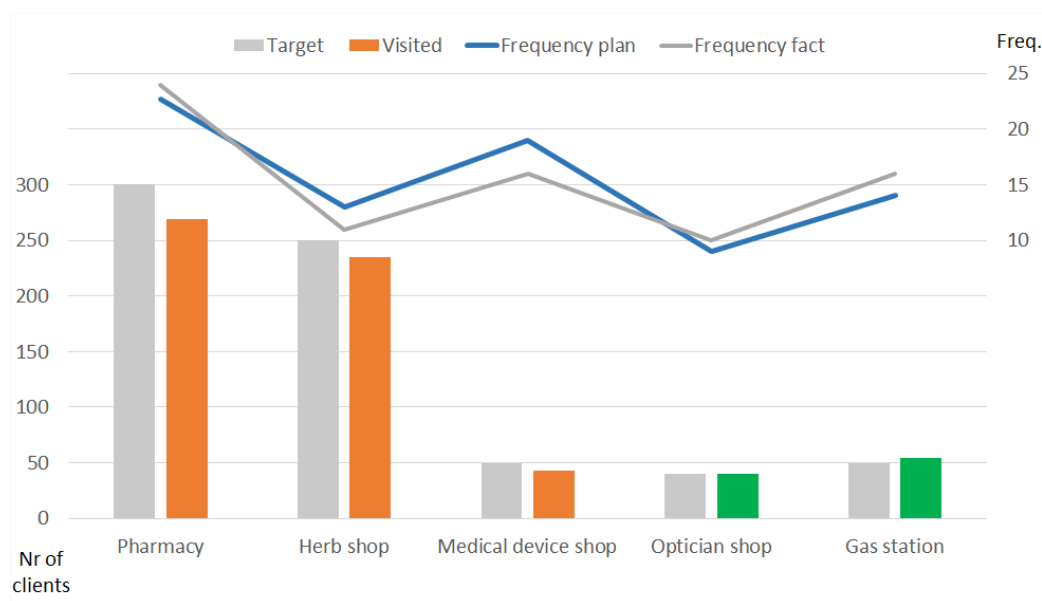

Figure 4
Checking the customers' coverage and the visit frequency
Source: Erményi. 2015

Above these bar chart section the planned visit frequency and the fact visit frequency numbers are shown in a line diagram. Planned frequency is plotted by a grey line while the fact frequency is presented by a blue line.

With the help of this report the sales force manager can monitor very effectively whether the important clients are visited or not. And the manager also sees the frequency of these visits (compared to the frequency plan) at once.

4.4. Operating cost monitoring

Beyond the importance of the activity controlling developments we have to mention the improvement need in the monitoring of the directly available operation costs.

There are companies with a huge sales-force team operating on the field, which generates one of the most meaningful parts of the operating costs. Therefore the

innovation in the operational costs monitoring has a key importance, especially during an economic crisis.

It is essential to have the possibility to check the aggregated operation costs but the controlling needs innovations to have the possibilities to check these important values even by cost centers, or by persons (e.g. by representatives). In case of anomalies they are able to find its reason by drilling the information level down even to the type of costs.

The figure below shows an example of a very effective management report which shows the operating costs by representatives. An innovative system can produce such a report from the available data of expenses. With the help of a report like that the controlling can easily find the persons who has to high operative costs.
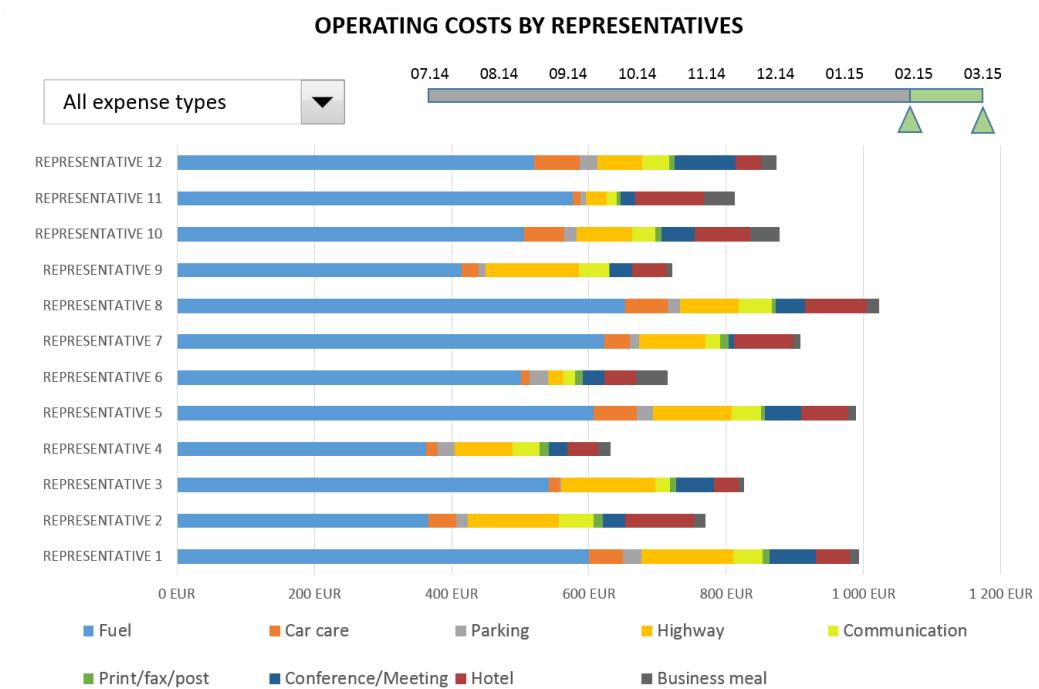

Figure 5
Monthly operative cost monitoring
Source: Erményi, 2015

The controller can chose the type of the desired cost(s) with the help of the combo-box control at the top left corner of the report, or he can leave it as "all

expense types", when all of the operating costs are shown in a cumulative horizontal bar chart. Different cost types are with different colors.

The requested time period can be defined with the help of the time line control on the top right corner of the report.

So if an effective solution is not available for cost checking purpose, then the business controlling needs innovative monitoring solutions in this field, because the controlling and the management need always updated information in an easy to understand format.

5   Conclusion

Marketing and the sales-force do not operate in a vacuum. Decisions are strongly influenced by both organizational forces and market-level. These decisions strongly influence the company's success at achieving competitive advantage (Porter, 1985).

It is fundamental to have an effective sales-force monitoring tools. Successful monitoring and controlling services provide an indispensably required support to managers, especially in times of change (Weber and Nevries, 2011).

Without that it is almost impossible to get good finance results and to survive en economic crisis. Most of the business sectors endure more and more restrictions from the governments as well. Without strict and effective monitoring developments there is no possibility to survive in the intensified competition.

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