

# The impact of the product to service shift in industrial markets and the evolution of the sales organization

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## Abstract

Marketing is undergoing a paradigmatic shift that involves a change in focus from the exchange of goods, which are usually manufactured output, to providing a service, which is fundamental to economic exchange (Vargo & Lusch 2004).

Evidenced by three decades of marketing transformation in B2B (business-to-business) sales organizations, this paper examines the evolution of sales organizations as a result of the shift from product- to service-focused commerce. This paper also identifies areas of future research and practice in marketing. Findings suggest that the traditional product-focused sales organization will evolve in two directions. First, enhanced use of technology will reduce some traditional sales functions and even face-to-face contact. Second, customers who are important to marketers will experience improvements in the level of customer contact—leading to growth in customer-focused sales organizations and an increase in global account management teams. Changes in sales organizations will also lead to changes in the selection, training, and recruitment of salespeople as well as their roles.

Direction for future research and managerial implications are highlighted throughout the paper as are changes likely to occur in sales organizations. © 2007 Elsevier Inc. All rights reserved.

## 1. Introduction

Vargo and Lusch (2004) suggest that the models on which most economic and marketing comprehension is established are goods-oriented and output-based. These models increase common understanding. Vargo and Lusch further suggest that the focus of businesses is shifting away from tangibles toward intangibles such as skills, information, and knowledge. A shift toward interactivity, connectivity, and ongoing relationships is also realized. Described as the product-to-service shift, this movement is becoming increasingly important to academics and practitioners.

The discipline of B2B marketing has also grown in importance in the last three decades. Within the B2B marketing domain, personal selling and sales management emerge as major subtopics. Supporting this premise, Reid and Plank (2000) determined that 2194 articles were published on B2B marketing

topics between 1978 and 1997, of which 673 were focused on personal selling and sales management. In addition, a simple search on Amazon.com resulted in over 30,000 books, which in some manner deal with personal selling and sales management.

This paper looks at the historical perspective of sales practice and research and suggests the direction of the sales practice as it relates to the product to service shift. In addition, this paper examines the decline of the product-oriented sales force and suggests that the traditional product-focused sales organization will evolve in two directions (Fig. 1). First, enhanced use of technology will reduce some traditional sales functions and even face-to-face contact. Second, customers who are important to marketers will experience improvements in the level of customer contact—leading to growth in customer-focused sales organizations and an increase in global account management teams. Changes in sales organizations will also lead to changes in the selection, training, and recruitment of salespeople as well as their roles. The role of a salesperson in the emerging era will be more than that of a general manager. Salespersons will be responsible for marshalling internal and external resources to satisfy customer needs and wants.

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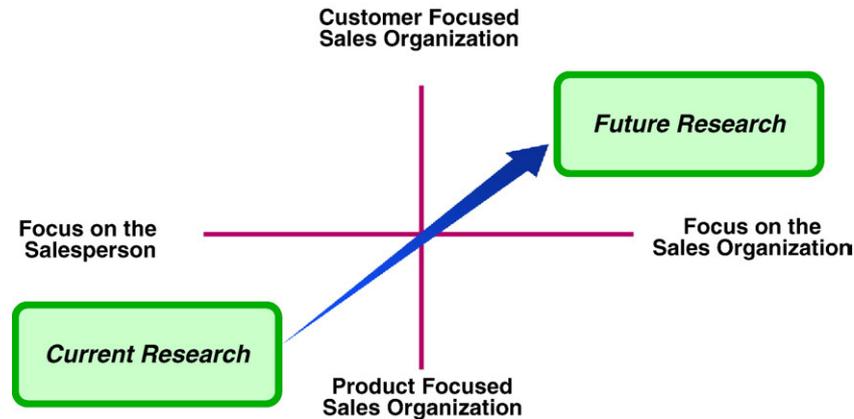


Fig. 1. Shift in sales organizations.

As the sales force shifts focus, marketers will follow suit by moving away from the product-oriented focus to focus on intangible resources, the co-creation of value, and relationships (Vargo & Lusch, 2004).

Nearly all research in the sales area is concentrated on selection, motivation, compensation, and, to a limited extent, sales organizations. However, little attention is given to changes in environments, changes in sales organizations, and the impact of these changes on the theory and practice on sales management. For example, sales automation has become a larger part of a firm's sales strategies, yet for the most part, sales researchers have ignored the topic. The scarcity of research is a stark contrast to the sales force automation articles featured in a special issue of IMM in 2005. Although research on the interaction of sales force and sales automation, e.g., Cotteleer, Edward, & Felissa, 2006; Ledingham, Mark, & Simon, 2006; Hunter & Perreault 2007, exists, research on sales automation is infrequent. Similarly, there is literature on global account management and the customer- or need-focused sales force, but the decline of the product-based sales force and the increase of sales automation are rarely discussed.

This paper is an introduction to research findings, which examine past and current practices and research in personal selling and sales management. Subsections divulge the product to service shift, the outcome of improvements to the sales processes, customer and technology shifts that have led to a change in personal selling practices, the decline of the product-based sales force and the increase in sales automation, customer-centric sales organizations, and global account management. The impact of these changes on practice and research are also explored. Research implications are summarized in the conclusion.

## 2. Looking back at the sales force in a product-focused era

The rapid growth of sales force took place after the Second World War when the product was a firm's focus and production capacities exceeded demand in many industries. At this time, marketing strategies were created to enhance demand. One popular option in B2B markets was the establishment of a sales force.

### 2.1. Product-, location-, and temporal-based sales force

When sales organizations were created, salespeople worked from a specific location and served a geographical area. Salespeople were assigned customers in a geographical area and customers typically interacted with their assigned salesperson during business hours. Also at this time, salespeople were product experts. Some firms had multiple sales forces selling various products. This confined salesforce to locational, product, and temporal limits. A classic signifier of this type of salesperson is the character of Willy Loman in Arthur Miller's drama *The Death of a Salesman*. While there were few research articles published, e.g., McMurry, 1944, books were written that emphasized the locational, product and temporal limits of the sales force. Some examples include Walters (1937); Sutton (1949); Lester (1952); and Gross (1952).

Few firms recognized important customers and created a special sales force for them. This was referred to as a national account management sales force (Coulter, 1935; Morris, 1974). The growth in national accounts came as buying firms expanded. Company purchasing function was centralized when buying firms realized the savings potential generated from centralized purchasing. Firms that became national in scope desired a national account sales force.

In the beginning, few firms utilized sales automation and only as some buyers informed sales organizations of their needs through contractual or informal agreements. This strategy labeled "automatic selling" focused on automatic merchandising (Schreiber, 1954). Most industrial firms did not emphasize sales automation for two reasons. First, sales call costs (labor and phone service) were low. Second, the technology available did not allow sales automation savings.

### 2.2. Sales force functions

The sales force functions matched the persuasion model AIDA (Awareness → Interest → Desire → Action), attributed to E. St. Elmo Lewis in 1898 (Strong, 1925). Similar hierarchy of effects models was proposed for the persuasion process (Lavidge & Steiner, 1961), which can be valid for both advertising and personal selling processes. At this stage, the selling process was

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