Sales Management Strategies to Survive an Economic Downturn

Introduction
The global economic downturn has had a profound effect on sales organizations in every industry sector impacting the salesperson’s daily tasks and selling strategies. Where the topic of selling strategy and the salesperson is abundantly covered (Biong and Selnes, 1996) there is little research in the context of personal selling during a recession. There is a wide range of consultancy and managerial articles available listing advice to sales professionals during an economic downturn; however, they are based on firsthand knowledge rather than theoretical or empirical evidence. This lack of empirical research has lead to the aim of this working paper which is twofold: 1. To investigate how the economic downturn has affected Personal Selling Strategies; 2. Determine how the economic downturn has affected the role of the salesperson. Interviews were held with twenty-four UK salespeople impacted by current recession from a variety of business-to-business companies. This paper contributes new knowledge for sales management and better equips sales practitioners with the strategies to negate the consequences of economic downturns.

Literature Review
Personal selling forms part of the promotions mix alongside exhibitions, advertising and public relations. However, it differs significantly due to its two-way nature, allowing for direct interaction between buyer and seller. The level of interaction is arguably dependent on how valuable a customer is to an organisation. Hakansson and Snehota (1995, p 95) state “for most companies, all customers are not equal; some represent an extremely high share of their sales or profits and are therefore considered strategic partners”. Furthermore, Pickton and Broderick (2005) suggest that customer retention is far more profitable than customer acquisition. This study will investigate if this is true in times of economic downturn, subsequently investigating the role of the salesperson and selling strategies adapted to survive the recession. The extant literature is, for the most part, vague and sparse when it comes to exploring the effect economic downturn has on sales management which compounds the need for this research to be conducted.

Rackham (2009) offers his professional opinions in his article “Selling through the Downturn”. Rackham recalls a piece of advice he received from Thomas Watson, the former Chairman of IBM, who stated “I would rather cut my throat than cut my sales force” (2009, p. 16). A notion supported by McKinsey Management Consultants, who in the 1980’s recession advised companies to strip back every business function apart from sales and marketing (Rackham, 2009).

The salesperson’s role has shifted from merely communicating the superior benefits of their product, to a situation where they create value through problem solving, suggesting innovative solutions (Sharma, 2007), and exerting their expertise and advice. Rackham (2009) argues that it is imperative for selling during a downturn that salespersons must move from selling products to selling solutions and that knowing the customer is fundamental to aligning selling practices to buying practices. However, Canaday (2009) comments that increased pressure during a recession can actually influence the salesperson to push sales without understanding the customer, reminiscent of the selling concept. Rackham (2009) and Canaday (2009) identify that a lack of training obstructs the salesperson from adapting to
market conditions. The sales organisation needs to equip their salespeople with the strategies to sell in an economic downturn while building on experience and reliability to identify the fewer available sales opportunities. Briggs and Sands (2010) suggest salespeople improve customer segmentation, guard their existing customers, boost new product support, and create tailored sales solutions. These selling strategies suggest salespeople should be spending at least 50-60% of their time in front of customers by reducing, or removing, the amount of administration work associated with their job. In other words, solution selling and coordinating the selling activities of the salesperson to maximize their contact time with customers is critical during recessionary times (Steward et al., 2009).

The literature suggests that when the economic climate is harsh sales organisations are presented with the opportunity to consider different revenue streams and market sectors (DiJulius and Helbig, 2009). These researchers suggest there is less competition during a recession and thus opportunities to gain market share must be explored. DiJulius and Helbig (2009) argue that recognizing customers will not merely be won over by price, but rather through creation of an experience is a critical sales strategy during recessionary times. It appears the recession has provided the opportunity for reflection to evaluate the attributes needed to retain or acquire customers. It is evident that during recessionary times sales organizations must return to the basics of selling from prospecting to post-delivery services.

Methodology

The research involved case studies from twenty-four UK companies from a variety of B2B sectors (communications, transportation, office suppliers, car dealerships, recruitment, and manufacturing). Data collection, analysis and interpretation of the data were completed solely by the authors of this paper. The in-depth interviews lasted 45 – 60 minutes, were conducted in late 2009 and were held with salespeople who had an average of nine years of B2B sales experience. We used a set of structured questions to elicit salespeople’s responses regarding how their selling strategies and roles have changed during the recession. The interviews were transcribed verbatim and analyzed using the qualitative software package Nvivo8 as a data management tool. The cases were analysed using the iterative four stage process – data collection, data display, data reduction and conclusions (Miles and Huberman, 1994). The case study method was adopted as an appropriate research design for the study which focuses on understanding the dynamics present within a single setting (Eisenhardt, 1989). The main benefits of case studies is that researchers can move far beyond ‘snapshots’ of ‘what’ or ‘how many’ to probing questions relating to ‘how’ and ‘why’ type of questions and thus explore links between phenomena in real life settings.

Findings

A common theme from the interviews was the need for sales organizations to be positioned effectively in the market to ensure their survival. This led to sales organizations to focus on:

- recognizing customers’ needs to reduce operating costs by providing less expensive products and identifying new products for customers
- the need to go back to the basics of selling
It was found that during recessionary times it was the salesperson’s role to find products that were cost effective for customers. It was learnt that presenting sales solutions that directly impacted the customer’s bottom line were effective in securing and retaining customers.

“The current sales strategy is to try and introduce new products and as many products to every single customer. That’s one way to increase sales if you don’t have the money to go after a new customer base”. (Food Wholesale Company, Sales Manager)

The above quote supports Finch and Geiger’s (2009) findings who argue that the salesperson can shape exchanges ‘on the spot’. This demonstrates the value of having a salesperson that has the initiative and authority to diversify their customer base by offering an extended product range, bundling product offerings and/or given approval to negotiate prices. During economic downturn salespeople must be encouraged to think on their feet and make quick decisions about what is sold and to whom. It was learnt that during recessionary times many customers have centralized the purchasing decision resulting in fewer people holding the purse strings and fewer branch offices being involved with the sales processes. This is particularly evident for government agencies who have undertaken this decision to take advantage of economies of scale. This action has had resulted in many sales organisations to re-think their relational selling strategies.

“Government agencies are now more responsible for the money they spend and are bringing contracts under the one roof . . . customers centralizing their buying locations has resulted in losing many key accounts” (Salesperson, Advertising and Media sector)

“We had great relationships with a number of corporate companies but when the decisions get moved from regional to head offices there is nothing we can do”. (Office Stationary Salesperson)

Creating value and focusing on solution selling (Boles et al., 1997) was another key strategy deployed during recessionary times. One selling organization offered potential customers a complimentary efficiency audit with the intent of becoming the customer’s new provider at a lower cost. This selling strategy became popular during these recessionary times and created immediate cost savings for customers by recommending less expensive products. It was learnt that today’s B2B customers are price driven and are looking to trade down and even consider non-branded products to save money.

“Regular and established customers who never considered carrying the ‘clearance lines’ are now asking about these lower end products . . . so, we have to be prepared to still offer a better product, better price for these lower end products just as we did when offering these same customers our best products a year ago” (Clothing Wholesaler Sales Rep)

“Our customers are driven by price, any recommendation or action we can take to reduce their costs will help me secure a sale and strengthen the sales relationship” (Food Wholesale Salesperson)
The above quotes emphasise the need for salespeople to understand that during economic
times sales solutions that result in lower operating costs which includes a
comprehensive understanding of how their customer’s operate their businesses.

It was found that an organization’s reputation (Martin and Hetrick, 2006) was not as
influential as it used to be, while one respondent suggested that 90% of the time price will be
the deal maker, or breaker. Moreover, for the most part respondents were providing similar
responses relating to three significant points. The first, as mentioned above, price is a major
factor in any exchange, whether it is with a new customer or an existing customer. The
second: that the salesperson is required to work harder to secure a sale. The third was the key
finding that all of the respondents commented how they have returned to the basics of selling
and enhancing their customer orientation skills. This was overshadowed by the premise that
customers are delaying purchasing decisions while lengthening the sales cycle. It was evident
that during recessionary times sales organizations must be prepared to create a selling
solution that meets the customer’s time frame, budget and create substantial value.

“We’re now dedicating two days a week to cold calling solid. In fact it’s sometimes almost
three days calling just to generate the 10-12 appointments for the next week”
(Office Supplies Sales Manager)

“We’ve gone back to the basics of selling . . . getting in front of the customer . . . more cold
calling . . . in fact we’ve converted all of admin staff into salespeople . . . everyone is out
selling including our VP’s . . . even our President is on the telephone initiating sales leads”
(Sales Director, Recruiting Firm)

The importance and significance of building customer relationships (Rauyren and Miller,
2007) was also shared by all of the respondents. Relational selling strategies (Guenzi et al.,
2006) and the need to strengthen supplier relations (Walters, 2003 et al.) were affirmed by all
of the respondents and clearly stated that relational strategies were not optional during the
recession (Dwyer et al., 1987).

“Now is too late, we need to be looking five years in advance because if the first contact is at
tender stage we are not likely to win it” (Thermal Power Sales Director)

“We will only win 1% of sales where we don’t have a relationship” (Office Supplies Sales
Manager)

The above quotes further exemplify the need for salespeople to be a boundary spanners
(Walters et al., 2003; Hoe, 2006). In particular it is the salesperson’s role to create value
through the services they provide and more explicitly that their behaviours are based on
relational strategies (Crosby et al., 1990) designed to nurture and develop relationships even
when there is no short term value or quick profits.

**Implications and Recommendations**

Findings of this study include (1) to survive an economic downturn selling strategies must
include cost savings and a wide product line for the customer (2) centralisation of buying
practices played a major part in the strategic direction of all sales organizations. In turn the
findings found that economic downturn lead to a multi-faceted and complex issue for sales management, the salesperson, and the organization to try and overcome. Sales organizations justified their success during recessionary times as a result of their innovative and cost effective solutions for customers and the ability to provide a wide range of products at lower prices. It was very clear that price is the dominate factor when selling during a recession. Price was the major contributing factor when it came to the final negotiations of the exchange process and that to an extent relational selling (Abratt and Kelly, 2002) was somewhat hindered. The resulting role of the salesperson was distinguishable through two behaviours being adopted during a downturn; aggressive selling and maintaining existing relationships. These are inherently conflicting observations but were the two most widely regarded role behaviours mentioned by respondents. Interestingly, as a response, some selling organizations loosened their control on price in pursuit of winning business; which in most cases was to try and ensure a longer term position by appearing favourably in the customer’s eyes in the short term.

The salespeople who were respondents for this research related stories of acceptance; that is to say, there was only so much that could be done by way of selling because in some instances buyers just weren’t buying or the purchasing decision had been relocated to a head office. However it was quite evident that nurturing and developing the relationship was the primary role of the salesperson and to keep the link strong during the downturn. The boundary spanning role was evidently essential to the salesperson, and ultimately the organization’s success during the economic downturn (Tzokas et al., 2001). The salesperson’s behaviour and ensuing role is determined by the strategy chosen to best combat a tough market. Creating value and focusing on solution selling (Boles et al., 1997) was another key strategy deployed during recessionary times. One selling organization offers potential customers a complimentary efficiency audit with the intent of becoming the customer’s new provider by providing a wider range of lower cost products. This strategy has become popular during recessionary times and creates immediate cost savings for customers. In a similar vein, it was learnt that customers are looking to lower priced products and are willing to extend their product lines with new products.

This paper contributes to sales management studies and practices since it has presented case studies of how a variety of B2B UK companies have formulated sales strategies to survive an economic crisis. This paper has shown that customer orientation and adaptive selling practices are secondary to price when selling during a recession. It was proven that sales organisations need to be extend their product mix and sell on price to survive economic downturns.

**Study Limitations**

This study contributes to sales management knowledge and provides valuable guidance to sales practitioners during recessions. However, the study has methodological limitations since the research was conducted only in the UK. In addition the data was from a variety of B2B sales organizations and may be limited when providing guidance to one specific industry. There is potential for single source bias given that only one respondent per company was interviewed. An area for future research is to replicate this study using a wider sample of respondents from different geographical areas. A similar study be conducted soliciting the view of customers to discover how they should be served by their salesperson during recessionary times would also add value to the sales management literature.
References


Rackham, N. (2009). Selling in a Down Economy. T + D. 63 (6), 16


