Purchasing-driven sales: Matching sales strategies to the evolution of the purchasing function

Bert Paesbrugghe [a,e], Deva Rangarajan [a,e], Arun Sharma [b,*], Niladri Syam [c], Subhash Jha [d]

[a] Vlerick Business School, Ghent, Belgium
[b] University of Miami, School of Business Administration, P.O. Box 248027, Coral Gables, FL 33124-6520, United States
[c] Trulaske College of Business, University of Missouri, Columbia, MO 65211, United States
[d] Indian Institute of Management Udaipur, Mohanlal Sukhadia University Campus, Udaipur, Rajasthan 313 001, India
[e] Ghent University, Belgium

ARTICLE INFO

ABSTRACT

The personal selling field has witnessed the emergence of various sales strategies, including relationship, value, key account, and solution selling. Despite claims about their effectiveness, recent work challenges the relevance of existing sales strategies across buying contexts. Specifically, emerging sales strategies often focus on the user in the customer organization, without being explicitly aligned with the increasingly important purchasing function. To define the critical role of the purchasing function for sales effectiveness, this study collects data from 32 firms in two markets; their purchasing departments reveal four stages of purchasing evolution: passive (price focused), independent (cost-focused), supportive (solution/innovation focused), and integrative (strategy focused). The research demonstrates that each stage of purchasing evolution then requires distinct sales strategies by selling firms and any mismatch of purchasing evolution and sales strategy may be detrimental to sales. This novel view and the supported findings offers several implications for both research and practice.

© 2016 Elsevier Inc. All rights reserved.

Business-to-business markets are undergoing transformations due to digitization, increased global competition, servitization and market fragmentation (Ostrom et al., 2010; Spina, Caniato, Luzzini, & Ronchi, 2013). Thus, in order to grow, firms must increase their marketing efforts, usually through personal selling (Weitz & Bradford, 1999). While sales organizations have tried to reduce cost of sales efforts with increased use of technology in the sales process (Tanner & Shipp, 2005), overall the costs of personal selling continue to rise (Sheth, Sisodia, & Sharma, 2009) due to lengthening sales cycles (Krishnamurthy, Johansson, & Schlissberg, 2003), increased prevalence of customer buying centers (Deeter-Schmelz & Ramsey, 1995), and relentless competition forcing organizations to use their sales forces to elucidate points of differentiation. The productivity of salespeople accordingly has been in steady decline as organizations try to push more complex, differentiated offerings to customers -a process that requires better salespeople, incorporation of services into offerings and more effort (Krishnamurthy et al., 2003; Trkman, Mertens, Viaene, & Gemmel, 2015). Both academics and practitioners thus seek to identify factors that might enhance productivity among salespeople. For example, researchers have been suggesting major changes to traditional sales strategies, including proposals of

relationship selling, value selling, key account selling, and solution selling, as panaceas for reduced personal selling efficiency and effectiveness. None of these proposed strategies has emerged as effective across buying situations.

We identify two main factors that demand a reexamination of sales strategies. First, researchers have suggested that sales strategies have an internal focus (to the selling firm) that has led to the failure of some sales strategies, such as solution selling (Sharma & Iyer, 2011). As an example, proponents of relational sales strategies emphasize why marketing and sales functions should focus on relationship strategies. In contrast, very few studies have examined why buying firms should pursue relationship strategies (Sheth & Sharma, 1997). This focus on relationship marketing from the perspective of the marketing function led to some strategy failures. For example, relationship selling recommends a relationship with all customers, but Fournier, Dobscha, & Mick (1998) point out that not all firms seek relationships. Similarly, a number of researchers have suggested firms develop global and key account programs for their large and strategic customers but research has suggested that some large customer do not want to be a global or key account (Sharma & Pillai, 1996; Sharma, 1997; Pardo, 1997). Also, solution selling has been suggested for most sales organizations, but Dixon & Adamson (2011) suggest that for up to 60% of customers, a solution salesperson may be more of an annoyance than an asset. The emphasis on internal versus external focus can be also seen from the American Society for Training & Development, assessment of the best sales training

* Corresponding author.
E-mail addresses: bert.paesbrugghe@vlerick.com (B. Paesbrugghe), Deva.Rangarajan@vlerick.com (D. Rangarajan), asharma@miami.edu (A. Sharma), syamn@missouri.edu (N. Syam), subhash.jha@iimu.ac.in (S. Jha).

program (ASTD, 2010). Of the six best cases training programs highlighted, only two training programs focused on external factors such as customers – Boston Scientific and Red Hat. The majority focused on internal aspects (e.g., process gap analysis).

Second, recently emerging sales strategies do not explicitly target the purchasing function, through which most orders flow. In an analysis that we detail later, we found that seventy-five articles were published on buyer-seller relationships; buying behavior; relationship marketing in business-to-business; sales approaches; and sales strategies in major journals from 2000 to 2015. Of these, 44% of the articles surveyed or addressed the purchasing function and only 13% addressed the needs of the purchasing function. The purchasing function remains in a state of flux, a dynamic that was not addressed in any research. We suggest a focus on the purchasing function as it is becoming a critical resource for the buying firm (Sheth, Sharma, & Iyer, 2009), and purchasing departments are evolving to become more strategic rather than transactional (e.g., McIvor, Humphreys, & McAleer, 1997; Tassabehji & Moorhouse, 2008; Töytäri & Rajala, 2015). Purchasing departments thus are called on to assist firms in sustaining their competitive advantage (Cavinato, 1999; Schoenherr et al., 2012) and to keep costs under control (Ulaga & Eggert, 2006). Since purchasing departments have not reached the same stage of evolution and their goals differ (Van Weele & Rietveld, 2000; Cavinato, 1999), selling firms need to adopt different sales strategies. For example, a lowest price purchasing department should prompt a different sales strategy than an alliance-seeking partner purchasing department.

To explore the interaction of the evolution of the purchasing function and sales strategies, we seek answers to three main research questions. First, what are purchasing executives' perceptions of their own goals and buying processes? Second, what are purchasing executives' perceptions of sales strategies? Third, how should salespeople match their sales processes to purchasing functions needs; that is, what sales strategies should salespeople follow? To answer these questions, we adopted a grounded theory perspective, conducted in-depth interviews, and gathered data from 32 firms in two markets, in Belgium and in India.

In the next section, we survey relevant literature, focusing on some prominent sales strategies and evidence that has called their effectiveness into question. We then examine the role of the purchasing function and its evolution in recent times. With this foundation, we develop our research expectations before presenting our research and data collection methods. The data analysis then leads into a discussion of the results and their implications for research and practice.

1. Theory

In the theory section, our intention is to highlight three inter-related research streams. The first section discusses extant sales strategies and examines some issues with the sales strategies. The second section discusses the purchasing function and the evolution of the function. The third section discusses the interaction of the purchasing function and sales function and highlights the lack of explicit recognition of the purchasing function, the unique needs of the purchasing function and the differences between purchasing executives' and salespeople's perceptions.

1.1. Sales strategies

We examine sales strategies that have emerged since 1980 to determine the universal appeal of these strategies; relationship, value, key account, and solution selling. In selection of these strategies, we need to clarify three points. First, this list is not exhaustive and some other strategies could be added or some of the strategies deleted, but our focus in on strategies that are most discussed in literature. Second, we do not address sales processes or their associated approaches, such as the well-known seven steps of selling (Dubinsky, 1981), SPIN

(Rackham, Kalomeer, & Rapkin, 1988), or adaptive selling (Weitz, Sujan, & Sujan, 1986) as these sales processes are relevant for increasing the effectiveness of all of them. We also ignore Challenger sales strategy (Dixon & Adamson, 2011) due to major issues associated with it (Rapp, Bachrach, Panagopoulos, & Ogilvie, 2014). Third, the strategies that we discuss are not exclusive and there is overlap between the strategies. In the following sections, we suggest that most sales strategies are effective but not all the time, and we summarize research that demonstrates issues with the strategy.

1.1.1. Relationship selling

Personal or social relationships should be the most effective relationship management tools (Crosby, Evans, & Cowles, 1990; Palmatier, Gopalakrishna, & Houston, 2006). Traditional selling techniques, such as a script-based selling, started moving toward the idea of relationship selling in the 1980s (Crosby et al., 1990) and value creation for both the selling firm and the customer (Grönroos, 2011; Grönroos & Voima, 2013). There is extensive research on the positive outcomes of relationship selling as relationships can enhance satisfaction, which in turn increases buyers' commitment (Grönroos, 2011; Grönroos & Voima, 2013).

There is limited research that has highlighted issues with relationship selling. Sharma (2007) and Seiders, Voss, Grewal, & Godfrey (2005) find no significant association between relationship length and satisfaction. Research examining loyalty also identifies non-significant, or even negative, correlations between relationship length and behavioral and attitudinal measures (e.g., Crosby & Stephens, 1987; Kumar, Scheer, & Steenkamp, 1995; Lusch & Brown, 1996). Finally, Fournier et al. (1998) point out that not all firms seek relationships.

1.1.2. Value selling

In value selling, the selling strategy is to sell the total cost of ownership (TCO), rather than the purchase price. This concept becomes even more relevant as firms augment their offerings and sales approaches with extra services (servitization) aimed at reducing the TCO of the customers (Lee, Yoo, & Kim, 2016). Value selling has a rich research tradition (De Rose, 1991; Terho, Haas, Eggert, & Ulaga, 2012; Töytäri & Rajala, 2015) and research has clarified value selling steps that firms need to follow. The issues with value selling are implementation oriented as customers often find it difficult to determine their value and costs, and also selling firms cannot determine or communicate value (Ulaga, 2003; Hinterhuber, 2008). Value selling is therefore difficult for selling firms because value pricing is difficult to communicate and implement.

1.1.3. Key account selling

Key account programs (also referred to as global, strategic, or national accounts) have proliferated to such extent that sales experts recommend key or national account management programs for all substantial or important customers (e.g., Richards & Jones, 2009; Workman, Homburg, & Jensen, 2003). Key account management is "the performance of additional activities and/or designation of special personnel directed at an organization's most important customers" (Workman et al., 2003, p. 7) and the effectiveness of key account strategies leading higher profitability has been demonstrated.

Researchers have raised some issues with key account selling. Sharma & Pillai (1996), Sharma (1997), and Pardo (1997) find that not all customers like being selected for this status. Napolitano (1997) shows that a majority of respondents surveyed rate partnering through key accounts as a poor option. Dishman & Nitse (1998), Ivens & Pardo (2007), Ivens & Pardo (2008), and Hofer, Jin, Swanson, Waller, & Williams (2012) discover few differences between key and non-key accounts.

1.1.4. Solution selling

In the past two decades, increased competition and product commoditization have led firms in several industries to seek to differentiate