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Marketing and Sales Simulation in the FMCG Retailing Context

SUPPORTING MATERIALS

The marketing department is responsible for creating a sustainable market strategy that guarantees long-term company success. Marketers cooperate closely with many departments in the firm, but the closest relationship occurs between the marketing and sales departments.
However, many conflicts and frictions were observed between marketers and sales professionals at all organizational levels. It could jeopardize the successful realization of marketing strategies and activities on the market.
The complexity of the relationship between the marketing and sales departments is compounded by the fact that there has been a shift in the positions of importance between manufacturers and retail chains in recent years. Retailers are consolidating into large international chains, and their bargaining power towards manufacturers and suppliers is growing significantly.

I. Configurations of the Marketing and the Sales Departments

The interface between the marketing and the sales department takes diverse forms across companies and industries. Both departments may have a very different relative power.
Homburg et al. (2008) identified five typical configurations of the marketing and the sales departments. These are "Ivory Tower," "Brand-Focused Professionals," "Sales Rules," "Marketing-Driven Devil's Advocacy," and "Sales-Driven Symbiosis." The description of these five configurations follows:

1. "Ivory Tower"

- The marketing department has a high customer orientation but low market knowledge;
- The sales department has an operative mindset and a short-term focus;
- Marketing and sales cooperation is insufficient with the marketing department being an isolated caller for more customer focus;
- Common in financial services and machinery industry.

2. "Brand-Focused Professionals"

- Marketing is in the lead role and product/brand focus;
- Both the marketing and the sales departments have high market knowledge and share a long-term orientation;
- Typical for consumer packaged goods industries.

3. "Sales Rules"

- The sales department is in the lead role;

- Marketing is subordinate operative support to sales and has a relatively short-term orientation;
- Typical, for example, in the machinery or automotive industry.

4. "Marketing-Driven Devil's Advocacy"

- Marketing has the lead role and a long-term, strategic and technical focus;
- The sales department has a short-term orientation and operative focus;
- Typical, for example, in the chemical and electronic industry.

5. "Sales-Driven Symbiosis"

- Marketing and sales cooperate interdependently and are both highly customer focused;
- The sales department is the more powerful player in this cooperation and has a long-term orientation;
- Typical for utilities.

Also, Kotler et al. (2006) state that the nature of the marketing department varies significantly across companies. According to these researchers, most small businesses do not establish a formal marketing department, equating marketing with selling. When the small business grows, a marketing person is hired to help the sales force in customer acquisition. However, as the company becomes even larger and more successful, an independent marketing department is established, and it starts to compete with the sales department for funding. Here the conflicts start (Kotler et al. 2006).

In the Czech Republic, it is the sales department that controls most of the larger companies. In a study among 227 marketing managers in large Czech-based companies, the marketing department was perceived as the most influential force in the company only by 14% of respondents. On the other hand, the sales department was perceived as the most powerful body in 56% of cases (Karlíček et al., 2018).

However, research suggests that having a powerful marketing department is beneficial for the performance of companies. It has been proved that a powerful marketing department enhances firms' longer-term future total shareholder returns beyond its positive effect on firms' short-term return on assets (Feng et al., 2015).

Company performance also depends on the level of cooperation between marketing and sales departments. Out of the five configurations identified by Homburg et al. (2008), the most successful were those with solid structural linkages of marketing and sales. To investigate the causes and nature of the sales–marketing conflicts have, therefore, fundamental importance.

II. Conflicts of Marketing and Sales

1. Consequences of conflicts

When the relationship between marketing and sales departments is full of conflicts, this may limit the fulfillment of the company's business goals. The direct and consequential impact of marketing-sales rivalry is observed in corporate culture (e. g. Dewsnap & Jobber, 2000; Matthyssens & Johnston, 2006):

- Lack of cohesion;

- Lack of coordination activity;

- Mutual dissatisfaction;
- Significant misunderstanding;
- Negative attitudes towards the counterparty, negative stereotypes, deep-rooted negative prejudices;
- Lack of sharing a common goal, etc.

2. Antecedents of conflicts

Factors influencing conflict between marketers and salespeople exist primarily on two levels - individual and organizational.

The differences in individual characteristics of marketers and sales professionals depend on their work roles and responsibilities. The marketing department traditionally takes responsibility for setting brand strategy, creating and developing brand awareness, planning a vision of sustainable brand prosperity. Operational activities related to building relationships with customers (wholesalers, retailers, chains) are driven by professionals from the sales department.

The most common drivers of inter-departmental conflict are the following:

- Product long-term focus vs. customer (retailer) short-term focus.

  Marketing experts are responsible for delivering long-term brand building strategies and for developing products and brands with a long-term perspective and decisive competitive advantage. Salespeople concentrate on strong customer (retailers, chains) relationships, daily negotiations, and sales activities to meet their short-term goals (Rouziès et al., 2005). Marketing professionals stand in this cooperation relationship as the representatives of the firm's long-term strategic mission. The short-term orientation of sales goals is in direct conflict with the long-term orientation of marketing objectives.

  Time-inconsistent planning periods support antagonism between long-term and short-term orientation. Weekly, monthly, quarterly, and annual sales plans often do not consider the priorities set out in the marketing annual and long-term plans.

- Working style.

  Salespeople are heavily result-oriented, individualist persons working in the field. On the contrary, marketers are creative and analytical people with significant teamwork focus who leave their office exceptionally. Product is their main priority. (Rouziès et al., 2005)

- Sub-culture.

  The different corporate subcultures, which are naturally present in each corporate department, significantly contribute to the tension between the employees of the marketing and sales department. The marketing and sales subcultures are influential in respected values, attitudes, prejudices, behavior norms, abilities, knowledge. Typical consequences of the non harmonized marketing and sales subcultures are distrust and a low level of mutual respect on both professional and personal levels. Essential subculture elements tend to be negative. Negative attitudes, stereotypes, and prejudices cause frustration in both departments. (e. g. Homburg & Jensen, 2007; Kolouchová, 2020)

There is a deep-rooted prejudice resonating among salespeople that a sales department is the only one capable of acting successfully in the marketplace. Salespeople have a strong tendency to underestimate the potential of marketing professionals. They see marketers as „unrealistic dreamers who develop fantastic however not useful plans“ (Matthyssens & Johnston, 2006), or they blame marketers because "they waste hard-earned money on advertising” (Kolouchová, 2020).

- Motivation.

  Employees of the sales department are strongly results-oriented, marketing professionals prefer job satisfaction, team spirit, they want to have the opportunity for professional and personal development (Rouziès et al., 2005). Sales representatives and sales staff at all levels are constantly evaluated for their results in front of other colleagues, and the best sales efforts are rewarded several times a year. The financial component of rewards is a much less important part of total reward from the marketer's point of view. A critical role play non-financial rewards, which Armstrong (2009) defines as relational, intrinsic rewards (learning and development; the work experience).

- Reward system.

  It is very closely related to motivation. Salespeople always have a quick assessment of their results (Kotler et al., 2006). Who is successful can be seen immediately. Their performance is simply measurable. Focus on weekly, monthly, quarterly, annual outcomes enables quick orientation in the achieved outputs. The marketing effects such as brand awareness, brand value, brand image, long-term profitability, and margin need a more extended assessment period. The effectiveness of some marketing activities on sales results is difficult to assess (Rouziès et al., 2005). It is challenging to find out which communication campaign or other activity at the marketing mix level contributed the most to the growth of market share. Sales contribution is easier to judge, and CEOs perceive sales results as more tangible (Kotler et al., 2006).

- Goals and tasks.

  Sales are typically reported on disaggregated data of individual accounts (customers = retailers), marketing processes aggregated data on products, brands, and markets. Sales performance is typically concentrated on sales volume and revenue; however, margin and profitability are performance indicators necessary for brand health. (Cespedes, 1995)

- Fight for power and budget.

  Perennial conflict between the sales and marketing departments has its roots in the "power" of both department within the company. Both departments need to invest a significant budget behind their activities dedicated either to support sales activities or marketing tactics and strategies. The final budget split between the sales and marketing departments is often a question of the internal fight between the marketing and sales director. The power of a department usually corresponds with the size of the budget (Kotler et al., 2006).

- Communication bariers.

Lack of marketer´s communication with salespeople is a significant alignment challenge. Low interest is observed on both individual and departmental levels. Limited, incomplete, untrue information lead to communication breakdown and mutual disrespect (Beverland et al., 2006). A significant problem in communication creates incomprehensibility and inconsistency of keywords and terms (Malshe, 2011). Sales representatives do not understand brand marketing terminology, and marketers have limited knowledge about the exact meaning of words commonly used in the sales department. Marketing and sales professionals always have their own "key set of words" and activities that should be transparent and understandable for their counterparty.

3. Integration mechanisms

The strengthening and cooperative behavior between salespeople and marketers could be effectively supported in three different areas:

a) Alignment of motivation schemes, targets, and rewards;

b) Actively managed communication and information sharing;

c) Team projects.

Aligning the work motivation schemes of both teams and setting common goals with uniformly set rewards motivating both parties proves to be one of the key factors eliminating conflicts between marketing and sales department (e. g. Dewsnap & Jobber, 2000). A fine-tuned aligned incentive scheme without contradictions (sales volume vs. profitability) improves the working atmosphere between the two departments and significantly promotes mutual respect. Objectives that are naturally accepted and respected by both parties reduce the level of frustration.

The communication probably offers the widest scope for the implementation of integration mechanisms. Communication barriers strongly influence the competitiveness of a company. Actively managed communication sets up non-overwhelming, error-free, clear mutual communication. The introduction of regular meetings and building positive informal relationships results in growing respect, mutual trust, elimination of negative attitudes, prejudices, and stereotypes (Le Meunier-FitzHugh & Piercy, 2010). A high-quality information system contributes to the higher performance of business processes and enables a company to achieve better results. Open information sharing of data, analyses, reports, plans, and ongoing implementation and evaluation can strengthen mutual trust and make collaboration more efficient and faster.

Team projects consisting of representatives of the marketing and sales department offer an opportunity to share knowledge and skills. Finding a solution all together and cooperating during the planning process improves the deep understanding of the way of thinking of the counterpart (Homburg et al., 2008). The short-term sales perspective is blended with the long-term strategic mindset of marketers. Team projects move the relationship forward and create successful future cooperation within an open working atmosphere.

The implementation of integration mechanisms is a challenging process. It requires large financial, personnel, and other resources, especially for activities with a long-term effect (e. g. incentive schemes). Table 1 reports three levels of time required for integration mechanisms implementation in the fast-moving consumer goods sector (Kolouchová, 2020).

TABLE 1

The three levels of integration mechanisms implementation based on time requirement

High	• Identification and alignment of motivation schemes • Building positive informal relationship • Setting common goals
Medium	• Alignment of incentive schemes for the same goals in both departmetns • Elimination of incoherent objectives • Setting realistic targets • Sharing plans, information, data, reports, analyses
Low	• Team projects composed of members from marketing and sales department • Regular information and problem-solving meeting • Definition of key words

4. Benefits of marketing-sales alignment

The positive results of marketing-sales cooperation are manifested mainly in two ways. The first direction influences an external environment of the firm and the second direction works internally within the firm (e. g. Luo & Homburg, 2007; Le Meunier-FitzHugh & Piercy, 2010):

- Examples of positive effects on company´s external environment:
    - Customer and consumer satisfaction;
    - Increased brand acceptance and brand credibility;
    - Growing overall competitiveness;
    - Minimization of lost market opportunities.

- Examples of positive effects on company´s internal environment:
    - Enhancement of the process of creating value for the customer and consumer;
    - More efficient customer intelligence;
    - Improvement of the firm profitability indicators such as return on investment (ROI) and return on assets (ROA);
    - Creation of a healthy social and working climate;
    - More successful implementation of internal marketing.

III. Conflicts of Manufacturers and Retailers

In the consumer goods market, the strength of retail chains is gaining prominence. The relevance of manufacturers and their brands is in decline. The traditional approach when manufacturers controlled their brand success on retail shelves and retailers were dependent on them is no more valid. Manufacturers were used to carrying full brand range in retail stores. Now the power shifted to retailer´s hands (Thain & Bradley, 2012). The retail chains know best their shoppers' preferences (Burnett, 2005). Which brand, product, category achieved the highest sales. Retailers can enjoy influence on customers, and they are ready to offer them their strong brands in many categories. Retail chains centralize purchasing decisions. Their primary goal is not to sell the most successful brands on the market but to maximize profit – fees for new products, focus only on hot selling brand novelties, strong manufacturer´s contribution on the point of sales promotion activities (Kotler & Keller, 2013). Manufacturers are beginning to shift human and financial resources from consumer brand marketing management to point-of-sale activities to improve relationships with retail chains and provide them with a perfect sales service. Retail chains squeeze manufacturers of consumer products.

Formerly, chains welcome brand innovations such as store traffic to increase the number of shoppers. Now they direct the whole focus on their private label products. Globally, private labels accounted for 16.3% of the FMCG category's turnover in 2019. European retail figures confirm that private labels represented 31.7% of FMCG market in 2019 (Nielsen, 2021). Private labels are coming to the forefront of consumers' interest across categories, and they are no longer presented only in food, drugstore, cosmetic, or clothing categories.

The most important advantage of private labels for consumers is attractive prices compared to traditional branded products. Price is the easiest, quickest, and often a most effective tool for a retail chain to influence its sales and profitability. The price advantage of private labels contributes to strengthening the position of retail chains. As a result, manufacturers are increasing the importance and power of sales departments and weakening the marketing department's reputation. Private labels of retail chains thus become another critical source of disharmony between marketers and sales professionals.

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