



*“Improving the sales force performance at King Toys”*

Master Thesis

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**Executive summary:**

King Toys Co (KT) is a middle size private owned enterprise that was established in 1989 with the acquiring of facilities in Athens. The company is merchandising over 3000 different products in toys area per year and it is ranked as relative one of the 'Middle-size Wholesalers in Greece'. More specifically, King's toys main domain is to import and merchandise selected toys from factories mainly in China (also it imports products from Italy, Turkey and Germany). The sales team comes then and it promotes all of the products to costumers mainly in Greece in wholesalers and final retailers.

The purpose of this report is to examine the potential improvements that King Toys should implement in order to achieve higher results in its sales force performance, as well as to explore how these improvements should be implemented. For that reason the author firstly conducted a research in the academic literature of sales force improvement and secondly carried out an analysis of the present state of the company, including internal and external environmental analysis.

In the academic literature of sales fore improvement, some very interesting points are highlighted such as: a) the importance of training and consultancy, b) the importance of collaboration between sales and marketing departments,

c) the value of an effective reward system, d) companies should focus on long term relationships as well as e) on profitability and not in volume.

After the analysis of the external and internal environment of the company, it was found that King toys is a middle size company, which illustrated a sales growth rate of 37 % between 2001 and 2007 (in 2008 sales declined). A great advantage for the firm is the good working climate and the excellent working relations between the personnel. On the other hand, it was indicated that King toys strategy focuses mainly on volume and not on profits. In addition the staff of the company is characterized by weak educational background, as well as lack of training. Moreover, the firm has not an established marketing department. Finally, external analysis identified two interesting points: 1) GDP growth, consumption and birth rate in Greece are declining; b) customers have shifted away from traditional toys to electronic games and computers.

In relevance to what was found in the analysis of the environment of the firm, five points for improvement were suggested. In more details, suggestions for improvement include: 1) Establishment of a marketing department, 2) Focus in new product categories such as electrical and high tech games, 3) Improvement in the recruitment system, 4) Launch of Seminars and training sessions, and 5) Focus on profit and long term relationships with customers. Those are key point that could drive KT to sales growth.

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## **1. Introduction**

### **1.1 Background and objective**

King Toys Co. is the principal of this graduation assignment. The company is merchandising over 3000 different products in toys area per year and it is ranked as relative one of the 'Middle-size Wholesalers in Greece'.

King Toys Co is a middle size private owned enterprise that was established in 1989 with the acquiring of facilities in Athens. Until today, toys trade is its main field market. The operations started immediately and its main occupation is imports and wholesale in the toys industry market area. The company's main domain is to import selected toys from factories mainly in China (also it imports products from Italy, Turkey and Germany) and then storage them. The sales team comes then and it promotes all of the products to costumers mainly in Greece (part of the sales been held to neighbor countries, a form of exports). The costumers profile is mainly two kinds: Retailers and other wholesalers.

Moreover, the company is outsourcing the production of specific toys in factories in China where it adjusts some common and classic table toys to the demand of the Greek market and then promotes them under the company's private brand.

From Athens distribution is being carried out by forwarder companies. Sales are carried out by the sales team of the company who promote the products in domestic and partly in international markets. The company has mainly been selling its products on the domestic market. Since a few years, the company has expanded its activities abroad, where now it's selling its products in Cyprus, Serbia, Skopje and Albania.

The competitive domestic environment in the Greek toy industry does not leave any space for inactivity. There are other two major competitors which have the same goals and power as King Toys. Moreover, the recent years King Toys have showed profit and growth without evaluating the sales department and utilize it to the maximum of the market's dynamic. The world economic recession has an effect to the Greek retail market and already has been observed a decrease in sales at King Toys. This development combined with some other organizational issues at the sales department requires further research to make the department more efficient. This brings the author to the following research objective:

***'How to improve the sales force performance at King Toys'.***

The objective of this research is to investigate the dynamics of its sales team and the possibility of improving the sales team performance; the Greek

market is the main market where it promotes its products and has already established trading operations.

## **1.2 Problem formulation**

Based upon the background of the research and the formulated objective, the problem formulation is defined. The following aspects are considered in order to come to a well defined problem formulation.

. The objective of the study can be categorized as a strategic objective since it requires the analysis and combination of both the company's sales force performance as well as the environment. The word strategy implies a managerial process of developing and maintaining a viable fit between the organization's objectives, skills and resources and its changing market opportunities (Kotler et al. 2002)

The firm needs to align its strategic orientation with its external environment and marketing channel structure to achieve superior sales performance.



. Considering the worldwide economic recession that is taking place on the financial markets, as well as the changing environmental factors, we can only look for strategic opportunities in the near future.

. The management of the sales department has observed that geographically the domestic market is not fully covered. Particularly, some areas were under the responsibility of wholesalers. Progressively, the continuous decreasing in sales is based on the weakness of the wholesalers to respond efficiently to the changing needs of these areas.

Based on the above statements, the research problem is defined as follows:

*What are the tactics that King Toys should adopt in order to achieve higher results in its sale force performance, and how these improvements should be implemented?*

The results of this study will be beneficial for King Toys, because they can assist the company to improve its sales performance and reorganize the structure of its sales department expecting to improve its effectiveness. Moreover, the author with the current study attempts to contribute in the academic literature concerning sales' performance improvement in the Greek retail sector

### 1.3 Research Questions

In relevance with the research question, the project has the following objectives:

- Analyze academic theories towards sales performance improvement (chapter 2)
- Investigate the current internal situation at KT (chapter 3)
- Explore the prevailing environmental situation in Greece (chapter 3)
- Propose improvements which can be concluded based on the comparison of the internal situation with the theory and the prevailing environmental situation (chapter 4)

Hence, the research questions are the following:

**1. *What is the present situation of the Sales Department of King Toys?***

- What is the organizational structure of the sales department?*
- What is the current sales force strategy and how is this strategy determined?*
- What is the current performance of the sales force team?*
- What are the strengths and weaknesses of the current structure and the present strategy?*

**2. What is the impact of the external environment on the strategy of King Toys?**

- a. *What are the main environmental influences on macro level?*
- b. *What are the main environmental influences on industry level?*
- c. *What are the main opportunities and threats that derive from the business environment of King Toys?*

**3. What are the most important improvement areas that should be adopted - in terms of corporate strategy, marketing strategy and sales force strategy - and how these improvements can be implemented?**

- a. *What improvements can be applied on strategic and operational marketing level?*
- b. *What actions are required in order to implement these changes?*

## **1.4 Research Methodology**

The conducted research was a combination of Action Research and Exploratory Research. “Action research” is used when the process consultant helps the sponsor to gain the skills of diagnosis and fixing organizational problems so that she or he can develop autonomy in improving the organization. (Saunders et al. 2006). “Exploratory Research” is used when one is seeking insights into the general nature of a problem, the possible decision alternatives, and relevant variables that need to be considered (Aaker, Kumar & Day, 1995). In agreement, Malhotra et al. (2003) define exploratory research as a research design characterized by a flexible and evolving approach to understand management phenomena. The research methods are highly flexible, unstructured, and qualitative, for the researcher begins without firm preconceptions as to what will be found (Aaker, Kumar & Day, 1995).

Table 1.1 illustrates the characteristics of exploratory research in contradiction with conclusive approaches.

**Table 1.1**

*Comparison between exploratory and conclusive research*

	<b>Exploratory studies</b>	<b>Descriptive or causal studies</b>
<b>Objectives</b>	To provide insights and understanding of the nature of marketing phenomena, To understand	To test specific Hypothesis and examine relationships, To measure
<b>Characteristics</b>	Information needed may be loosely defined Research process is flexible, unstructured and may evolve Samples are small Data analysis can be qualitative or quantitative	Information needed is clearly defined Research process is formal and structured Sample is large and aims to be representative Data analysis is quantitative
<b>Findings</b>	Can be used in their own right May feed into conclusive research May illuminate specific conclusive findings	Can be used in their own right May feed into exploratory research May set a context to exploratory findings
<b>Methods</b>	Expert surveys Pilot surveys Secondary data Qualitative interviews Unstructured observations Quantitative exploratory multivariate methods <b>Case study</b>	Surveys Secondary data Databases Panels Structured observations Experiments

*Source, Malhotra et al. (2003), p. 63*

As it is illustrated in the table, exploratory approaches use methods such as qualitative interviews, unstructured observations and case studies. In this dissertation the researcher used the method of case study.

Malhotra et al. (2003, p.756) define case study as the detailed study based upon the observation of the intrinsic details of individuals, groups of individuals and organizations.

Since the objective of the project is to explore operation and performance of the sales department of a specific company, case study approach seems to be more appropriate.

The method of data collection is acquiring mainly secondary data. The definition of secondary data:

*“Secondary data are data collected for some purpose other than the present research purpose” (Aaker, Kumar & Day, 1995)*

In general there are three main sources for collection of secondary data:

- (1) the company information system,
- (2) data-bases of other organizations (including governmental bodies) and
- (3) syndicated data sources.

Secondary data offer several advantages over primary data. Secondary data are easily accessible, relatively inexpensive and quickly obtained (Malhotra et al., 2003). Some secondary data, such as those provided by the National

Censuses are available on topics where it would not be feasible for a firm to collect primary data. In more details, secondary data can help the researcher:

- Diagnose the research problem
- Develop an approach to the problem
- Develop a sampling plan
- Formulate an appropriate research design (for example, by identifying the key variables to measure or understand)
- Answer certain research questions and test some hypotheses
- Validate qualitative research findings

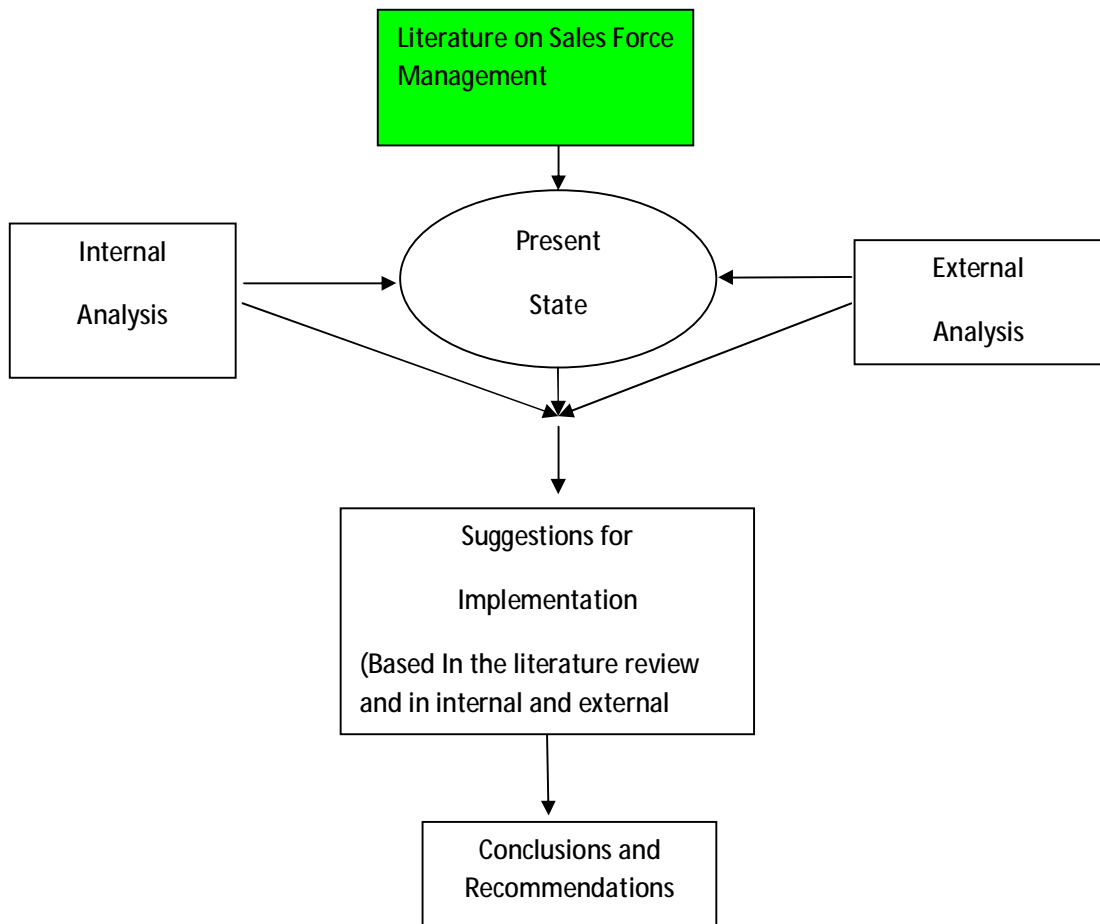
(Malhotra et al. 2003)

Nevertheless, there are also some disadvantages. Saunders et al. (2006, pp. 169) identified as main advantages the fact that data may have been collected for a purpose irrelevant with the research needs and may not be available, or the access may be costly. Nonetheless, secondary data may be inaccurate, insufficient or biased. Hence, several academic articles, market research reports, surveys used as well as a variety of web sites related to the subject of the study were used by the researcher

## **1.5 Structure of the research**

The structure of the research is illustrated in the figure1.1. More specifically, the second chapter of the dissertation includes the literature review of the

project; in more details, the chapter contains academic theories and frameworks concerning personal selling, selling process, and sales performance improvement. The third chapter embraces an internal and external analysis of the present state of the company which leads to the proposed suggestions for implementation for the company.



**Figure 1.1** Structure of the research



## **2. Literature Review**

### **2.1 An introduction to personal selling**

According to Jobber (2004) personal selling is the marketing task that involves face-to-face contact with the customer and permits a direct interaction between buyer and seller. This two-way communication means that the seller can identify the specific needs and problems of the buyer and tailor the sales presentation in the light of this knowledge.

In agreement Fill (2002) writes that personal selling is different from other forms of communication in that the transmitted messages represent mainly, dyadic communications. This means that there are two persons involved in the communication process. Feedback and evaluation of transmitted messages are possible, so that these personal selling messages can be tailored and be made much more personal than any of the other methods of communications.

In the same length, Smith and Taylor (2004) accomplish that nowadays selling has moved away from the short term, quick sales scenario. Conversely, selling today is more about “partnering” and relationship building;

selling is about building durable relationships that are dependent on satisfying the customer constantly. That why many companies are now measuring success not just by units sold but also by the far more rigorous yardstick by customer satisfaction.

## 2.2 Types of selling

Academics such as Fill (2002), Govoni et al. (1986) and Tomaras (2001) distinguish the following types of personal selling:

1. *Personal network*: this involves offering onward through a particular channel network to other resellers. They in turn will sell the offering to other members who are closer to the end-user.
2. *Industrial*: here the main type of selling consists of business to business marketing and requires the selling components and parts to others for assembly or incorporation within larger offerings.
3. *Professional*: this type of selling process requires ideas and offerings to be advanced to specifiers and influencers. They will in turn incorporate the offering within the project they are developing.
4. *Consumer*: this form of personal selling requires contact with the retail trade and the end user customer

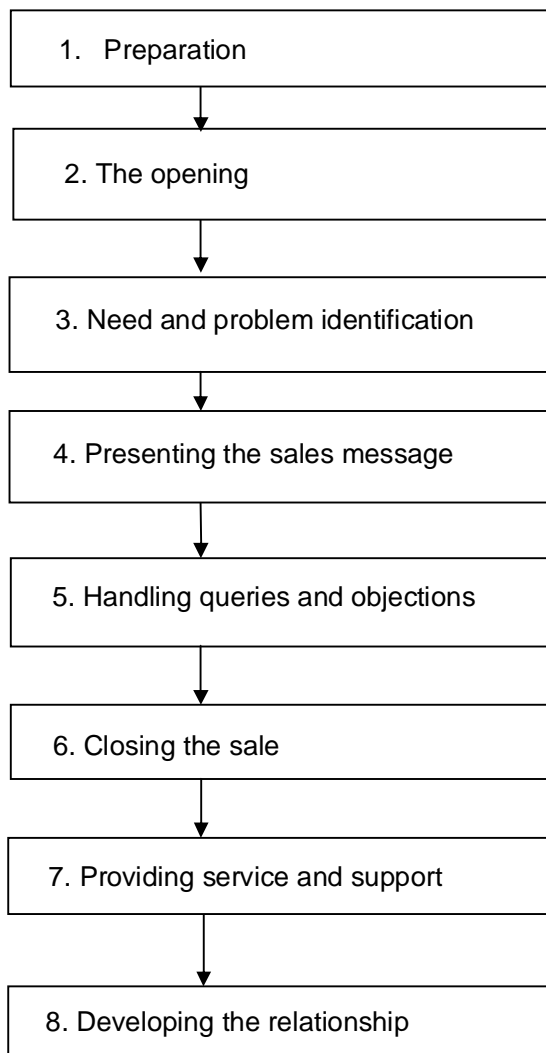
Fill (2002) accomplishes that a wide range of skills and resources is required for each these types of selling. Selling to each of these types of customer requires different skills; as a result, salespersons usually focus their activities on one of these types.

In contrast, Jobber (2004) distinguishes the types of sellers in three other categories: a) in order takers, b) in order creators, and c) in order getters. Order takers respond to already committed customers; order creators do not directly receive orders as they talk to specifiers rather than buyers; order getters attempt to persuade customers to place an order directly. According to Jobber's framework order-creators are termed "missionary salespeople". Order-getters are either frontline salespeople consisting of new business, organizational or consumer salespeople or sales support salespeople who can be either technical support salespeople or merchandisers. Finally, both types of order-getter are in situations where a direct sale can be made.

### **2.3 The selling process**

A number of conceptual schemes have been proposed to explain the various stages in the selling process. For example, Fill (2002) and Jobber (2004) support that the selling procedure includes eight stages which are: the preparation of the sale, the opening, the need and problem identification, the presentation of the selling message, the handling of queries and objection, the

close of the sale, the provision of service and support after the sale, and finally the development of the relationship between the seller and the customer (Figure 2.1)



**Figure 2.1:** The selling process, *Adapted from Jobber (2004), p. 474*

Fill (2002) argues that the alignment and the rigidity of the sequence should not be overstated, as the actual activities undertaken within each of these

stages will vary not only from organization to organization but also between the salespersons.

Preparation:

Preparation before a sales visit can reap dividends by enhancing confidence and performance when face to face with the customer. Jobber (2004) writes that salesmen will benefit from gaining knowledge of their own products, competitor's products, sales presentation, planning, setting call objectives and understanding buyer behavior

The opening:

Initial impressions often affect later perceptions, and so it is important for salespeople to consider how to create favorable initial response from customers. Factors such as politeness, appearance, attention to detail and listening to the customer are very important (Avlonitis and Stathakopoulos, 2008)

Need and problem identification:

People buy products because they have problems that give rise to needs. Therefore the first task is to identify the needs and problems of each customer. Only by doing so can the salesmen connect with each customer's situation.

Having done so, the salesperson can select the product that best fits the customer's need and sell the appropriate benefits.

Presenting the sales message:

The demonstration and presentation provides the opportunity for the salesperson to convince the customer that his or her company can supply the solution to the customer's problem. It should focus on customer benefits rather than product features (Jobber, 2004).

Dealing with objections:

It is unusual for salesmen to close a sale without the need to overcome objections. Although objections can cause problems, they should not be regarded negatively since they highlight the issues that are important to the buyer. The secret of dealing with objections is to handle both the substantive and emotional aspects (Fill, 2002)

Closing the sale:

Inexperienced salespeople sometimes think that an effective presentation followed by convincing objection handling should mean that the buyer will ask for the product without the seller needing to close the sale. This does not occasionally happen, but more often it is necessary for the salesperson to

take the initiative. This is because many buyers still have doubts in their minds that may cause them to wish to delay the decision to purchase.

The follow up:

Once the order is placed there could be a temptation for the salesperson to move on to the other customers, neglecting the follow up visit. However, this can be a great mistake since most companies rely on repeat business (Doyle, 2000). If problems arise, customers have every right to believe that the salesperson was interested only in the order and not their complete satisfaction. By checking that there are no problems with delivery, installation, product use and training, the follow up can show that the salesperson really cares about the customer (Jobber, 2004).

#### **2.4. Sales force structure**

There are numbers of ways in which an organization can structure the sales force, but there are three broad approaches that are mentioned in the business literature: 1) geographic based sales force, 2) product based sales force, and 3) customer based sales force (Fill, 2002; Avlonitis and Stathakopoulos, 2008)

*Geographic-based sales force* is the most common and straightforward method of organizing a sales force. In this type of sales force, the salesmen is responsible for all activities necessary to sell all products to all potential customers in the region or area in which the territory is located. This method of assignment is used by new companies, in situations where customers tend to buy a range of products, where there is little difference in geographic spread of the products or when resources are limited.

Under the *product based sales force* the organization has different sales teams, each carrying a particular line of products. This is often used by companies with large and diverse products lines. Also organizations with highly technical and complex products, which require specialist knowledge and particular selling techniques, prefer this form of sales force structure.

Finally, organizing a sales force by *market or customer type* is an activity complementary to the marketing concept (Fill, 2002). This form of sales force organization has increased in popularity, as it allows products with many applications to be sold into many different markets and hence different customers.

Fill (2002) also writes that these three approaches to sales force design are not mutually exclusive, and most major enterprises use a combination of them to meet the needs of their customers.



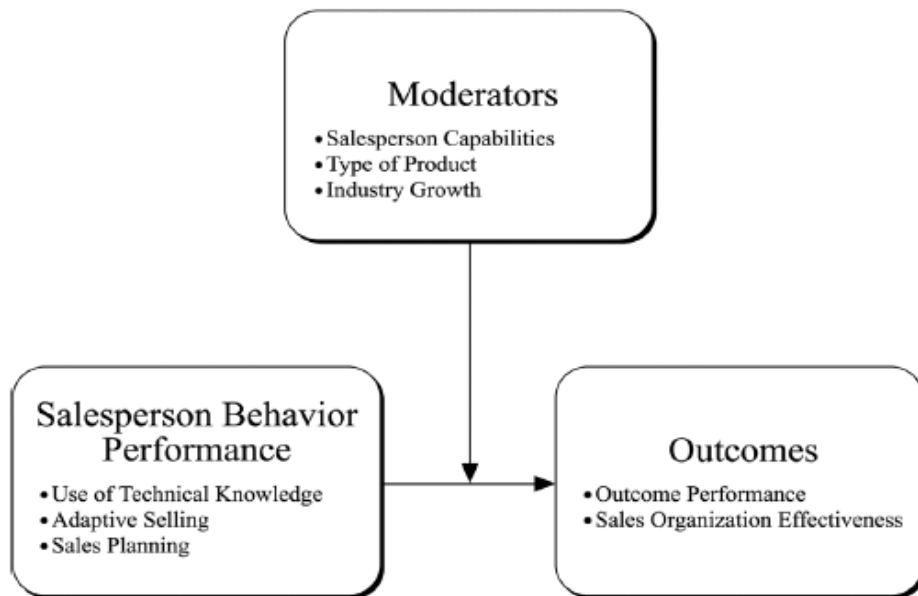
## **2.5 Improving sales performance**

Academics such as Kirca (2005), Baldauf and Cravens (2002), Vilela et al. (2007), Yap et al. (2009), Sacconi et al. (2006), Hugh and Piercy (2007), Sweet et al. (2007), Booth and Hammer (2009), Johlke (2006), Schlosser (2007), Belham (2006), Senecal et al. (2007), Nagle and Hogan (2007) and Rajagopal and Rajagopal (2008) have studied methods and tactics of sales performance improvement. For example, Kirca (2005) investigated the role of managerial control on marketing activities as a factor that mediates the mode of operation-performance relationship, providing an enhanced understanding of the impact of mode of operation on sales performance. For that purpose the author developed a conceptual framework and a set of hypotheses in order to posit that managerial control on marketing activities act as a process variable between the level of vertical integration of the mode of operation and firm success in international markets. Moreover, the proposed hypotheses were tested using regression analysis with data from a sample of four operators from Turkey.

Kirca (2005) found that the choice of mode of operation is a critical decision that impacts the performance of service firms in international markets, such that firms which use more vertically integrated modes of operation obtain higher sales performance as a result of their high levels of control on marketing activities. Hence, the writer highlights the importance of managerial

control on marketing activities as a factor that should be considered in reviewing and evaluating alternative modes of operation in foreign markets.

Baldauf and Cravens (2002) examined the moderator effects on the relationship between salesperson behavior performance and outcome performance and sales organization behavior performance. In order to address their research objectives, the investigators used a sample of 174 sales managers in Austrian sales organizations. The results indicate that the *salesperson capabilities, type of product, and industry growth* act as a relevant moderator variables (figure 2.2). Each moderator appeared to be important, although importance varied according to specific independent and dependent variables which were used in the study.



**Figure 2.2:** Conceptual model of sales organization effectiveness, *Adapted from Baldauf and Cravens (2002)*

Vilela et al. (2007) depicted the number of social and situational factors which influence supervisor's rating of salesperson's performance, primarily operating through affective processes. The data of their study were collected from 122 salespeople and their immediate managers from 35 firms pertaining to nine different industries. Vilela et al. (2007) found that supervisor-focused impression management was positively related to the supervisor's liking of the salesperson. Consistent as well with prior research is the positive influence of supervisor's affect towards salesperson on the supervisor's ratings of sales performance, both directly and indirectly, through the effect on salesperson's perceived interpersonal skills. Finally, a salesperson's physical attractiveness demonstrated significant positive effects on performance ratings, through the influence on supervisor's liking and salesperson's interpersonal skills. Hence, sales managers should be aware that salespeople might be using impression management tactics and that the use of these behaviors might influence the way that they evaluate their employee's performance. Managers should also remain vigilant to the potential bias based on physical appearance in hiring and supervising salespeople.

Besides, Yap et al. (2009) explored the effects of different reward programs on in-role and extra-role performance of retail sales associates. For that purpose, the authors conducted 11 semi structured in depth interviews with employees from four different fashion retail outlets, Informants consisted of employees from different positions within these organizations (i.e. store manager, assistant store manager and sales associates) to provide

researchers with possibly differing viewpoints. Moreover, interviews were content analyzed and classified, according to emerging themes.

Yap et al. (2009) found that certain reward programs, namely individual and group financial incentives motivated sales associates to engage in both in-role and extra-role behavior simultaneously. Further, compared to formal recognition programs, informal reward programs (individual financial incentives, individual social recognition and group social recognition) appeared to be more effective in motivating sales associates to enhance their in-role and extra-role performance.

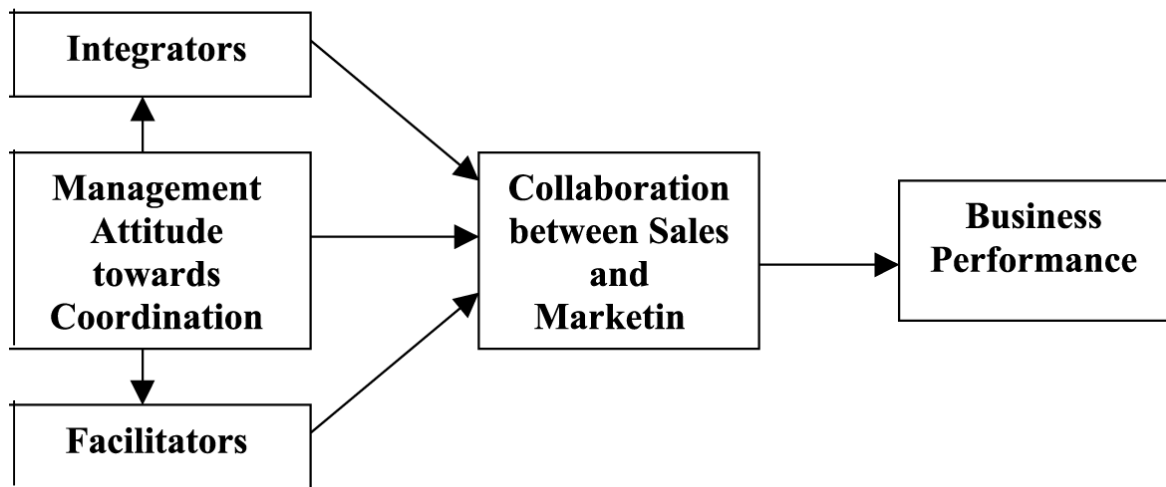
In the same length, Sacconi et al. (2006) analyzed the role of after-sales services in manufacturing contexts, and the related after-sales performance measurement systems. Their study was based in 48 firms which were taken action in automotive, household appliance, IT and consumer electronic industries. The findings of Sacconi et al. (2006) paper indicate that the role attributed to after-sales activities in the IT and consumer electronics and household appliance industries showed an orientation to improve company image, customer satisfaction and retention (marketing focus). A different situation characterizes the companies studied in the automotive industry. In most firms, however, measurement systems are quite simple and short-term oriented, especially in the IT and consumer electronics and household appliance industries.

It needs to be mentioned that the measurement of non-financial performance emphasizes effectiveness rather than efficiency, and the automotive industry, on the whole, presents more advanced measurement systems, together with more integrated strategic management of after-sales. The household appliance industry, on the other hand, due to the significant presence of SMEs, is characterized by less sophisticated performance measurement systems.

Moreover, Hugh and Piercy (2007) explored the antecedents and implications of collaboration between sales and marketing and further to identify whether there are benefits in terms of business performance of improving collaboration between sales and marketing. They found that there are three types of factors influencing collaboration between sales and marketing: *integrators, facilitators, and management attitudes towards coordination*. Additionally, it was underlined that senior management plays a pivotal role in creating and improving collaboration between sales and marketing, and that there is a positive correlation between collaboration between sales and marketing, and improved business performance (see figure 2.3).

The practical implications of Hugh and Piercy's (2007) study indicate that there appears to be an established relationship between the level of collaboration between sales and marketing and business performance. Further, the attitude of senior managers to improving coordination is critical to

influencing collaboration between sales and marketing. More specifically, these benefits may be in part due to the ability of the organization to respond to the complexity of the market place through collaboration, and aligning sales and marketing activities without removing the necessary uniqueness of the sales and marketing functions.



**Figure 2.3:** Antecedents and consequences of collaboration between sales and marketing, *Adapted from Hugh and Piercy (2007)*

Sweet et al. (2007) used a different approach in their study. In more details, they based on a broad set of indicators of individual and company capabilities, and established a meaningful, straightforward benchmark of sales performance for a cross-industry group of 19 companies, based on the perceptions of their salespeople. The establishment of the benchmark involved the completion of questionnaires by 426 salespeople across 19

companies. Furthermore, the indicators which were used for the development of the benchmark were:

1. *Leadership*, including strategy, decision making, attitudes toward learning, improving, coaching.
2. *Motivation*, including goal orientation and discipline, enthusiasm, planning, attitudes.
3. *Skills*, including communication, negotiation, customer relationships, presentation.
4. *Process*, including company's sales systems, information, records, preparation, follow through and delivery.
5. *Marketplace*, including understanding of the needs of customers, the market, their own products and those of their competitors.

Sweet et al. (2007) found that managers are not investing the time needed to coach salespeople into better performance. It also appeared that companies are failing to recognize and reward sales behaviors that generate the long-term relationships that many companies claim they want to encourage. Traditional training needs assessment may be missing the mark for salespeople. Companies need to take a longer term view, developing sales staff's capacity to learn from experience, share best practice and understand the significance of good sales processes and systems.

Finally, it seems that salespeople are not receiving or absorbing market intelligence and competitor analysis. Their blind faith in the quality of their offering to the customer is contradicted when they admit to worrying about whether the rest of the company will let them down on the after-sales delivery.

Booth and Hammer (2009) investigate the suggestion that a strong corporate culture positively influences sales performance in the retail industry. For that purpose company data were used which included the annual employee survey (at store level), store characteristics data, and store sales data - sales intensity (SI) per square foot. Multiple regression was used to predict SI. In addition, stepwise cross-lagged regression analysis was used to infer cause and effect linkages. Booth and Hammer (2009) found that a physical factor, store format, is the most important element in explaining SI. Employee morale is the most significant human cultural variable, followed by employee perception of manageable work loads. Interestingly, the authors conclude that whilst job satisfaction is a significant predictor, it is in a negative direction. The more employees are satisfied, the more SI decreases.

Furthermore, Johlke (2006) examined the relations between important sales presentation skills and salesperson job performance. In more details, the purpose of his paper was to improve the ability to explain salesperson job performance by more fully explicating the nature and relative effects of a set of specific sales presentation skills that sales managers perceive to be highly important. Data were collected from a sample of industrial, business-to-



business salespeople. Five sales managers from different firms agreed to distribute questionnaire forms and a stamped return envelope directly to their salespeople. Throughout the actual data gathering process, these salespeople were clearly informed that their participation was entirely voluntary and that their responses would remain anonymous. Of the 400 questionnaires distributed, 236 were returned directly to the researchers (59 percent response rate).

Johlke (2006) found that one of the salesperson characteristics, sales experience, underlies all the sales presentation skills and that the other, training, is associated with both adaptive selling and prospecting. In other words, salesperson experience, and to a lesser degree training, underlie sales presentation skills. Salesperson skill at using adaptive selling techniques and closing are related with increased performance.

Schlosser (2007) with his study proposed that sales managers use mobile technologies in the working environment to communicate and supportively monitor sales person performance. In order to support his proposition, the author developed a model of supervisor monitoring using mobile technologies that specifies the types of behaviors that promote high-quality working relationships, how mobile technologies increase the likelihood of work-to-non work role spill-over that may damage the relationship and why perceptions of supervisor fairness are critical.

The results indicated that mobile technology use, supervisory monitoring, and relationship development co-exist in the current workplace. Schlosser (2007) heightens awareness of how work-to-non work spillover may influence important outcomes of mobile technology usage. In addition, it was mentioned that perceptions of quality supervisor-employee relationships are important to retaining and motivating employees.

Moreover, Belham (2006) investigated causal relationships between sales management programs designed to build customer relationships by solving customer problems and selling firm performance. The results of his paper indicated that consulting-oriented post-sales training and consulting-oriented evaluation are significant influences on sales force efficiency. Consulting-oriented evaluation is a significant influence on customer retention. The strongest influences on profit growth are initial sales training and post-sales training learning, but a composite variable of all elements of the consulting-oriented sales management program is a significant influence on profit growth.

Hence, the practical insinuations of Belham's (2006) paper indicate that in industries where relationship building and partnering are considered mutually beneficial and important by buyers and sellers there should be greater emphasis on: listening skills, diagnostic skills, and problem solving skills in sales training; sharing effective strategies to build customer relationships and sharing of effective customer problem-solving strategies in post-sales training learning; measuring customer cost savings and obtaining customer

satisfaction feedback in evaluation systems; and compensating salespeople for customer retention, positive customer feedback, and increased sales from current customers.

Senecal et al. (2007) explored the issues of sale force adaption of technology. In particular, the authors investigated if and why salespeople had different technology usage and if the extent of usage had an impact on their performance. Their methodology included two steps: first, a qualitative study was performed to gain insights about extent of technology usage and the reasons that may explain differences. Thereafter, in order to test some of the research propositions that emerged from the qualitative study, an empirical study was conducted with 130 salespeople.

Senecal et al. (2007) firstly found that *innovativeness* is helpful in distinguishing between different technology usage levels across various technologies (internet, e-mail, intranet, etc.). Secondly, their results indicate that the extent of technology usage does not affect salespeople's performance. In more detail, results suggest that heavy users of spreadsheet software exhibit lower self reported performance levels than regular or occasional users of that software technology. Although not generalized across most technologies investigated, this finding raises the possibility that the impact of technology use on performance could be moderated by type of technology or appropriateness of technology for the job application.

Nagle and Hogan (2007) support that as companies have moved toward more negotiated pricing, many have adopted this scheme in markets as diverse as office equipment, market research services, and door-to-door sales. Although a small percentage of salespeople cannot make the transition to value selling and profit-based compensation, most embrace it with enthusiasm. However, senior managers must lead this change; sales will not do it on their own. The last suggest that company leaders must develop the appropriate policies, metrics and incentives that align the sales force to measures of profitability. In making this change, however, managers should also be prepared for some unexpected consequences as salespeople begin to focus more on profits and less on volume.

Finally, Rajagopal and Rajagopal (2008) studied the impact of sales team design in reference to the underlying rationale of management control and team coordination as indicators of performance and sales unit effectiveness. In order to address their research objectives the writers surveyed a sample of 258 respondents, categorizing them in equal proportion into three broad areas: type of sales team, type of product market, and type of sales operations. Four industrial streams in sales were covered while selecting the sample respondents: consumer goods, consumer durables, industrial products, and consumer services.

Rajagopal and Rajagopal (2008) detected the balance between team designing and team coordination in performing sales. More specifically it was found that work environment is largely governed by team coordination effects

for the salespeople. Sales team-building process has a substantial effect on sales organization effectiveness both directly and indirectly through its relationship with salespeople’s behavioral performance. Hence, the results of this study reveal that team performance largely depends on the effectiveness of team coordination, leadership and performance control through behavioral attributes. Sales managers may implement such controls effectively by establishing coordination, training, and feedback process rather than imposing command and control policy.

Table 2.1 summarizes the findings of the studies, which were mentioned above.

**Table 2.1:** A summary of findings

Author	Research area	Findings
Kirca (2005)	Investigation of the role of managerial control on marketing activities and sales performance	The choice of mode of operation is a critical decision that impacts the performance of service firms in international markets, such that firms which use more vertically integrated modes of operation obtain higher sales performance as a result of their high levels of control on marketing activities
Baldauf and Cravens (2002)	Examination of the moderator effects on the relationship between salesperson behavior performance and outcome performance and sales organization behavior performance	Salesperson capabilities, type of product, and industry growth act as a relevant moderator variables which drive to an improvement in the sales performance
Vilela et al. (2007)	Presentation of the number of social and situational factors which influence supervisor’s rating of salesperson’s performance, primarily operating through affective processes	Sales managers should be aware that salespeople might be using impression management tactics and that the use of these behaviors might influence the way that they evaluate their employee’s performance. Managers should also remain vigilant to the potential bias based on physical appearance in hiring and supervising salespeople.
Yap et al. (2009)	Exploration of the effects of different reward programs on in-role and extra-role performance of retail sales associates	Informal reward programs (individual financial incentives, individual social recognition and group social recognition) appeared to be more effective in motivating sales associates to enhance their in-role and extra-role performance.

Saccani et al. (2006)	Analysis of the role of after-sales services in manufacturing contexts and the related after-sales performance measurement systems.	The role attributed to after-sales activities in showed an orientation to improve company image, customer satisfaction and retention (marketing focus). In most firms, however, measurement systems are quite simple and short-term oriented.
Hugh and Piercy (2007)	The implications of collaboration between sales and marketing in business performance	There are three types of factor influencing collaboration between sales and marketing: <i>integrators, facilitators, and management attitudes towards coordination</i> . Senior management plays a pivotal role in creating and improving collaboration between sales and marketing, and that there is a positive correlation between collaboration between sales and marketing, and improved business performance
Sweet et al. (2007)	Benchmark of sales performance	Managers are not investing the time needed to coach salespeople into better performance. Companies are failing to recognize and reward sales behaviors that generate the long-term relationships that many companies claim they want to encourage. Companies need to take a longer term view, developing sales staff's capacity to learn from experience, share best practice and understand the significance of good sales processes and systems.
Booth and Hammer (2009)	Test of the suggestion that a strong corporate culture positively influences sales performance in the retail industry	Whilst job satisfaction is a significant predictor, it is in a negative direction. The more employees are satisfied, the more SI decreases.
Johlke (2006)	Examination of the relations between important sales presentation skills and salesperson job performance	Salesperson experience, and to a lesser degree training, underlie sales presentation skills. Salesperson skill at using adaptive selling techniques and closing are related with increased performance
Schlosser (2007)	Mobile technologies and sales performance	Mobile technology use, supervisory monitoring, and relationship development co-exist in the current workplace
Belham (2006)	Investigation of causal relationships between sales management programs designed to build customer relationships by solving customer problems and selling firm performance.	Consulting-oriented post-sales training and consulting-oriented evaluation are significant influences on sales force efficiency. Consulting-oriented evaluation is a significant influence on customer retention. The strongest influences on profit growth are initial sales training and post-sales training learning, but a composite variable of all elements of the consulting-oriented sales management program is a significant influence on profit growth.
Senecal et al. (2007)	Sale force adaption of technology	Heavy users of spreadsheet software exhibit lower self reported performance levels than regular or occasional users of that software technology. The impact of technology use on performance could be moderated by type of technology or appropriateness of technology for the job application.
Nagle and Hogan (2007)		Company leaders must develop the appropriate polices, metrics and incentives that align the sales force to measures of profitability. Salespeople should focus more on profits and less on volume.

Rajagopal and Rajagopal (2008)	Impact of sales team design in reference to the underlying rationale of management control and team coordination as indicators of performance and sales unit effectiveness.	Team performance largely depends on the effectiveness of team coordination, leadership and performance control through behavioral attributes. Sales managers may implement such controls effectively by establishing coordination, training, and feedback process rather than imposing command and control policy.
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## 2.6 Conclusions of the literature review

In the chapter of literature review an analysis in the selling process and in sales force improvement was combined. First of all, it was found that selling process is a procedure with includes eight stages which are: the preparation of the sale, the opening, the need and problem identification, the presentation of the selling message, the handling of queries and objection, the close of the sale, the provision of service and support after the sale, and finally the development of the relationship between the seller and the customer

The review in the literature also indicated that there is a number of factors which assist the improvement of the sales performance. These factors are sales planning, adaptive selling, use of technical knowledge, salesperson capabilities (Baldauf and Cravens (2002), collaboration between sales and marketing departments (Hugh and Pierry, 2007), implementation of training sessions and consultancy programs (Rajagopal and Rajagopal, 2007), focus on the creation of long term relations with customers (Saccani et al., 2006 ;

Sweet et al., 2007) and finally focus more on profitability and less in sales volume (Nange and Hogan, 2007).

The findings of the literature review consist suggestions for improvement for the sales performance of King Toys. But firstly an analysis of the internal and external environment of the company should be combined in order to adjust academic literature to the practical problems that the firm faces.



### **3. Internal Analysis of King Toys**

The Research question to be answered in this part is the following:

**1. What is the sales department's present state of King Toys?**

- a. How is the organizational structure at the sales department?*
- b. What is the current strategy of the sales force and how is this strategy is determined?*
- c. What are the current performances of the sales force team?*
- d. What are the strengths and weaknesses?*

#### **3.1 Introduction**

The internal analysis is the logical first step because the outcomes of this analysis are used to make clear what external situation has to be researched. Understanding a business in depth is the goal of the internal analysis, also called self-analysis. The internal analysis answers the question: Who we are and what are we able to do.

Moreover, the performance analysis of the sales team will highlight the aspects that the management of King Toys should take into consideration in order to achieve more efficient results by its sales department.

### **3.2. Organization characteristics**

Before a detailed description of the sales department is made, the author provides a detailed picture of the company and analyzing its operation. Therefore, the 7s McKinsey model is used for this analysis. This part of the organization analysis resulted in an in-depth analysis of the current situation. This framework was chosen because it identifies the organizational characteristics and describes 7 factors to organize a company in a holistic and effective way. The current model makes a characterization of the organization, mainly as a diagnostic tool for understanding ineffective departments of organizations; it originates from the idea that different organizational parts have important separate roles and provides guidance for organizational change (see figure 3.1)

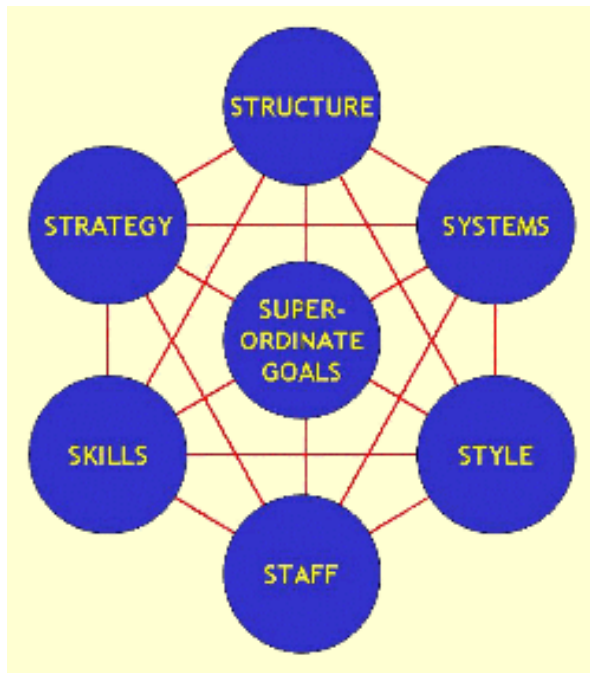
More specifically, the McKinsey 7S Framework is one of the most useful ways of auditing the effectiveness of the company's organizational value drivers, developed by the McKinsey consulting firm. The firm's analysis suggests that these drivers are essential for long-term performance. At the heart of the

successful organizations is a set of shared values or vision that unites, challenges and gives direction to all the people working there (Pascale, 1990).

Concerning the 7-S framework Doyle (2000) writes that statements of shared values are meaningless unless they are supported by other drivers that operationalise them. The first of these is strategy. *Strategy* has to be a customer led: a deep recognition, throughout the company, that achieving the strategic vision depends on meeting the needs of customer more effectively than competitors (*ibid*). *Structure* refers to how people are organized to work together, while *systems* refer to how information moves around the organization and its network partners. In addition, *staff* concerns the background and culture of people who work for the firm. *Skills* are the distinctive capabilities that people possess outstanding skills in measurement and computing. Finally, *style* refers to the behavior of top management and, in particular, how effectively they communicate the values and priorities to the organization (Doyle, 2000).

Doyle (2000) accomplishes that the 7-S framework emphasizes the independence of the organizational value drivers. An inspiring vision is valueless unless the organization has the strategy, skills, systems, and motivated staff to back it up. Similarly, outstanding skills are not enough unless the structure empowers people to make decisions, the strategy is

geared to applying the skills to what customers want, and the systems can deliver fast, cost effective solutions.



**Figure 3.1.** The McKinsey 7S Framework

### **3.2.1. Strategy**

King Toys follows a strategy that focuses mainly in volume and less in profitability. In more details, the company attempts to import large quantities of its products in order to achieve economies of scale and increase its bargaining power. In the same spirit, King's salesmen concentrate in selling large

quantities of these products and enhance the total turnover of the businesses. As it was mentioned above, the firm focuses less in the profitability of the selling goods and in the high quality of the products.

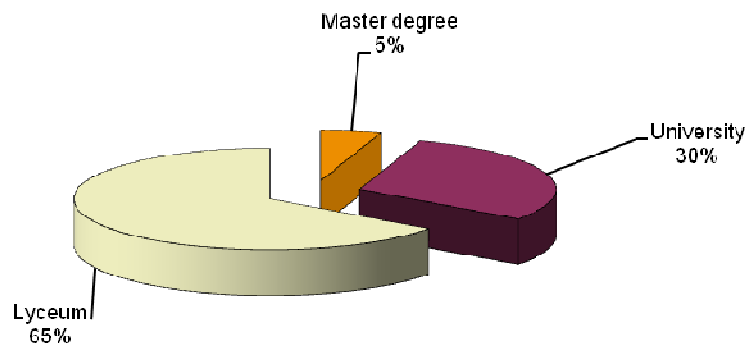
Regarding customers, King Toys focuses mainly in middle sized independent retailers, who are located all over the country. Finally, the firm has a concern about final's consumers needs since he /she is the key factor of the industry. Management of the company follows the trends of the market by conducting consumer surveys and analyzing secondary data relatively toys' consumption.

### **3.2.2. Systems**

The information inside the company doesn't flow in satisfactory levels due to the fact that there is lack of computerization. More specifically, salespeople are not informed towards the total performance of the company or even the performance of other districts other than the one that they work for. In addition, only the top management administers most of the information that exists inside the company.

### **3.3.3. Stuff**

The educational background of the stuff is illustrated in figure 3.2. As it is shown in the diagram, 65 % of the stuff is graduate of lyceum, 30 % holds a university degree and 5 % hold a master degree.

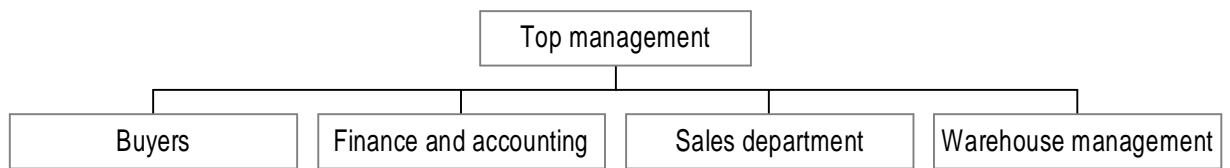


**Figure 3.2,** Educational Background of the stuff

Moreover, the stuff has not any special technical prowess, abilities or knowledge. In contrast, the most important aspect of the personnel is its experience in the toy industry. The same ratio stands for the sales department.

### **3.3.4 Structure**

King toys employs as a whole twenty people; six of them are working in the sales department, 8 of them are working in the administration of the warehouse, 2 of them are working in the finance and accounting department, 2 of them are buyers and finally two out of twenty belong to the top management of the company (see figure 3.3).



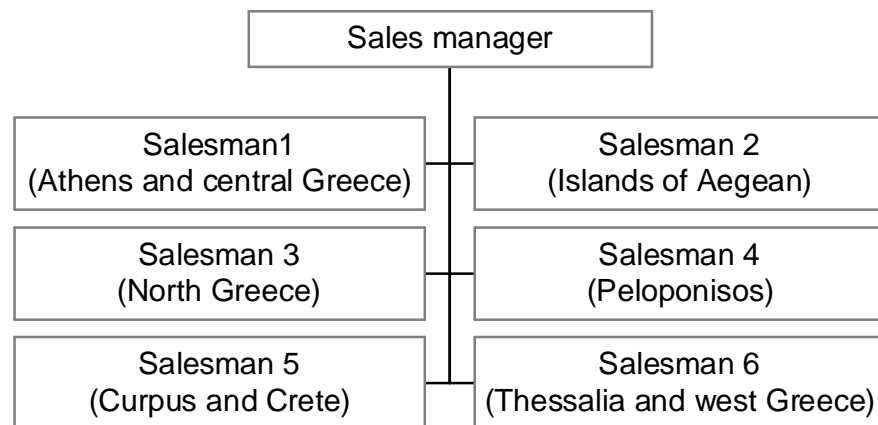
**Figure 3.3,** Structure of King Toys

The structure of the sales department in King toys is geographic based; hence each salesman is responsible for one specific region of Greece. More specifically, the country is divided in the following six districts:

1. Sterea Ellada (Athens and central Greece)
2. Islands of Aegean
3. North Greece (Macedonia- Thrace)
4. Peloponisos
5. Cyprus and Crete
6. Thessalia and West Greece (Epirus and Ionian islands)

All the sales managers report to the top management – one of the persons of the top management is responsible exclusively for the sales administration.

Figure 3.4 shows analytically the structure of the sales department.



**Figure 3.4:** Structure of King toys sales department, *Geographic based*

### 3.3.5 Style

In general terms the behavior of the management is very good. More specifically, it encourages initiatives; it makes decisions democratically by listening the opinions of the stuff and emboldens cooperation between the personnel. Nevertheless, the luck of computerization limits the prospects of this style of supervision.

### 3.3.6. Conclusions of the 7S Analysis

The 7S analysis indicated that King Toys has adapted a strategy that focuses mainly on volume and not in profits. Moreover, the company is characterized by luck of computerization and weak educational background of the personnel. On the other hand, the management of the firm has created a



creative and democratic working climate which encourages initiatives and enforces participation in the administration. Besides the company has a structured sales department with clear and separated responsibilities. In relevance with what was mentioned above, Strengths and Weaknesses can be sketched:

Strengths:

- King toys is a company with good working relations and creative working climate
- King toys administration enforces participation and encourages initiatives

Weaknesses:

- King toys strategy focuses on volume and not it profits
- The firm is characterized by lack of computerization
- Weak educational background of the staff

### **3.4 Performance Analysis**

In the chapter of literature review, they were mentioned numerous models and frameworks towards the effective operation of a sales department. For example, Baldauf and Cravens (2002) write that *sales planning, adaptive selling, use of technical knowledge, and salesperson capabilities* drive to better outcomes. Hugh and Pierry (2007) emphasize in the collaboration

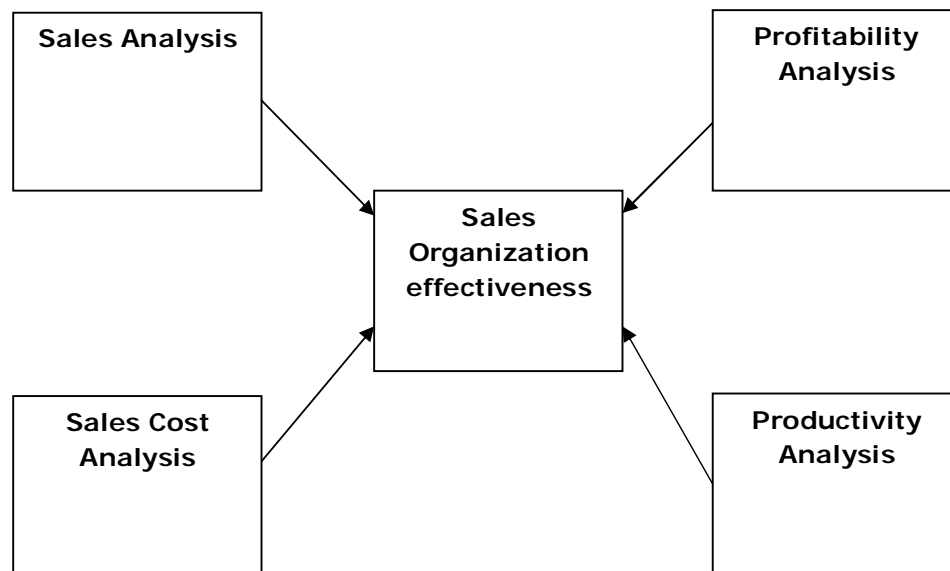
between sales and marketing departments, while Belham (2006) and Rajagopal and Rajagopal (2007) highlighted the importance of training and consulting. Saccani et al. (2006) and Sweet et al. (2007) support that salesmen should focus on long-term relationships with their customers; Senecal et al. (2007) and Schosser (2007) underline the importance of technology in the operation and effectiveness of the sales team. Finally, Nange and Hogan (2007) believe that sales should focus more on profits and less in volume in order to establish company's position in the market.

One other model for the analysis of the sales performance is a framework developed by Suchanek, which is focusing primary on financial measuring of the sales management function, in turn to examine its performance periodically. The indicators that the model is using *are sales, sales costs, profit and productivity*. Any significant deviations can be identified by frequently measuring the actual performance with the planned performance. The sales system consists of input that goes to a transformation process and results in a measurable output. A strategic sales program is used to indicate how the company will organize and plan its overall personal selling efforts and integrate these with elements of the marketing strategy (*Suchanek, 1998*).

These four analyses can be performed at different sales organization levels to assess sales organization effectiveness. Sales analysis includes gathering, classifying, comparing and studying data. Sales Cost analysis is

complementary to sales analysis in the sales management literature. It focuses on the costs incurred in attaining the sales results and whether the returns of sales operations justify the costs. In the Profitability analysis sales and costs can be combined in various ways to evaluate the sales organization profitability. A relatively easy and well-known tool for the profitability analysis is the income statement analysis. Productivity analysis focuses on the relationship between outputs and inputs. It provides useful evaluative and diagnostic information by highlighting specific areas of both high and low productivity with the sales system.

The limitation of Suchanek's model is that it is focusing only in financial measuring.

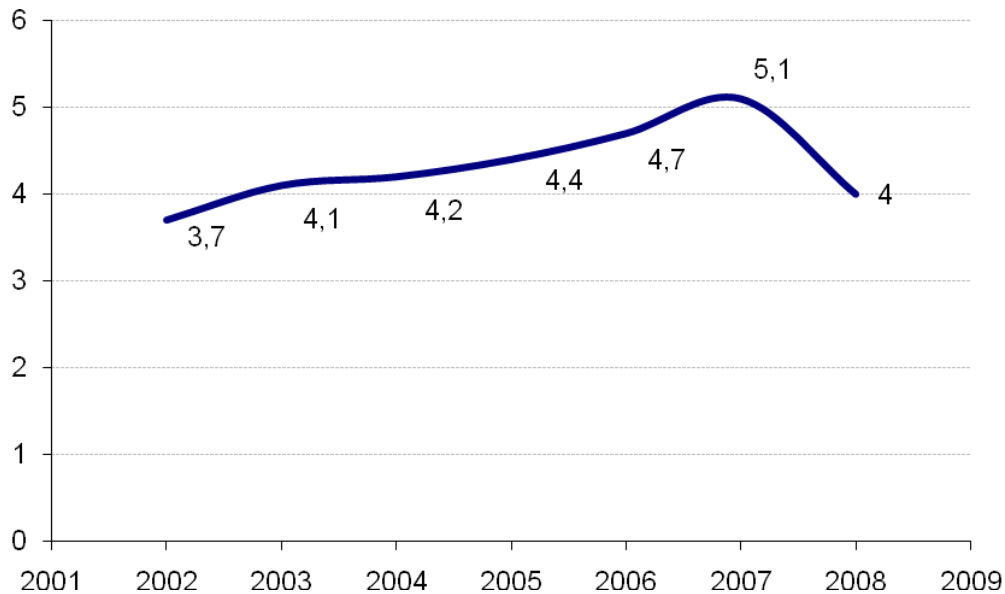


**Figure 3.5:** Assessing sales management functions (Suchanek, 1998)

The author used a combination of the factors that were mentioned above in order to analyze the performance of King's toys sales department.

Market indexes

Starting with the financial indexes, diagram 3.6 illustrates the total turnover of King Toys for the last seven years

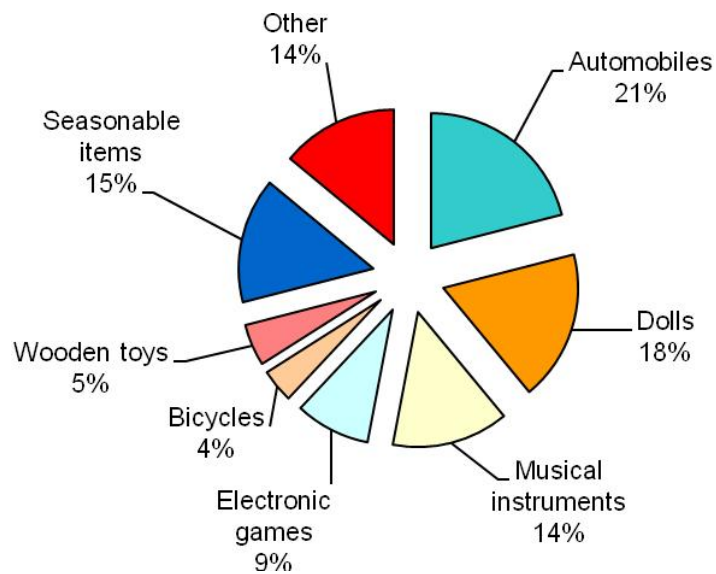


**Figure 3.6** sales volume evolutions 2001-2008 (in million euros), King toys, source: internal data

As it is shown in the diagram above, in 2002 the total turnover of the company was 3,7 million euros, while in 2003 was 4,1 million euros. In 2004 sale volume increased in 4,2 million euros, and in 2005 in 4,4 millions. In 2006 the

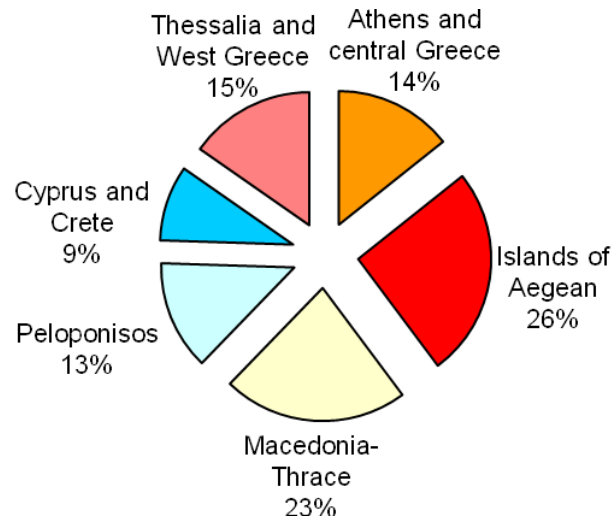
turnover was 4,7 million euros and in 2007 King toys business augmented in 5,1 million dollars. On contrast, in 2008, business slighted in 4 million euros, due to the economic crisis.

The next figure shows the total sales of the company categorized by product. More specifically, in 2008 21 % of the total sales came from automobiles, 18 % came by dolls, 14 % came from musical instruments, 9 % came from electronic games, 4 % came from bicycles, 5 % came from wooden toys, 15 % came from seasonable items, and finally 14 % came from other categories of products



**Figure 3.7** King's toys sales volumes by category of product (2008), *Source: internal data*

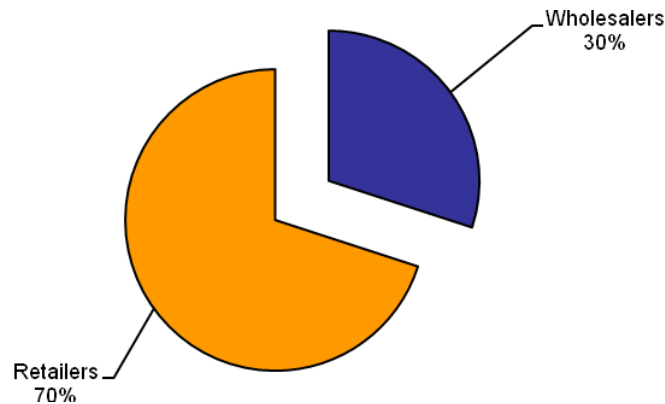
In the same length figure 3.8 illustrates the sales volume indicator categorized by geographical region. According to the internal data of the company 14 % of the total turnover is coming from Athens and central Greece, 27 % is coming from islands of Aegean, 22 % is coming from Macedonia and Thrace, 13 % is coming from Peloponisos, 9 % is coming from Cyprus and Crete and finally 15 % is coming from the region of Thessalia and west Greece.



**Figure 3.8,** King toys, Sales volume by geographical region (2008), *Source: internal data*

In terms of customer data, King toys has almost 400 clients; 70 % of them are autonomous retailers and 30 % are other wholesalers (see figure 3.9). Sales managers of the company also reported that the profitability of all products

categories is approximately in the same levels, indicating that there is not a certain segment that contributes more in profits.



**Figure 3.9.** King toys, Types of customers (total 400 customers), *Source: internal data*

As it was mentioned above, salespeople in King toys haven't any special technical knowledge concerning the products that they sell. Besides, they haven't attended any seminars regarding the selling process that they must follow when they meet their customers. In addition, there is lack of training towards the product mix that the company markets; in other words, when a new salesman comes to the company, is not following any training for the products that he/she will sell. The same condition stands also when the firm refreshes its product portfolio.

Furthermore, King toys hasn't a marketing department. Top management makes all the marketing decisions –promotions, advertising etc. – and the salespeople execute them.

On the other hand, King toys focus on long-term relationships with its customers. In more details, salespeople attempt to build profitable relationships with certain reliable customers who are able to market effectively the products to the final consumer. Retailers who stay with the company for more that five years get better prices and better offers. The company prefers to collaborate with certain and limited retailers in the regions that is commercializing its products.

Concerning the payment system of the sales department, King toys implement a strategy that includes a fixed salary plus bonuses. Bonuses differ according to the results of the performance of the salesman. More specifically, after the point of 300.000€(in a yearly basis) the bonus of the salesmen is 5 %. Below the 300.000€ the bonus is 4%.

Finally, it needs to be mentioned that King toys sales department *is focusing mainly in volume and less in profitability.*



### **3.4.2. Conclusion of the Performance Analysis**

After the performance analysis the following conclusions could be outlined giving an emphasis in the Strengths and Weakness that the company faces:

#### **Strengths:**

- From 2001 to 2007 sales volume increases continuously indicating a growth rate of 37 %
- All product categories and all divisions of Greece contribute to revenues. There is not dependence on a certain category or specific region
- The firm focuses on long-term relationships with their customers. This strategy seems that delivers better outcomes

#### **Weaknesses:**

- There is also lack of training, seminars, and technical knowledge concerning the selling process and the characteristics of the products that the company markets
- There is not marketing department

### **3.5 External Analysis**

#### **3.5.1 Environmental analysis**

The environmental analysis performed with this model results in a set of opportunities and threats of the market. These opportunities and threats influence, in combination with the internal strengths, weaknesses and constraints, the selection of the target markets to be formulated. The environmental analysis is build up out of two parts. First the macro environment is analyzed to get a global view of the world toy industry. For this first environmental analysis the author used PEST Analysis Framework.

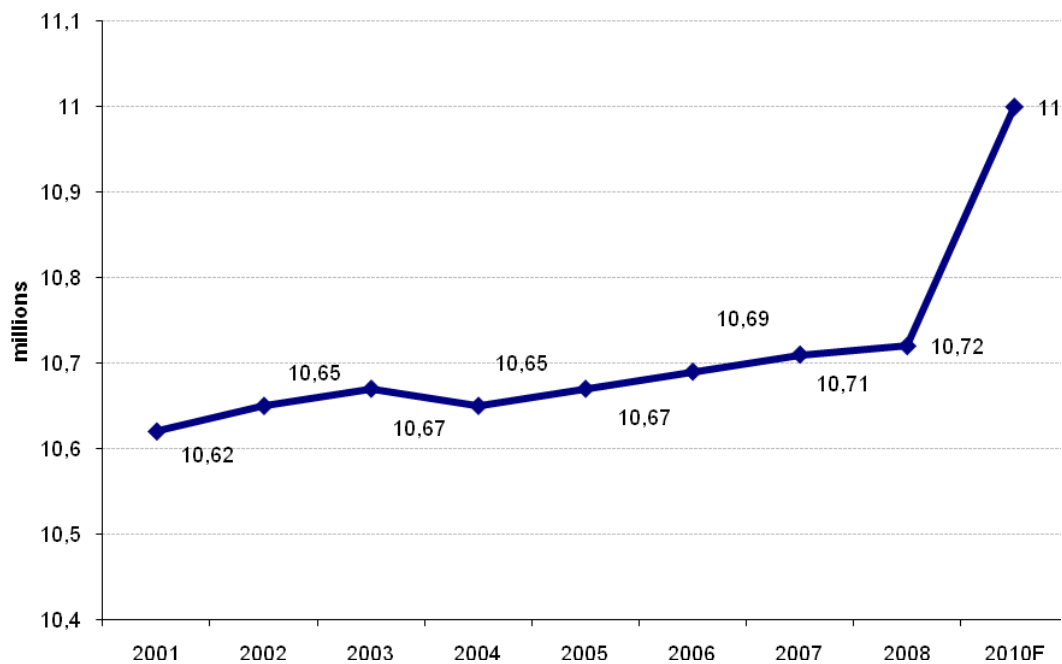
Kotler et al. (2002) claim that PEST Analysis is a useful strategic tool for understanding market growth or market decline, business position, potential and direction for operations. The headings of PEST are a framework for reviewing a situation, and can in addition to SWOT and Porter's Five Forces model, be applied by companies to review strategic directions, including marketing propositions. PEST also ensures that the company's performance is aligned positively with the powerful forces of change that are affecting the business environment (Porter, 1985).

A scan of the external macro-environment in which the firm operates can be expressed on terms of the following factors:

- Political
- Economic
- Social
- Technological

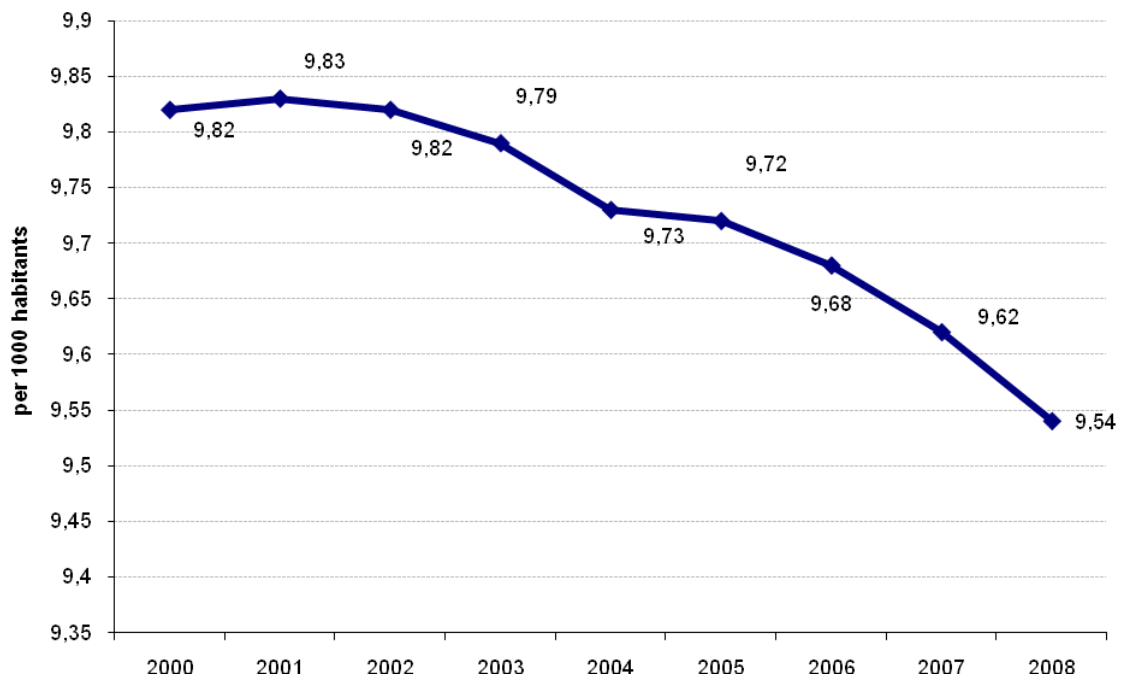
**PEST Analysis for King Toys**

Population: according to the Greek Office of National Statistics (2009) population in Greece in the last 8 years had remained stable. For example, in 2001 the population was 10,62 millions, in 2002 was 10,65 millions, in 2004 was 10,65 millions, and in 2008 10,72 millions. In 2010 Greece is expected to have 11 million habitants (see figure 3.10).



**Figure 3.10**, Population of Greece (2001-2008), *Source: Office of National Statistics*

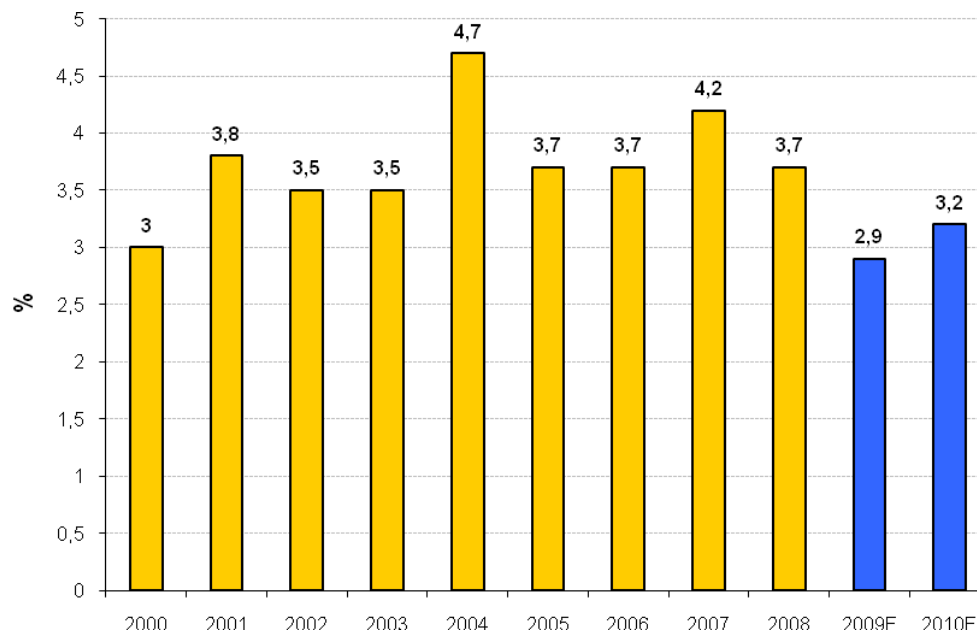
Births: National statistics services (2009) again report that the birth ratio in Greece is decreasing. More specifically in 2000 the country had 9,82 births per 1000 habitants, while in 2003 had 9,79, in 2006 9,68 and in 2008 9,54 (see figure 3.11). King toys businesses are negatively affected by the decreasing trend of new births in Greece. On the other hand, children from young age have access to video and computer games as well to other electronic products (Cyprus Securities, 2008).



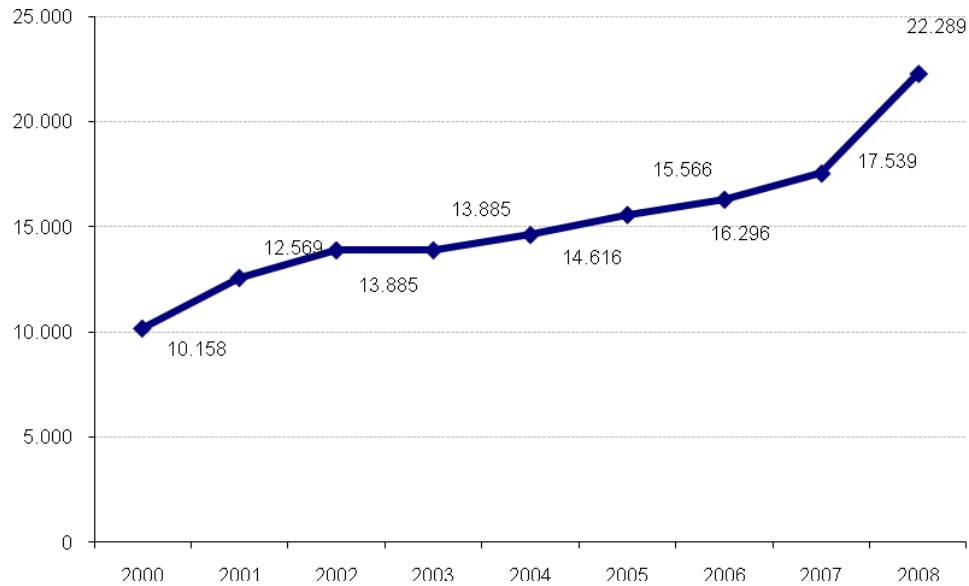
**Figure 3.11**, New Births in Greece (2001-2008), *Source: Office of National Statistics*

GDP growth GDP growth rate the last four years and after the Olympic games event has stabilized between 3,7 % and 4,2 %. Projections according to interim forecast of the European commission expect GDP growth to decline to 0,7 in 2009 recovering to 0,4 in 2010 (Bank of Cyprus, 2008). The next diagram (3.12) illustrates the GDP growth evolution in Greece.

GDP per capita: on contrast to the decreasing growth of GDP, GDP per capita indicated growth between 2000 and 2008. As it is illustrated in figure 3.4 in 2000 the GDP per capita was 10,158 €, in 2003 was 13,885, in 2005 was 15,566, in 2007 was 17,539, and in 2008 reached 22,289 € (see figure 3.13).



**Figure 3.12**, Greece, GDP growth (2001-2008) *Source: EUI, Bank of Cyprus*



**Figure 3.13**, Greece, GDP per capita (2000-2008), *Source: Office of National Statistics*

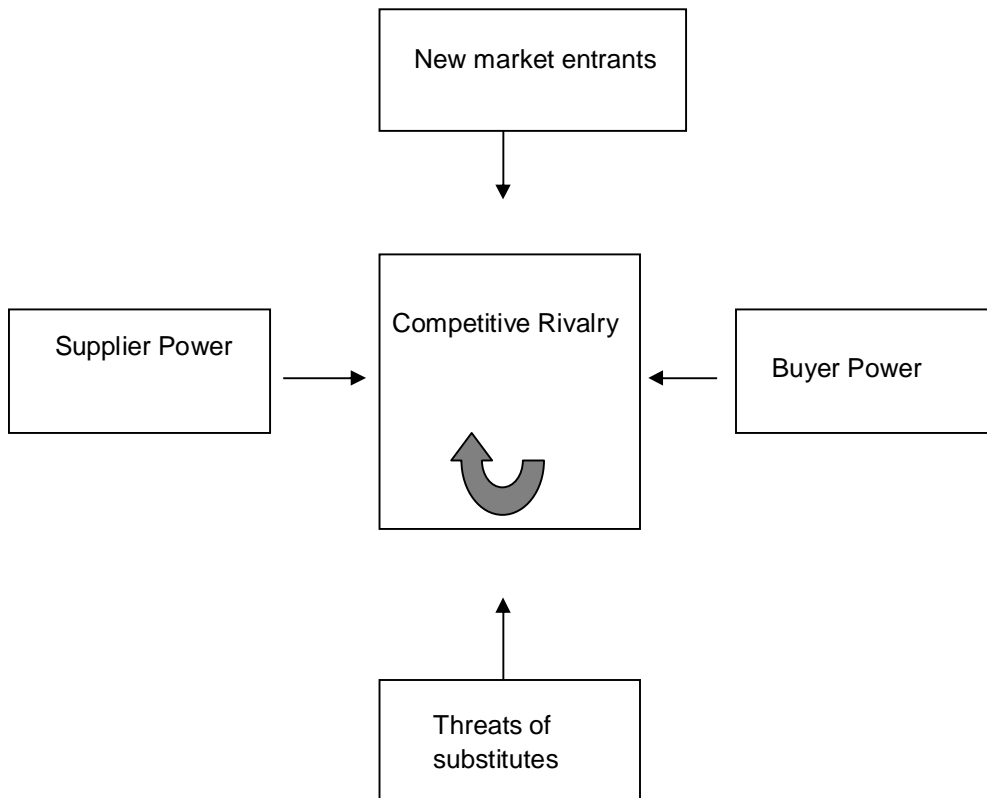
### 3.5.2. Implementation of the 5 forces model to King toys

In this section an analysis is been made of the more direct environment of the company. For this meso-environmental analysis the writer used the Industry Analysis Framework by Austin (1990).

This framework is chosen because it identifies the organizational characteristics with particular emphasis on how they relate to the competitors rivalry. Although, it has originally developed in relation to developing

countries, it can be applied also in Greece's case. This is based on the Business Competitiveness Index (BCI) by M. Porter.

Figure 3.14 illustrates the five forces model, which was created by Porter. These forces help determine a company's position vis-à-vis competitors, suppliers and customers; thus, it helps firms to scan their microenvironment



**Figure 3.14:** Porter's Five Forces Affecting Industry Competition, Adapted from Daft, 2006

The framework of the five forces help firms to scan their microenvironment because it allows a firm to see through the complexity and pinpoint those factors that are critical to competition in its industry, as well as to identify those strategic innovations that would most improve its industry's – and its own- profitability. The five forces framework does not eliminate the need of for creativity in finding new ways of competing in an industry. Instead, it directs managers' creative energies toward those aspects of industry structure that it's most important to long-run profitability. The framework aims, in the process, to raise the odds of discovering a desirable strategic innovation.

The national business environment can be characterized not as developed as those in the Western economies as well as the company operations and strategy ranking where in both variables Greece is positioning around 40<sup>th</sup>. Countries that have been identified as developing economies are above Greece's position like India, South Africa or Hungary etc. As a result, the model that has been developed from Austin can be used for the current research.

**Potential new entrants:** if barriers to new entry are weak then it will be impossible for companies to maintain monopoly profits. Doyle (2000) says that the major barriers to entry are:



- Patents and legal regulations
- Economies of scale
- High capital requirements to enter the market
- Strong brands
- Threat of retaliation
- Access to distribution channels

In some industries, such as soft drinks and pharmaceuticals, such barriers are crucial in explaining the high profit margins that have persisted. On the whole, however globalization, deregulation and the Internet are acting to reduce entry barriers in many markets.

Entering in the retail toy and games market in Greece is a difficult assignment due to the hard competition and to the existence of major retailers such as Jumbo and Moustakas. These major retailers have developed big commercial networks that include large stores in all the big cities of Greece. In addition, these groups are focusing on economies of scale and in the bargaining power that have established against their suppliers.

Besides, joining the current industry requires large capital investments, access to distribution, and strong brand identity. For present companies industry attractiveness is increased by raising entry barriers (Jobber, 2004).

**Bargaining power of buyers:** the drive and ability of customers to reduce prices also has a major effect of the profitability of the industry. De Wit (2004), Doyle (2000) and Jobber (2004) support that buying pressure is a function of two forces: the price sensitivity and their negotiating power.

Generally, as markets mature, customer pressure puts margin under increasing threat. Over time, as buyers obtain more information about product features and suppliers' costs their leverages increases. When this is combined with high price sensitivity, buying power can cause profitability to disappear for all but the lowest-cost competitors (Doyle, 2000).

According to the Bank of Cyprus (2008) Greece is one of the medium sized EU-markets with a share of 1.4 % of total EU market. Its consumption on traditional toys and games is estimated in at 290 millions € in 2007. There was an average annual decrease of 2.5 % between 2001 and 2007. More specifically, in 2007 the average expenditure on games and toys per child in the age group of 0-14 years was 117€ -lower than EU average of 168€. Seasonal influence is lower than in most EU countries; only 40 % of turnover

realized by Christmas sales. Easter sales are also important time period resulting 10 % of sales.

Cyprus Securities (2008) also report that in 2007 the total number of children in Greece was 1.8 million, an average annual decrease of 0,7 % since 2001. As it has 1.4 % of the EU youth, Greece is one of the smaller member states. The number of kids will decrease during the next five years, as the number of kids between 0-5 years is 93 % of the number of kids between 10-15 years old. This is better than EU average of 89 % indicating a lower drop in the number of kids than generally in the EU.

It needs to be mentioned that the powerful party in the transaction process is the final consumer, who drives the evolutions and introduces the new trends in the market.

**Bargaining power of suppliers** – Daft (2006) says that the concentration of suppliers and the availability of substitute suppliers are significant factors in determining supplier power. The sole supplier of engines to a manufacturer of small airplanes will have great power for example. In agreement, De Wit and Mayer (2004) write that the determinants of supply power are: 1) the differentiation of inputs 2) Switching cost of suppliers and firms in the industry 3) Presence of substitute inputs 4) Supplier concentration 5) importance of

volume to supplier 6) cost relative total purchase in the industry and 7) impact of inputs in cost or in differentiation.

More than 80 % of the goods sold are imported from China at a low cost, meaning that any pressure from the suppliers could reduce profit margins. For example when suppliers increase prices, Kings Toys buyers sometimes canceled their orders, in turn to renegotiate purchase terms. One other issue that should be underlined is that King toys suppliers are paid in US dollars; therefore any currency volatility affects the total profitability of the businesses.

On other aspect of King Toy's businesses is that the firm should periodically refresh its suppliers in order to improve its product portfolio and meet more effectively final consumer needs.

**Threat from substitutes:** Substitutes products are indirect competitors that can undermine demand prices. Doyle (2000, p. 160) believes that there are different types of substitutes such as: alternative products, new products, elimination of needs, generic substitution, and abstinence

According to Cyprus Securities (2008) again, the toy's sector is considered very sensitive to external trends, such as fashion, modernism, and gradual shift of the children interest from toys to high tech products. These trends

constitute central axes to the reduction of their share over the total activity. In agreement, TIE (2008) mentions that electronic games are the new trend of the market, and in some cases they substitute traditional toys or/and games. Therefore, King toys should be aware of these changes and reshape its product mix with new categories focusing in high tech and electronic games.

**Rivalry among competitors:** as illustrated in figure 3.14, rivalry among competitors is influenced by the preceding four forces, as well as by cost and product differentiation. Intense competition is most likely characterized of factors such as: the number of competitors, the standardized product or/and service, production capacity, market attractiveness and market growth (Doyle 2000; Jobber, 2004).

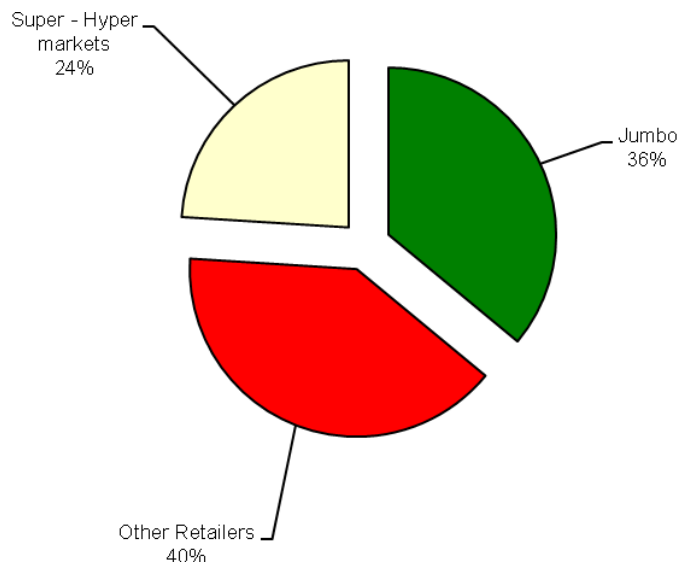
The Greek toy industry is characterized by intensive concentration. More specifically, Jumbo is the leading toy chain holding a 36 % market share in the Greek market, way ahead of the other small retailers that hold in total 40 % of the market. Finally, Supermarkets and Hypermarkets hold the other 24 % of the market (Cyprus Sec. R&A, 2008). Figure 3.15 illustrates the data mentioned above.

Cyprus Securities Research and Analysis department (2008) also reports that the main characteristics of the domestic market trend are that toy market

remains stable. Besides, baby products present slight growth while stationery and seasonal goods illustrate steep growth.

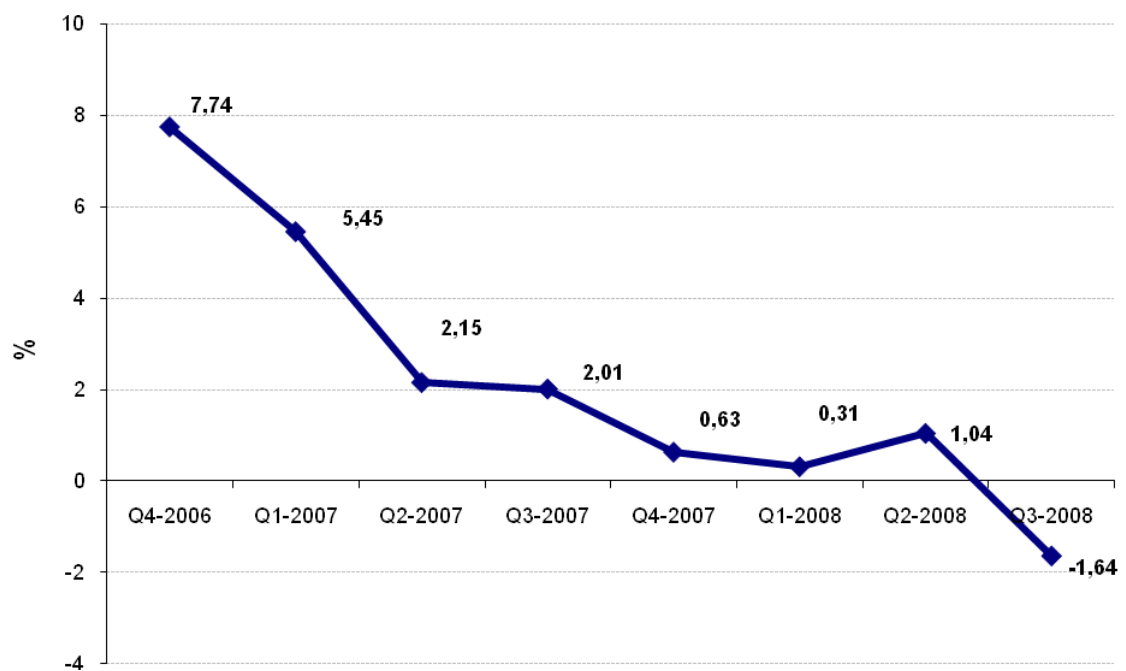
In agreement, TIE (2008) reports that in the EU-27, the market for traditional toys has remained also stable between 2006 and 2007, accounting for approximately €14 billion.

A key driving force in European markets was the licensed characters linked to successful movies; their share of the total market has increased from 20% to 25%. In addition, there has been an increase in traditional toys incorporating electronic elements.



**Figure 3.15**, Greek retail toy industry, *Source: Cyprus Sec. R&A, 2008*

Regarding the retail sector growth in Greece, the Office of National Statistics (2009) again reports that it declines continuously. More specifically, in the fourth quarter of 2006 the retail sector grew by 7,74 %; in the second quarter of 2007 grew only by 2,01 and in the first quarter of 2008 presented growth close to 0,31. Finally, in the third quarter of 2008 indicated negative performance (-1,64).



**Figure 3.16**, Retail sector growth in Greece, *Source: Office of National Statistics, 2009*

### **3.5.3. Conclusions of the external analysis**

After the conduction of the external analysis some conclusions could be outlined. First of all, it was indicated that GDP growth and consumption rate are declining, specifying the weak foundation of the Greek economy. In the same length, birth rate is also declining, and this fact reduces the target audience and sales performance of the firm. Moreover, it was underlined that more than 80 % of the merchandise is coming from one country – China - as well as the high seasonality that the toy industry demonstrates. In addition, analysis showed that toy market is characterized by high concentration. More specifically, the leader of the market, a company called Jumbo, holds 36 % of the market. Hence, large competitors have better negotiation power resulting in the offering of better promotions and lower prices. Finally, analysis showed that Greek retail sector is declining following the trend of the other sectors of the economy.

On the other hand, King toys have the opportunity to focus on video and computer games, since these categories exhibit high prospects. Furthermore, there is room for differentiation against the big players of the market by focusing in product quality and in the strong network with certain retailers that has already been developed.



### **3.6 Strengths, Weaknesses, Opportunities, and Threats - SWOT Analysis**

Strengths and weaknesses of an organization are of two distinct types. The difference between the two types lays to the fact that the first type concerns the way things inside the company have been build and occurring. On the other hand, the second type is based on how these strengths and weaknesses have been exploited through time. First there are structural strengths and weaknesses that result from decisions made in the past. The structural strengths and weaknesses can be changed, but they require major strategic decisions to alter and are generally taken as given in the marketing strategy formulation process.

Second, there are created strengths and weaknesses resulting from conscious decisions and actions that also made in the past. Strengths of this type may have taken many years to build and should be exploited to the full. Created weaknesses are often inadvertently created or the result of the building of other strengths. These weaknesses should form the focus for remedial action because they put the organization at a distinct disadvantage in the market place.

Opportunities and threats are the result of external environment. These opportunities and threats can be found by analyzing the results of a number of important factors in the external environment of the company.

Strengths / Weaknesses / Opportunities / Threats presented below are originating from the previous analysis mentioned earlier in the text.

Strengths (internal):

- From 2001 to 2007 sales volume increases continuously indicating a growth rate of 37 %
- King toys is a company with good working relations and creative working climate
- All product categories and all divisions of Greece contribute to revenues. There is not dependence on a certain category or region
- The firm focuses on long-term relationships with their customers. This strategy seems that delivers better outcomes
- King toys is a middle size company with controlled costs

Weaknesses (internal):

- King toys strategy focuses on volume and not it profits
- The firm is characterized by lack of computerization
- Weak educational background of the staff
- There is also lack of training, seminars, consultancy, and technical knowledge concerning the selling process and the characteristics of the products that the company markets

- There is not marketing department
- More than 80 % of the products is coming from one country (China).

#### Opportunities (external)

- Children from young age have access to video and computer games; hence the market of electrical and high tech games presents high perspectives
- There is room for differentiation against big competitors such as Jumbo, Super markets and Hyper markets
- The company can focus on profitability and quality of products taking advantage the network with retailers that has already developed
- Children customers have shifted away from traditional toys to electronic games and computers

#### Threats (external)

- Company's sales are negatively affected by the decreasing trend of new births in Greece (Birth rate is declining)
- Retail sector in Greece is declining due to the economic crisis; this fact affects profitability of the companies
- Slow down of GDP growth and consumer spending weaknesses have negative effect on company's sales
- Toy industry illustrates high seasonality
- Any pressure from the suppliers could reduce profit margins

- Business system has big dependence to suppliers, due to the fact that the firm is focusing mainly in volume
- Larger competitors have better negotiation power resulting in the offering of better promotions and lower prices
- Toy market is characterized by high concentration. One player – Jumbo – holds the 36 % of the market

Having identified the SWOT factors, a confrontation matrix can be combined in order to address the challenges and focus issues for King Toys (see table 3.1). The confrontation matrix is made by combining the strengths, weaknesses, opportunities and threats of a company; is a combination of the internal and the external factors ([www.12manage.com](http://www.12manage.com), 2009)

According to the confrontation framework, challenges and focus issues are distinguished in offensive (combining Strengths and Opportunities), defensive (combining Weaknesses and Opportunities), adjust (combining Strengths and Threats), and survive (combining Threats and Weaknesses).

As it is illustrated in the table 3.1, offensive tactics for King Toys include focus in new product categories such as electrical and high tech games; defensive issues that should be addressed are: a) the establishment of a marketing department, b) introduction of seminars and training sessions, and c) improvement of the recruitment system of the company. In the same length, adjust challenges include differentiation with the launch of new products, and

finally the matrix analysis indicated that King Toys must focus more on profitability and less in sales volume, as well as in long term relationships with customers.

All suggestions for improvement resulting from the present analysis are discussed analytically in the next chapter

	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Children from young age have access to video and computer games; hence the market of electrical and high tech games presents high perspectives</li> <li>• There is room for differentiation against big competitors such as Jumbo, Super markets and Hyper markets</li> <li>• The company can focus on profitability and quality of products taking advantage the network with retailers that has already developed</li> <li>• Children customers have shifted away from traditional toys to electronic games and computers</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Company's sales are negatively affected by the decreasing trend of new births in Greece (Birth rate is declining)</li> <li>• Retail sector in Greece is declining due to the economic crisis; this fact affects profitability of the companies</li> <li>• Slow down of GDP growth and consumer spending weaknesses have negative effect on company's sales</li> <li>• Toy industry illustrates high seasonality</li> <li>• Any pressure from the suppliers could reduce profit margins</li> <li>• Business system has big dependence to suppliers, due to the fact that the firm is focusing mainly in volume</li> <li>• Larger competitors have better negotiation power resulting in the offering of better promotions and lower prices</li> <li>• Toy market is characterized by high concentration. One player – Jumbo – holds the 36 % of the market</li> </ul>
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• From 2001 to 2007 sales volume increases continuously indicating a growth rate of 37 %</li> <li>• King toys is a company with good working relations and creative working climate</li> <li>• All product categories and all divisions of Greece contribute to revenues. There is not dependence on a certain category or region</li> <li>• The firm focuses on long-term relationships with their customers. This strategy seems that delivers better outcomes</li> <li>• King toys is a middle size company with controlled costs</li> </ul>	<p>Focus on new product categories - electrical and high tech games <b>(offensive)</b></p>	<p>Differentiation with the launch of new products taking advantage of the network of retailers that the firm has developed <b>(adjust)</b></p>

<p>Weaknesses</p> <ul style="list-style-type: none"> <li>• King toys strategy focuses on volume and not it profits</li> <li>• The firm is characterized by lack of computerization</li> <li>• Weak educational background of the stuff</li> <li>• There is also lack of training, seminars, consultancy, and technical knowledge concerning the selling process and the characteristics of the products that the company markets</li> <li>• There is not marketing department</li> <li>• More than 80 % of the products is coming from one country (China).</li> </ul>	<p>1) Establishment of a marketing department</p> <p>2) Launch of seminars and training sessions,</p> <p>3) Improvement of the recruitment system of the company (defensive)</p>	<p>Focus on profitability and not in sales volume, as well as in long term relationships (survive)</p>
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**Table 3.1:** Confrontation matrix for King Toys

#### 4. Suggestions for improvement

The research questions to be answered in this part are:

***What are the most important improvement areas with respect to the corporate, marketing and sales force strategy, and how these improvements would be put into practice?***

*a. What policy improvements can be applied?*

*b. Which activities can be applied and how to implement these changes?*

##### 4.1 Introduction

The phases that follow in the strategic marketing plan formulation process are delivering after the assessment of all the previous stages. These methods combine the results of both internal and external analysis conclusions and lead to the formulation of alternative goals and strategies, activities and final assumptions. The presented models will be used as the basis for the assessment of the elements that need to be measured and modified in order to achieve the desired sales force performance of the organization.

#### **4.2 Improvement areas**

This analysis is used to summarize and combine the previous made by internal, external analysis and the formulation of the desired alternatives, what results in a bound number of key issues. The aim was to combine the relevant company's strengths and weaknesses to the changes that are taking place in the environment, and examine the capabilities of the firm to exploit these factors.

After the assessment is plotted, it should be concluded which are the marketing policies and strategies for the upcoming future. This process means that it has to be decided on which activities or strategic choices the company has to target to improve or follow.

To conclude, the purpose of selecting these policies and strategies is to make clear on which attractive marketing activities and strategies the company has the potential to be successful in achieving its goals.

### **4.3 Establishment of a marketing department**

King toys should establish a marketing department. This department will be responsible to assemble and analyze market data (market share, competitors share, retail sector evolution, customer's data etc.), create and develop communication campaigns, support salespersons to develop their customer base, and maintain the good and profitable relationships with the loyal customers of the firm. Moreover, the duties of the marketing department will focus on the establishment of the brand of the company.

The marketing department will employ two persons who will report to the top management. As it was mentioned above the marketing department will collaborate closely with the salesmen of the company, providing them with information towards the market and the customers spending. The department will be also responsible to find new retailers or/and wholesalers expanding the domestic market.

Figure 4.1 illustrates the structure of the company after the establishment of the marketing department.





**Figure 4.1:** Proposed structure of the company

#### **4.4. Focus in new product categories- electrical and high tech games**

King Toys should focus in new product categories such as the high technology and electronic games. In the chapter of the market analysis, it was mentioned that there has been an increase in traditional toys incorporating electronic element. Moreover, it was underlined that children customers have shifted away from traditional toys to electronic games and computers as well as children from young age have access to video and computer games. Thus, the market of electrical and high tech games presents high perspectives for the firm.

Sale's department should be aware of these advancements and prepare the company in order to be capable to merchandise these new categories. Preparation could include seminars, training etc.

#### **4.5 Improvement in the recruitment system of the company**

King toys should improve its recruitment system when it employs new salespersons and new staff in general. In the internal analysis it was mentioned that only 30 % of the staff hold a university degree without having any special technical prowess, abilities or knowledge –the same statement stands also for the sales department.

The company should occupy salespeople who hold university or/and master degrees and have at least 4 years of working experience in related sectors. Well educated personnel will have the ability not only to market more effective company's products but also to contribute to innovation, development of the firm, and to the adoption of a more sophisticated business and marketing approach.

Moreover, the staff of the company should be trained with seminars and extra sessions (see paragraph 4.6).

#### **4.6 Launch of Seminars and training sessions**

King toys' management should introduce seminars and training sessions for its salespeople and for all the personnel in general. The seminars will be based in subjects such as sales force improvement, marketing-management etc.

Seminars will help the sales team to develop a theoretical background towards sales and selling process. Moreover, training sessions are necessary concerning the technical characteristics of the company's product portfolio. Seminars and training sessions would help salespersons to improve their performance and increase sales.

Table 4.1 illustrates the two seminar sessions that are proposed for the company as well their duration and their cost.

**Table 4.1: Seminars for King toy stuff**

Subject	Duration	Costs	Apply for
Sales and Key account management	3 months	270,00 Euros (per person)	Sales departement
Marketing Management	3 months	240,00 Euros (per person)	All personnel

As it is shown in the table above, the sales department will attend the seminar with the title: "Sales and key account management". Moreover, all the existent personnel of the firm will attend the "Marketing-Management" tutorial in order to build a business-oriented mentality

When it is necessary and when the product portfolio changes, salesmen will attend training sessions concerning the new products (technical characteristics, potential new customers etc). Furthermore, when the company hires new salespeople, they will attend training towards the existing product mix in order to be capable to merchandise it effectively.

In other words, King toys should invest in the training of its stuff, in all levels, because an educated stuff is one of the most important assets which contribute to long term profitability.

#### **4.7. Focus on profit (not in volume) and long term relationships with customers**

The ultimate goal for King Toys should be the building of partnerships with high-value customers founded on loyalty and trust. Customer loyalty is the real source of sound business and profitability. In other words, customers are assets: the longer they retained, the more value should create (Doyle, 2000).

According to Whitney (1996), in order to select customers who will have a high lifetime value for the company, four criteria should be used: 1) strategic importance, 2) customer significance, 3) customer profitability, 4) loyalty coefficient.

Strategic importance: strategic importance has three dimensions. Firstly King toys should seek customers who desire its value proposition and so fits its core capabilities. Second, customers are strategically important if they are expected to grow, either because they are in fast growth markets or because they have strong competitive advantages. Finally, a customer can be important if it is an opinion leader (Doyle, 2000).

Customer significance: significance refers to the percentage of total revenue and gross profits the customer accounts for. Size is not always correlated with profitability. Some large accounts demand big discounts and onerous levels of servicing, which shrink the operating profit they generate. But size should be significant. Big customers should offer more opportunities they are very difficult to replace, and their loss can have a devastating impact on the business.

Customer profitability: According to Doyle (2000) again, the main reason why the majority of companies carry such a long tail of accounts is that they do not measure customer profitability. They usually measure contribution, but contribution overestimates account profitability. Additional customers require more administrative support, warehousing, sales support, distribution and financing costs. Hence, King toys should employ activity based costing, which attempts to charge costs to products, channels and customers for the resources they consume. This inevitably leads to a strategy to refocus on the handful of profitable accounts and to make the others profitable or get rid of them (*ibid*). In order to focus in customer profitability, KT should develop a CRM system (see next paragraph).

Loyalty coefficient: If King toys wants to create long term partnerships, it needs to identify customers who would be interested in such a commitment. Some customers are inherently more loyal than others and sales department should focus on them. Customers who stay with the company are assets of increasing value – each year they tend to generate higher and higher net cash flow. That's why Reichheld (1993) writes that a customer who has been with the company seven years typically generates six or seven times the amount of a new customer. Served correctly customers generate increasingly more profits each year they stay with the company; across a wide range of businesses the pattern is the same: the longer a company keeps a customer, the more profits it stands to make (*ibid*).

King Toys, in order to reinforce the loyalty of their customers should develop a Customer Relationship Management (CRM) system. According to Chaffey et al. (2003, p. 218) CRM is a marketing led approach for building and sustaining long term business with customers. This involves development of long term relationship with each customer in order to better understand customer's needs and then deliver services that meet individual needs. Key element in the implementation of CRM tactics is the use of technology. In more details, the interactive nature of the Web combined with e-mail provides an ideal environment in which to conduct this relationship, and databases provide a foundation for storing information about the relationship and providing information to strengthen it by leading to improved, often personalized, services.

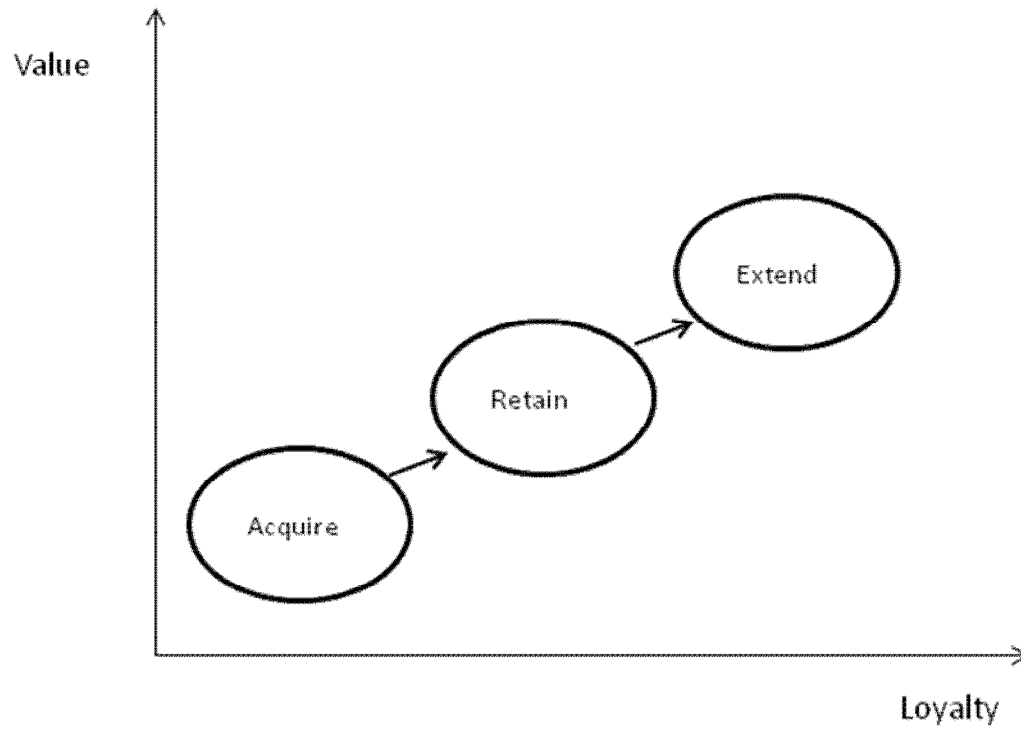
Chaffey et al. (2003, p. 223) again support that companies such as King Toys should adopt a CRM system which will support the following marketing application:

- Sales force automation (SEA): Sales representatives are supported in their account management through tools to arrange and record customer visits.
- Customer service management: sales representatives during the sales process will respond to customer request for information using an intranet to access databases containing information on the buyer, product and previous queries

- Management of the selling process
- Campaign management: managing advertising, direct mail, e-mail, and other promotional campaigns with retailers and wholesalers
- Analysis: through technologies such as data warehouses, KT will analyze customers' purchase behavior in order to optimize its marketing mix. KT management needs three types of information in order to conduct the analysis: a) profile data of the customer (business size, industry sector etc., b) transaction data: a record of each purchase transaction including specific product purchase, quantities, category, location, date and time etc., c) communications data: a record of which customers have been targeted by campaigns and their response to them, record of inbound inquires, sales representatives visits and reports.

Finally, CRM strategy should follow the marketing process illustrated in figure 4.2. More specifically, KT should first focus on techniques used to gain new customers; then the firm should maintain relationships with existing customers, and finally, it should encourage customers to increase their involvement with the company. As it is sketched in the diagram, value increases linear with loyalty.





**Figure 4.1**, CRM strategy process for King Toys, adapted from Chaffey et al. (2003), p. 226

## 5. Conclusions and Recommendations

The purpose of this report was to examine the potential improvements that King Toys should implement in order to achieve higher results in its sales

force performance, and also to explore how these improvements should be implemented

King Toys Co is a middle size private owned enterprise that was established in 1989 with the acquiring of facilities in Athens. The company is merchandising over 3000 different products in toys area per year and it is ranked as relative one of the 'Middle-size Wholesalers in Greece'. More specifically, King's toys main domain is to import selected toys from factories mainly in China (also it imports products from Italy, Turkey and Germany) and then storage them. The sales team comes then and it promotes all of the products to costumers mainly in Greece in wholesalers and final retailers.

Academic, researchers and consultants support that key elements for the improvement of the sales operations of a firm include: development of an effective reward system, completion of training sessions, collaboration between sales and marketing departments, and adoption of relationship marketing strategies which concentrate in long term relationships and profitability.

After the analysis of the current situation of the company and its business environment it was found that King Toys implements a tactic that is volume oriented. Moreover, the company doesn't organize training session for its sales personnel and has not created a marketing department. Besides that,

the educational background of the staff is weak. All these weaknesses make the firm less competitive.

The conduction of the external analysis indicated that GDP growth and consumption rate are declining, specifying the weak foundation of the Greek economy. In the same length, birth rate is also declining, and this fact reduces the target audience and sales performance of the firm. Analysis also showed that toy market is characterized by high concentration; more specifically, the leader of the market (Jumbo) holds the 36 % of the market. Hence, large competitors have better negotiation power resulting in the offering of better promotions and lower prices. Finally, analysis showed that Greek retail sector is declining following the trend of the other sectors of the economy.

After the analysis of the academic literature and the external and internal environment of King Toys, some recommendation could be sketched. First of all, King Toys should establish a marketing department which will be responsible to assemble and analyze market data (market share, competitors share, retail sector evolution, customer's data etc.); create and develop communication campaigns; support salespersons to develop their customer base, and maintain the good and profitable relationships with the loyal customers of the firm. Moreover, the duties of the marketing department will focus on the establishment of the brand of the company.

Secondly, KT can focus in new product categories such as electrical and high tech games which illustrate high growth. Thirdly, KT should make some

improvements in its recruiting system focusing on education background and working experience. In the same length, the firm should introduce training sessions for salesmen concerning sales and key account management. Finally, taking advantage of digital technologies, KT should develop a CRM strategy in order to develop long-term profitable relationships with retailers and wholesalers. This strategy includes three basic steps: 1) acquire the customer, 2) retain the customer in the company, and 3) extend the relationship resulting in augmented purchases and profits.

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