The role of the sales force in multichannel distribution: Organizational determinants and consequences

Abstract
Companies have to choose not only an appropriate organization of sales force activities but also an optimal level of integration in order to align the sales force with other channels. Based on an exploratory qualitative study, a conceptual model for determining sales force activities is developed and tested empirically. We found a positive impact of using the sales force in a target-oriented way, and strong support that a relational selling strategy enhances the performance of the sales force as well as the total distribution success. Furthermore, we were able to identify channel interference as an important contingency factor for sales force integration.

Key words:
Multichannel Distribution, Sales Force, Coordinating Channel Strategies, Business-to-Business, Relationship Selling, Partial Least Squares

Track:
Sales Management & Personal Selling
1. Introduction

Multichannel distribution is becoming increasingly relevant for companies due to its association with higher customer profitability (Venkatesan, Kumar, & Ravishanker, 2007) and expanding purchase and communication options (Ansari, Mela, & Neslin, 2008). Although considerable research has been directed to a better understanding of multichannel distribution in a business-to-business (B2B) context in recent years, many challenging open questions still exist. These include finding an optimal channel mix, the contribution of single channels, the role of e-commerce in multichannel distribution, and creating synergies across channels (for an overview see Rosenbloom, 2007). Answering these questions may be especially relevant as many B2B companies traditionally use multiple channels to go to market with their products and services (Cespedes & Corey, 1990; Moriarty & Moran, 1990). According to a study by Shankar & Winer (2005), almost 45 percent of all companies deploy three or more channels in order to interact with their customers.

Among other issues, the role of the sales force within multichannel distribution did not yet receive much scientific attention. As Wilson and Daniel (2007) stated, the B2B sales force is still struggling to work out its relationship with other channels. More generally, organizing channels within the multichannel system is an important and actual topic (Berger, Lee, & Weinberg, 2006; Neslin et al., 2006; Rangaswamy & Van Bruggen, 2005). To our best knowledge, no previous research has been carried out on how to organize and integrate a company's sales force into a multichannel distribution system. Within this topic, our objectives are threefold: (1) Examining the contribution of different options of strategic sales force organization design to sales force and total distribution success, (2) determining the effects of varying degrees of integration of the sales force into the multichannel system and (3) measuring the impact of an additional online distribution channel. In view of the limited theoretical and empirical knowledge on the topic, it seems relevant to develop a research design combining an exploratory qualitative research with a causal quantitative one (Churchill Jr & Iacobucci, 2005). In this way, results from the exploratory research can help define a model for determining sales force characteristics, before causal research can help to test the proposed model. Hence, this paper is organized as follows: First, we briefly provide the theoretical background, explorative qualitative findings and derive distinct hypotheses. Subsequently, methods and results of our quantitative study among B2B companies are presented and discussed. The paper closes with implications and issues for further research.

2. Background and research hypotheses

We started our investigation on the organization of the sales force in multichannel systems with summarizing sales force activities and strategic options through a literature review (e.g., Marshall, Moncrief, & Lassk, 1999; Moncrief, 1986; Slater & Olson, 2000). In a following qualitative study, we conducted in-depth interviews with twenty-eight top sales and marketing managers, consisting of open and guided questions concerning their sales force and multichannel organization. Respondents were chosen as they were highly knowledgeable and personally involved in sales force activities and multichannel distribution. Based on our findings, we used the guidelines from Homburg & Giering (1996) to conceptualize and operationalize the role of the sales force in multichannel distribution. We were able to group activities and strategic options into three main dimensions of design opportunities: breadth, depth and integration of the sales force. We assume a direct effect from each of the resulting different strategic options on sales force success as well as on overall multichannel distribution success. Based on theoretical implications, we derived several hypotheses and developed a conceptual framework (Figure 1).
The breadth of the sales force is composed of responsibilities in each phase of the sales chain, the share of all customers served and the share of all products and services offered by the sales force. During our exploratory qualitative research, we were able to develop a sales chain, consisting of five distinct phase: communication and negotiation, logistics and enterprise resource planning, financing and payment, product presentation, and consulting and services. This classification equates largely the sales cycles of Churchill (1993) and Schögel (1997). Extensive market processing has two dimensions and consists of a broad customer range as well as a broad product or service range (Scholl, 2003). We assume a positive impact from sales force breadth on sales force success, at least due to a zero-sum effect within the distribution system (Mohr & Nevin, 1990). Concerning the total distribution success, we follow Moriarty & Moran (1990) and Schögel (1997) who stated that it is reasonable to use the relatively expensive sales force channel only at critical points of the sales chain, for key customers or key products and replace it partly with less costly channels (e.g. call center or internet).

H1a-b: The breadth of the sales force has (a) a positive impact on the sales force success and (b) a negative impact on total distribution success.

The depth of the sales force measures which share of all customer interactions is performed by the sales force. It is composed of the relationship to customers and providing extensive support along the buying cycle (Belz, 1999). Regarding the contribution of the sales force to customer retention, numerous publications pointed out the importance of a relational selling strategy to create value (Guenzi, 2002, 2003; Guenzi, Pardo, & Georges, 2007). As stated by Weitz & Bradford (1999), the sales force plays a key role in long-term buyer-seller relationships. But empirical research to prove these findings in multichannel distribution systems is still lacking. Following the above mentioned authors, we see the relational approach more appropriate and advantageous than a transactional one for a sales force in multichannel systems. Furthermore, customers have different needs when passing through the buying cycle (Churchill et al., 1993). Hence, the sales force can support customers with many particular measures at different stages to increase satisfaction and strengthen the relationship (Schögel, 1997). Consequently, we assume an overall positive impact from sales force depth on sales force success and total distribution success.

H2a-b: The depth of the sales force has (a) a positive impact on the sales force success and (b) a positive impact on total distribution success.

The integration of the sales force can range from complete separation of channels to full coordination, with each strategy having several advantages and disadvantages (Neslin & Shankar, 2007). Of central interest is the following question: To what extent should the sales force be coordinated or independent? Regarding the success of the sales force, we follow Berger et al. (2006) and assume increasing profits when integrating the sales force through
synergies with other channels. With regard to the total distribution success, the organizational costs of coordination may counter-balance the economic benefit of integration (Neslin & Shankar, 2007). In this situation, we see channel interference as a potential moderator, describing to what extent services offered or customers served overlap between channels (Cespedes & Corey, 1990; John & Weitz, 1988).

**H3a-b:** Integrating sales force activities into the multichannel environment (a) leads to higher sales force success. Furthermore, (b) the higher the channel interference, the higher the positive impact from integrating the sales force into the multichannel environment on total distribution success.

The importance of examining an additional internet-based distribution channel is obvious, since all companies are faced with the task of combining online channels with conventional channels (Rosenbloom, 2004). The impact of such a channel on sales force and total success is rather ambiguous (Geyskens et al., 2002). On the one hand, multiple channels are viewed as complementary. Merrilees & Fenech (2007) found out that other channels may not be substituted by online channels in the B2B context. Furthermore, based on an exploratory study, Cheng, Tsao, Tsai, & Tu (2007) found that the addition of online channels improved the financial performance of companies. On the other hand, multichannel strategy may be viewed as a zero sum game (Mohr & Nevin, 1990). Following this point of view, a channel can only gain a customer when another channel has lost one. Additionally, advantages of reaching an increasing number of customers through multiple channels may be partially offset by two potential negative effects (Sharma & Mehrotra, 2007): First, multiple channels may create conflict. Second, with an increasing number of channels, the sales derived from each new channel drops which makes it difficult for a company to recover its costs. Hence, while an additional online channel is likely to have some detrimental effect on sales success of existing channels, we still assume a positive overall contribution to multichannel success.

**H4a-b:** Using an additional internet-based distribution channel within the multichannel environment has (a) a negative impact on the sales force success and (b) a positive impact on multichannel success.

Previous research highlighted a strong relationship between sales force success and total distribution success (Rosenbloom, 2004; Scholl, 2003). We adopt these findings to our model.

**H5:** Sales force success lead to a higher total distribution success.

### 3. Research method

**Data collection and sample:** We conducted a combined postal and online survey of 1000 companies in the German-speaking countries from a commercial database. All addressed companies operate in the B2B business and utilize at least two additional channels besides their sales force. 189 questionnaires were returned within four weeks (return rate 18.9%; 63 per mail, 126 online). Of these questionnaires, 56 had to be rejected, so that a total of 133 usable questionnaires remained for the investigation. Questionnaires had to be rejected mainly due to missing values, which is a common problem with online surveys (Duffy, Smith, Terhanian, & Bremer, 2005). The effective response rate is 13.3%. Given that the average response rates in top management surveys are below 20%, we regard it as acceptable for our research purpose (Reinartz, Krafft, & Hoyer, 2004). In more than 80% of the cases, senior executives such as marketing or sales executives filled out the questionnaire. The executives were knowledgeable key informants about the companies’ multichannel environments. The sample was tested for non-response bias using the method proposed by Armstrong and Overton (1977).

**Measures:** Based on a literature review and managerial interviews, we developed multidimensional formative measurement scales for breadth and depth of the direct sales force (Jarvis, MacKenzie, & Podsakoff, 2003). Other latent variables were surveyed based on
established scales (see Appendix 1 for all scales). The resulting indicators were measured using 7-point Likert scales and validated as part of a pre-test which involved additional 30 people. To validate the multi-item reflective constructs we followed the procedures proposed by Bagozzi & Yi (1988) and Anderson & Gerbing (1988). We applied PLS structural equation modeling (C. Fornell & Cha, 1994) to test our hypotheses on determining sales force organization in multichannel systems. We employed SmartPLS (Ringle, Wende, & Will, 2005), which allows us the simultaneous testing of hypotheses while enabling the use of both reflective and formative scales as well as single- and multi-item measurement (Fornell & Bookstein, 1982).

4. Results

Confirmatory factor analyses showed that each indicator loaded significantly on its intended factor. Discriminant validity of the constructs was assessed using the criterion proposed by Fornell & Larcker (1981); the criterion was met. Thus, reliability and validity of the multi-item reflective constructs are acceptable. To assess the validity of the multi-item formative constructs we followed the recommendations of Bollen & Lennox (1991) and Diamantopoulos & Winklhofer (2001). We tested the explanatory power of the overall model by assessing its explained variance as well as the individual hypotheses. Significance tests were conducted with construct level change option and 500 bootstrap re-samples (Chin, 1998). The moderator effect of channel interference was tested with a two-way-interaction procedure (Chin, Marcolin, & Newsted, 2003). While it is not possible to report an overall goodness of fit for the model (Fornell & Cha, 1994), the $r^2$ values of sales force success ($r^2=.31$) and total distribution success ($r^2=.52$) as well as the Stone-Geisser-Criterion which assesses the predictive quality of the model ($Q^2$ values: sales force success $Q^2=.191$, total distribution success $Q^2=.219$) indicate an adequate model specification. With exception of the impact of an additional online channel, we found support for all of our hypotheses (see Figure 2). Our model indicates a positive impact from sales force breadth ($H_{1a}=.37^{***}$), sales force depth ($H_{2a}=.21^{***}$), and sales force integration ($H_{3a}=.09^*$) on sales force success and a strong relationship between sales force success and total distribution success ($H_5=.69^{***}$). Sales force breadth ($H_{1b}=-.21^{**}$) has a negative and sales force depth ($H_{2b}=0.16^{**}$) a positive impact on total distribution success. Furthermore, the predicted moderating effect of sales force integration and channel interference was supported ($H_{3b}=.16^{**}$). Although an additional online channel has the anticipated effects ($H_{4a}=-.09; H_{4b}=.08$), we were not able to prove sufficient significance and therefore have to reject the two hypotheses. In additional analyses, we tested the influence of an additional online channel on other constructs and our postulated relationships. Again, we were not able to find any significant effect.

Figure 2: Empirical model
5. Discussion, limitations, and directions for further research

In recent years, multichannel management has gained substantial importance and marketers are faced with the challenge of finding effective ways to design and integrate various channels to gain a sustainable competitive advantage. This study makes several important contributions in examining different strategic options for sales force design, integration possibilities of the sales force into the multichannel system and the impact of an online distribution channel. First, we provided empirical evidence that the three identified dimensions of strategic sales force design all have a direct impact on sales force and total distribution success. Hence, we can provide valuable insights and illuminate design opportunities to managers. We empirically prove the suggestion to use the sales force within multichannel systems in a target-oriented way, e.g. only for products and customers where a relatively high-cost channel pays off (Schögel, Sauer, & Schmidt, 2004). As such, replacing sales force activities through other channels, i.e. reducing its breadth, leads to a higher total distribution success. These results are in line with findings of Johnson & Bharadwaj (2005). Second, we found support that a relational selling strategy, e.g. building a strong relationship and providing extensive support, enhances the performance of the sales force as well as the total distribution success. However, we have to qualify the potential drawbacks of such a strategy. Due to the high costs and implied risks of a relational approach, such a strategy should be applied selectively only to important customers (Guenzi et al., 2007) and requires the creation of key account management structures and processes (Homburg, Workman Jr, & Jensen, 2002). Third, contributing to the current discussion on coordinating channel strategies (Neslin et al., 2006), we were able to identify channel interference as an important contingency factor, moderating the positive impact of channel integration on multichannel success. Although Berger et al. (2006) found out that a company can optimize its profits with a full-integration channel strategy, we see this strategy only as the best solution if the different channels of a company highly overlap each other, e.g. serve the same customers with the same products or services.

As with all research, several limitations need to be acknowledged and numerous additional research extensions result from our investigation. Firstly, we used data from a cross section of industries to examine sales force organization in multichannel distribution. Although this approach is useful in demonstrating the broad applicability and impact, it limits the degree of industry- and relationship-specific inferences. Further research is required to explore these inferences. Secondly, we use key informants and perceptive-performance measures. Further research should reduce possible common method problems by incorporating second informants and actual performance data. Thirdly, this study constitutes an initial investigation of sales force activities within multiple channels. It is obvious that additional factors might be incorporated in such a model, e.g. different characteristics of sales people, companies, or customers. Moreover, we were not able to provide significant insights into online channel influence and found no empirical support for our postulated effects. We can neither confirm a positive impact of an additional online channel (Cheng et al., 2007) nor a negative impact (Sharma & Mehratra, 2007) on sales force and total distribution success. Missing significance may occur due to our relative small sample size or our cross-sectional research designs and provide an interesting area for future studies. Anyhow, we have to point out the ambiguous impact of online channels in the B2B context (Geyskens et al., 2002). For this reason, managers should not employ an internet-based distribution channel prematurely only because of its availability. Rather, they should thoroughly trade off opportunities against threads for their particular situation. Further research is also required to investigate the impact of other channels than online, to point out differences and similarities of direct sales forces and independent sales forces, and to determine the influence of the sales force on CRM within the multichannel environment.
References


## Appendix 1: Measurement variables and sources

<table>
<thead>
<tr>
<th>Content</th>
<th>Indicators</th>
<th>Scale adapted from</th>
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| **Breadth of sales force* (formative, multidimensional)** | *Extensive market processing of sales force*  
  
  Our sales force...
  ...serves all our customer segments.
  ...serves all customers within its segment.
  ...force offers the whole range of products/services.  
  *Sales force responsibilities along the sales chain*  
  
  Our sales force...
  ...is involved in communication and negotiation.
  ...is involved in logistics and enterprise resource planning.
  ...is involved in financing and payment.
  ...is involved in product presentation.
  ...is involved in consulting and services. | Scholl (2003)                                                                 |
| **Depth of sales force* (formative, multidimensional)** | *Sales force contribution to customer retention*  
  
  Our sales force...
  ...is first contact point for all its existing customers.
  ...serves contacts all ist customers directly.
  ...takes care of requests and needs of its customers.  
  *Sales force support along the buying cycle*  
  
  Our sales force...
  ...assists during the search phase (e.g. information and comparison).
  ...assists during the purchase phase (e.g. negotiation on service and price).
  ...assists during the use phase (e.g. support and after sales).
  ...assists during the re-purchase phase (e.g. feedback and customer contact). | new scale (based on expert interviews) |
| **Integration of sales force* (reflective)**       | Our sales force...
  ...receives duties from other channels.
  ...refers duties to other channels.
  ...receives information from other channels.
  ...passes information on to other channels. | Scholl (2003)                                                                 |
| **Channel Interference* (reflective)**             | In our multichannel system...
  ...several channels serve the same market.
  ...customers receive the same products/services in distinct channels.
  ...the same products/services are available in various channels.
  ...the same brands are located in distinct channels. | Biemans (1998), Gerth (1999), Scholl (2003) |
| **Sales force success (index)**                    | Index of importance and achievement of different sales force objectives. | based on Sauer (2005), Zentes/Swoboda (2000) |
| **Multichannel distribution success (index)**      | Index of importance and achievement of different multichannel distribution objectives. | Sauer (2005), based on Zentes/Swoboda (2000) |
| **Internet-based distribution channel** (single-item measurement)** | Does your company apply an internet-based distribution channel within its multichannel system? (yes/no) | New scale (based on expert interviews) |

* Construct was measured with a 7-point Likert scale (I do not agree ... I fully agree)