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Sales Management of the Chain Retail Establishments

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ABSTRACT

Modern market conditions dictate new rules of sales promotion for chain retail establishments. Managers acknowledge the necessity of creating innovational alternatives to sales policy of retailers. Sales management is a part of functional component of marketing mix, whose development is a target for all successful modern chain retail establishments. Retailers of exactly this type are gaining growing popularity on the market of convenience goods. Entrepreneurs see its advantages over the other types. Its main qualities are bigger profits, less production expenses, structural subdivisions, etc. We can state that the number of chain retail establishments exceeds the number of independent businesses. Marketing and sales management can reach maximum efficiency in conditions of stable market. Sales management is one of the vital components of marketing mix. The research of marketing mix elements, in particular, its sales function is of current interest due to the special significance of this policy in the growth of a company and its profits. This direction of research is profoundly studied in the world's practice, while in Russia it is only being conceived and mostly based on foreign experience.

Keywords: Sales, marketing mix, promotion policy, sales channels, direct marketing, customer, public opinion, sales stages, modules, product line breadth, product line depth, product line pricing.

1. INTRODUCTION

Sales management of the chain retail establishment, as well as other types of retailers, aspires to create trustworthy relationship with all participants of product promotion. The sales management acts as a middle link between the manufacturer, the retailer and the customer, thus creating favorable conditions for product sales and strengthening products relevance and advantageous position against competitors.

Effectiveness of a company is based on the fundamental concept of applying the marketing mix and its usage in sales. The said concept, above all, lies in the proper combination of all parts of the marketing mix. High priority factors are the product promotion, displaying to the customer its features and advantages over competitor's product, strengthening positive customer opinion of manufacturer production and convincing the customer to buy it exactly here and now, without a second thought.

Sales management of a company includes a certain amount of promotional measures, primary mass media commercials, transport and other types of advertising, radio, printed booklets, posters, exhibitions, fairs, sponsorship, etc.

Today adaptive company organization is impossible without proper work of sales department and application of effective practical experience. For the effective work of the chain retail establishments today's companies have to proceed with consideration of market requirements and customer preferences and outrun competitors.

2. SOURCES AND RESEARCH METHODS

Among the authors, whose works were dedicated to scientific research of marketing mix, there are Russian as well as foreign authors such as I.A. Arenkova, A.E. Arhipov, K.V. Afonina, B. Berman, J. Burnett, C. Berry, E.P. Golubkov, P.R. Dichtl, N.A. Zhukova, M.R. Zobnina, V.V. Zundje, N.D. Ilenkova, P. Kotler, S. Moriarty, F.G. Pankratov, F.I. Sharkov, H. Herschgen, J.R. Evans.

Works of these authors display a large variety of views on sales and promotion policies of companies. They have studied a number of issues considering efficiency of chain retail establishments.

3. DISCUSSIONS

Sales management of the chain retail establishments plays an important role in marketing mix, in a sense creating correlation between the manufacture and the market, being the source of information about customer wants and needs. With that in mind, sales policy is a fundamental foundation of marketing. This concerns individual product as well as the whole manufacturing process.

From estimation and analysis of the results, it is possible to draw a conclusion whether it is profitable to make a new product or modernize an old one, and how high the production costs will be.

By common definition, marketing is a process of getting the product to the market. Management of the marketing system is a system of planning, promotion and control of the processes of exchanging with potential customers to achieve company goals, the most important of which are gross profit, output growth and growing market share. At the core of marketing mix management lies the creation of propitious conditions of work for a chain retail establishment and assistance in pursuing strategic goals, which turns marketing management into the demand management.

4. PECULIARITIES OF ESTABLISHING SALES CHANNELS FOR CHAIN RETAIL ESTABLISHMENTS

Great influence on the creation of the marketing mix is made by the policy of establishing sales channels for chain retailers. Knowing how fast and in what state a product will reach customers makes it possible to put the customer into focus. This point of view has prevailed since the 1960s. In the 1970s new public opinion emerged, the competition followed and today it is the marketing channels.

Design and validation of chain retail establishment sales policy requires decisions on several matters:

1. Sales promotion policy design for the chain retail market and estimating its costs.
2. Logistic establishing for all outlets of the chain.
3. Adoption of the sole concept of company's product promotion.
4. Defining sales system and financial component.
5. Choosing target market segment.
6. Choosing sales channels (Grankina, 2005).

There are several types of sales channels (Table 1), suitable for different expected sales figures and revenue, company's resources and strategy.

Table 1
Choosing sales channels for chain retail establishment

Direct sales channel	The main idea is the direct communication with previously chosen customer, where a dialogue implies immediate response. Direct marketing principle requires thorough understanding of needs of the individual customer as well as customers groups. Usage of this channel requires keeping a certain company image, getting constant response from the customer to product features.	Channels of this type are rarely used on the FMCG market and more commonly in sales of capital and technical goods. Companies with their own logistic structure
Indirect sales channel	Channels of this type use methods of cooperation with external organizations. Indirect sales channels are used for market and sales growth. In return for many sales functions and expenses as well as partly losing control over sales, companies can lessen contact with the customer and reduce their need for feedback.	The most widely spread type of channel. Lots of companies promote their product through external distributor organizations. Distributors are more closely in contact with the market, which means with the customers and the retail.
Combined sales channel	Combination of direct and indirect sales channel types. Mixed capital companies acts as intermediaries, using manufacturer funds as well as their own.	Channels of this type aren't widely spread nowadays.

Chain retail establishments encounter distribution problem, which consists of several issues:

- Choosing warehouses, storage space and means;
- Establishing logistics system;
- Supplies management (amount, rotation schedule);
- Orders processing procedure agreement, product invoice formation;
- Choosing logistics system (Burcev, 2002).

Refinement of product distribution and logistics system of the chain retail establishment are sure methods of helping a company to establish its main management system. All components of the system are closely connected, omitting one of them can negatively affect sales management, and therefore the company image.

Unwise sales management leads to the range of issues, such as warehouse overload, products expiring, lack of product in retail outlets, customers dissatisfaction and therefore the loss of them, lost profits. On the other hand, well-thought and precise sales management keeps profits and market share growing as well as helps to assure existing customers' loyalty and attract new ones.

For sales channels of any type, efficiency analysis and thoroughly planned finances are crucial. It is necessary to compare possible expenses on channels of each type and choose the most profitable and effective. It is worth mentioning that after choosing the sales channel a company will suffer temporary losses, but this problem will solve itself in time.

Chain retail establishments tend to use direct sales channel if they possess their own logistics system, storage warehouses, sufficient staffing and indirect if the chain doesn't have resources to manage the whole sales process on its own. If the company agrees to endure temporary losses to establish and expand its market views, it may be wise to increase the company's personnel, even if it leads to expenses growing in direct sales. On the contrary, promoting product through distribution leads to minimization of the fixed costs, what is sensible if a company isn't interested in market share.

Influence of the chain retailers is growing in modern market conditions. At the same time the principle of joint ventures is becoming the subject of current interest, as joint ventures allow easier integration in the new environment of the other market with its own set of rules and regulations. This principle can also act as a starting point for independent businesses such as one of the partners buying out the other's shares, etc.

Starting of a chain retail establishment creates a range of advantages for the company itself and the whole society. It:

- improves company's image;
- improves relations with the local governments;
- provides employment;
- strengthens relations with local trades.

The usage of any type of sales channel, its maintenance and management is one of the most important directions of the company's marketing policy. 50% of product's price for the final customer consists of manufacturers marketing expenses, that's why choice of the sales channel is vital, for how fast and in what quantity the product reaches the customer determines his choice of what to buy. Company's management is advised to decide wisely which type of sales channel they would use.

Sales are a matter of concern since the very establishing of a business, when its main goal and marketing strategy are determined. The founders choose the most suitable system of sales channels and facilities according to certain markets. One could say that the decision about manufacturing the product and therefore determination of favorable conditions for sales and promotion comes from the market requirements. Based on this, establishing of sales politics is determined by optimal directions and funds. This is necessary for reaching maximum promotional efficiency and justifies the choice of optimal organization configuration and sales facilities, which are designed for achieving the desired outcome.

Thus, the choice of sales channel is becoming an important part of implementation of the chain retail establishment's strategy, affects directly strategically significant markers: final product cost, production

volume, market share, number of final customers, trade margin, production profitability, number of personnel. The chosen type of sales channel subsequently affects the whole marketing policy of a company.

5. SALES MANAGEMENT ARRANGEMENT FOR CHAIN RETAIL ESTABLISHMENTS

In worldwide practice, sales are considered to be actions on establishing commodity-money relations. As have been said, sales are also a component of marketing mix. It is worth noting that sales management has formed as a separate science and has begun to be studied only recently. Rational sales management is crucial for efficient business operation and profitability (Frolova & Kabanova, 2014).

Aside from direct exchange of money for goods, sales are impossible without activities preceding and subsequent said exchange.

Product line width is the total number of company's product lines. Product line depth is the number of items one product line contains. There is also product line pricing - the process used by retailers of separating goods into cost categories in order to create various quality levels in the minds of consumers (Hruckij & Korneeva, 2011).

Sales can be affected by marketing factors, such as environmental conditions, particularities of the market, the salespersons and the mediators. It is worth mentioning that participants of the process could affect some of the said factors as well.

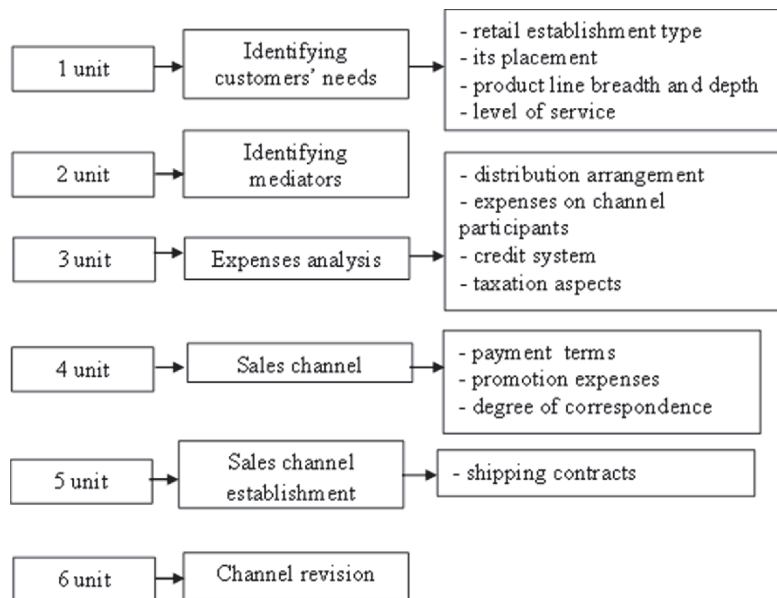


Figure 1: Activities for consideration and choosing the alternative sales channel

Controllable factors are price, product quality, product look, packing, service, participants' behavior. Uncontrollable factors are economic environment, political situation, mass media, technology, materials, environmental conditions.

Sales process of the organization consists of certain stages, displayed in Figure 2.

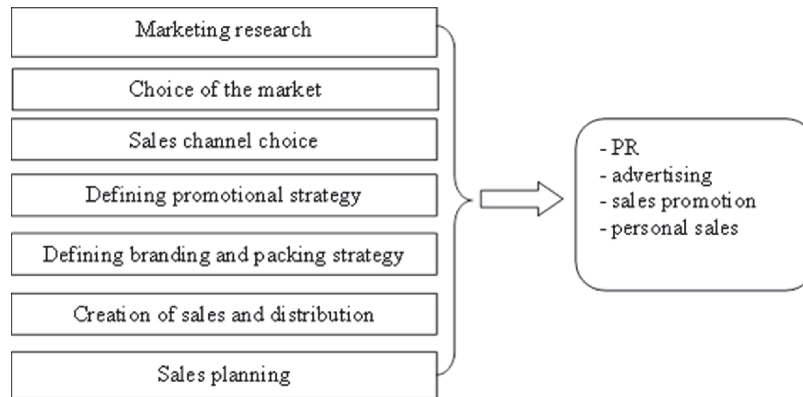


Figure 2: Sales management establishing stages

In the process of sales management, a company can encounter certain issues:

- wide product mix
- extensive geography
- stable demand (sales representatives tend to put less effort into sale process if the product sells well)
- personal qualities and professional skills of company staff
- working hours planning
- overzealous administrative task assignment which leaves personnel no time to concentrate on product features and advantages

There are several objectives of company's sales:

1. Market planning.
2. Contracting support.
3. Planning and following the supply schedule.
4. Shipment control.
5. Shipment arrangement.
6. Logistics and warehousing arrangement.
7. Sales promotion.
8. Motivating and encouraging staff (Cherenkov, 2010).

In practice, company sales are implemented according to sales plan, which consists of several stages:

1. Preparing to contact the customer. At this stage a company representative prepares to meet the customer, gathers information about him, creates a presentation for him, collects data necessary for the bargain, outlines a range of customer's questions and probable objections;
2. Contacting the customer. For the most part this stage involves greeting the customer, gaining his favor, ice-breaking activity, creating positive image of the company and its product;

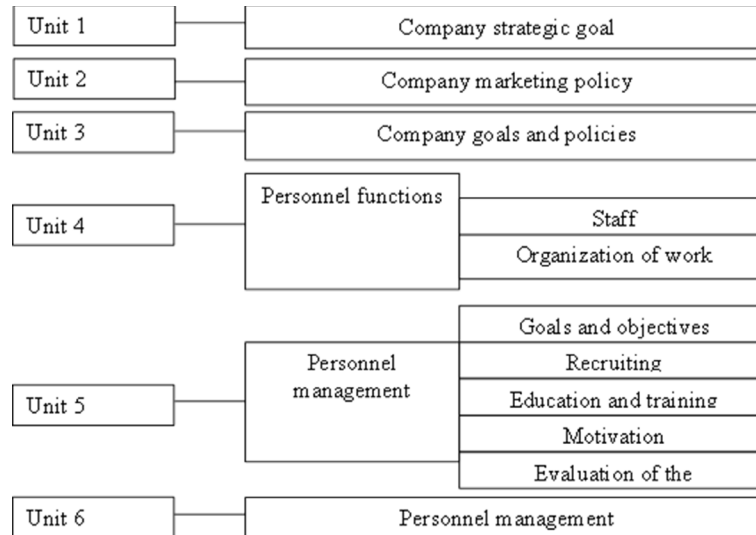


Figure 3: Sales management process

3. Understanding of customer's problems and needs. This stage in modern practice involves using SPIN selling, which can show clear and hidden customers needs to the seller. It is necessary to ask as many specific questions as possible and avoid general yes-no questions;
4. Presentation and demonstration of the product (Frolova, 2014). The most important stage of sale process, it requires the salesperson to use all his skill, abilities and professionalism to show the best sides of the product, highlight its features and advantages. Computer presentation or demonstration of a product sample is more effective than oral presentation without samples;
5. bridging differences and answering objections. In real life there will always be objections. Not as likely strong and negative as questioning or doubtful. At this stage, the salesperson should remove all customer's doubt and make a positive impression. It is important to answer in a right way, using phrases like "I understand you", "I agree with you" and avoiding conjunction "but". For example, "I understand your doubts, there are plenty of poor quality goods on the market. I can assure you, our company has proved to be a trustworthy contractor. We have been producing our product for more than 20 years.", etc;
6. concluding a bargain. This stage is devoted to taking stocks, discussing delivery dates, quantities and assortment and also all participants of the process;
7. after-sales contact and customer support. Probably supplying maintenance services. Nowadays many companies also provide feedback service, a customer can call to discuss his matters of interest.

There is also a concise version of the sales plan. It is called 5 stages of sales and is used more commonly than the original in modern practice.

1. **Discussion:** At this stage questions are asked, customer needs and demands are found out, current situations are discussed.
2. **Concept creation:** Salesperson suggests a concept, which can increase sales or satisfy customer needs.

3. **Concept realization:** At this stage issues considering full realization of the concept, time frames, contracts, prices, participants of the process, etc. are resolved.
4. **Benefits and advantages:** This stage ensures that the bargain will be concluded. The salesperson explains benefits and advantages of the product, that customer gains from buying it, why this product is better than competitors' products.
5. **Concluding a bargain:** Contracts are signed, hands shaken, administrative stage starts.

Each industry has its own particularities and tendencies. Sales management of the chain retail establishment is no different and has its own distinctive tendencies:

1. Dynamics and sustainable changes of the external environment. That's why sales management should always adapt to changes and modify itself to follow market requirements;
2. Fast and dynamical progress of science and technology also contributes to enhancement of industry development. In these conditions the product lifecycle inevitably diminishes, leading to companies' profits decrease, which means that salesperson should aspire to sales pace acceleration since the very first stage of the product lifecycle;
3. Most of the customers prefer a foreign product to a local one. This is a negative tendency for Russian economy, but it is dictated by modern market conditions;
4. Tendencies to reduce expenses, protect environment, increase social responsibility of companies, especially the ones providing harmful occupations, have recently considerably strengthened. In these conditions, the salesperson should pay special attention to informing society and customers about every positive action of his company. As one of the examples, some tobacco production companies use modern filters in manufacturing process or put extra high-quality windows in the neighboring houses.

Element of marketing and sales management is affected by national economic issues as well as international collapses and crises, that's why a salesperson should constantly have access to the most reliable and current information to make decisions in the effective and profitable for company way.

Modern markets are under active influence of globalization, therefore situation dictates the necessity of knowing everything about potential competitors, ability to estimate resources and be always ready for possible increase of external markets requirements.

Today's customer wants to get the most reliable information about the products and therefore his knowledge and exactingness grows. Sales manager must know that a quality product for available price will earn extra approval from customers if it meets their requirements and is not made just to be sold and bring immediate profit.

6. CONCLUSION

Nowadays massive qualitative and quantitative changes are taking place in the field of trade relations in Russia, as well as structural diversification based on the stable growth of the chain retail establishments. Chain retail initiatives evolves, transforms and dislodges traditional retail structures, such as independent businesses and open markets. There are international and national chain retailers in Russia, including the

ones on the federal, regional and local levels. Their development at early stages was haphazard and noticeably slow compared to the global trend.

Tendencies and particularities of retail chain founding should be studied in the context of stages or methods of Russian retail development, what, according to the author, gives an opportunity to study features of Russian retail in modern conditions of national economy. There is no common approach to stages of Russian chain retail development in modern literature.

Chain retail keeps its national features. So far, it can be seen in energization of regional chain retail foundation and their struggle with large international and federal chains. In the author's opinion the future chain retail development will actively progress. It has to do with the increase in the number of retail chains, fast disappearance of chain locational misbalance, movement of large retail chains to eastern parts of Russia, increase in the number of deals for business abatement, complication of the tendency to economic integration, formation of the associated retail, development of integrated logistics chains to create own brands. These tendencies should be taken into account when management decisions are made. Considering chain format of the customers market, this can find its use in creation of fundamental clauses of trade formation in regions in time of Russia joining the World Trade Organization and increasing globalization influence on country's economy.

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