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**STRATEGIC PRINCIPLES FOR OPTIMIZING COOPERATION
WITH CLIENTS IN REGIONS OF VARIOUS SIZES**

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Abstract

The study aims to develop principles for optimizing the work of sales personnel with a client base. The potential and level of customer loyalty, as well as the size of a region served by the sales department employee were used as initial criteria that determine the approach to the optimization principles. The authors introduced new indicators: attractiveness of the client's complex potential (allowing to link the volume of total purchases of a certain group of goods by the client with the priority level of this group for the sales department employee, reflected in his key performance indicator), the index of client's readiness to cooperate and feasibility of the client's complex potential. The expediency of using the attractiveness of the complex potential of the client (reflecting the total potential of a particular client for the main groups of goods) is due to the fact that the level of attractiveness of each component of the client's potential, formed by the purchase of the corresponding group of goods, depends on the volume of financing (total volume of purchases of this goods group) and the importance of the key performance indicator (activities of the sales department employee), aimed at selling the goods group. The authors developed formulas for calculating all indicators and original matrix tools (two- and three-dimensional matrices), which can be used when developing the optimal distribution of the sales personnel's working time between different groups of clients.

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1. Introduction

Researchers pay special attention to the possibilities of increasing the efficiency of manufacturing companies working with wholesale buyers (Cheverton, 2012; Gounaris & Tzempelikos, 2012, 2014; Zupancic, 2008). At the same time, a number of issues on the distribution of efforts of sales personnel between various groups of clients have not been solved (Kriklivaya, 2014).

2. Problem Statement

Principles of distributing the efforts of sales personnel among clients depend on the company's goals in the market, resources available, the competitive situation, the size of a region served by the sales department employee, and other factors. An appropriate algorithm makes it possible to substantiate the principles of distribution of the working time of sales personnel in the context of the company's striving to implement certain priorities.

3. Research Questions

The main research questions are as follows:

1. What factors should be taken into account when distributing the working time of sales personnel between different groups of clients?
2. What indicators can be used when formulating the foundations for optimizing the efforts of sales personnel?
3. What tools can be used to optimize the efforts of sales personnel?

4. Purpose of the Study

The purpose of this study is to develop the principles for optimizing the work of sales personnel with a client base.

5. Research Methods

A series of expert interviews was conducted with 14 specialists having experience in managing the sales personnel of manufacturing companies for 8–17 years: 9 men and 5 women aged 37 to 54 years. The above research questions were posed to the experts, and clarifying questions were asked.

6. Findings

The experts identified the following factors that are advisable to take into account when distributing the working time of sales personnel between different groups of clients:

1. Potential of the client.
2. Level of client loyalty.

3. Level of resource consumption of the company / sales department to increase the volume of sales.

The experts emphasized the importance of using a reasonable interpretation of the term "client potential" as "the total volume of purchases from all suppliers of these goods, similar to those supplied by the company." Experts explained this specification by the predominant use of an incorrect interpretation of this concept ("the volume of purchases of goods from the supplier"), which distorts the meaning of the term and the structure of the principles of distribution of working time of the sales personnel. The experts said that a client may have different potential for different goods groups supplied by the company.

The experts also identified the main factors that determine the possibility of "capturing" an additional part of the client's potential:

1. Previously achieved level of cooperation with this client.
2. Features of the business strategy implemented by the supplier company, which determines the frequency and level of meaningfulness of contacts between sales personnel and clients.
3. The size of the territory served by the sales department employee.

The experts suggested evaluating client loyalty by the percentage of resources "given" to a particular client.

In accordance with the plan of expert interviews, the experts proposed indicators that can be used to optimize the efforts of sales personnel aimed at implementing the priorities of their activities:

1. Attractiveness of the complex potential of the client (ACPC).
2. Feasibility of the complex potential of the client (FCPC).
3. Index of the client's readiness for cooperation (ICR).

The feasibility of using the ACPC (reflecting the total potential of a client for the main product groups) is due to the fact that the level of attractiveness of each component of the client's potential, formed by the purchase of the corresponding product group, depends on the financing volume (the total volume of purchases of this product group) and the key performance indicator (activities of the sales department employee), aimed at selling the product group. The use of this indicator makes it possible to link the total purchase volume with the level of priority of this product group for the employee (reflected in the KPI):

FV_{kij} – the volume of purchases by the k-th client from the i-th supplier of j-th group of goods.

Then the volume of purchases by the k-th client from all suppliers of all main groups of goods will be equal to

$$\sum_{i=1}^I \sum_{j=1}^J FV_{kij} ,$$

where J – number of groups of goods, I – number of suppliers.

The level of attractiveness of the potential of a client for a supplier depends not only on the total volume of purchases (interpretation of the concept of "client potential" by the experts). The authors have followed the traditional interpretation of this concept. The value of the client's potential can be multiplied by the key performance indicators of the sales department employee. Since the employee may have different KP values for different product groups, it is also proposed to multiply the purchase volume for each product group by the KP value, which reflects the priority level of this product group for the employee.

W_{ij} - the value of the key performance indicator of an employee of the sales department of the i -th supplier for the j -th group of goods (since the calculation is carried out on behalf of a specific supplier, a system of weighting factors that reflects the structure of key performance indicators of an employee of the sales department of this supplier is used).

The ACPC of the k -th client can be calculated by formula (1)

$$ACPC_k = \sum_{i=1}^I (W_{ij} \times \sum_{j=1}^J FV_{kij}) \quad (1)$$

The value of the ACPC can determine the level of priority of the client for the employee of the sales department (if the main priority of his activity is the fulfillment of the planned target "by the shaft"). At the same time, the high potential of a client is not a guarantee of a rapid increase in the sales volume in the case of focusing efforts on working with similar clients.

An important aspect of activities of the sales department employee is the selection of high-potential clients. An increase in the sales volume can be achieved against the background of the minimum possible consumption of resources; in this regard, it is very useful to use the FCPC indicator, which reflects a rapid increase in the volume of sales.

Accordingly, the value of the FCPC of the k -th client can be calculated by formula (2):

$$FCPC_k = \sum_{j=1}^J (ICR_{kij} \times \sum_{i=1}^I (W_{ij} \times \sum_{j=1}^J FV_{kij})) \quad (2)$$

where FV_{kij} - the volume of purchases by the k -th client from the i -th supplier of the j -th group of goods;

W_{ij} - the weighting coefficient of the importance of the key performance indicator of the i -th employee of the sales department,

ICR_{kij} - the index of the k -th client's readiness for cooperation, calculated by formula (3):

$$ICR_{kij} = \sum_{j=1}^J (SP_{kij} \times L_{kij}) \quad (3)$$

where SP_{kij} - scoring the significance of the component of the k -th client's readiness index to cooperate with the i -th supplier for the j -th group of goods,

L_{kij} - the weight coefficient reflecting the significance of the corresponding component of the index of readiness of the k -th client for cooperation with the i -th supplier of the j -th group of goods.

Experts identified the following components of the index of client's readiness to cooperate:

1. Availability of previously implemented successful projects.
2. Level of contacts with persons making purchasing decisions in the client company.
3. Level of cooperation (percentage of the volume of purchases made by the client).

Thus, the customer categorization matrix can be used as a tool to optimize the efforts of sales personnel aimed at implementing priorities of their activities (Figure 01).

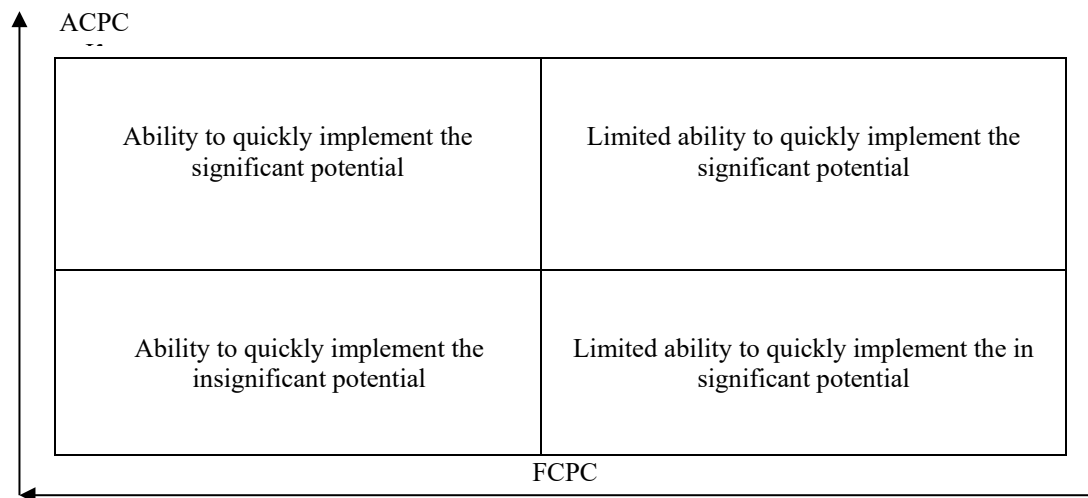


Figure 1. Client categorization matrix

Accordingly, when using this matrix, clients included in the left / upper quadrant of the matrix can be assessed as the highest priority ones (in each case, managers can determine the optimal values of ACPC and FCPC for delimiting the quadrants).

Another important aspect of sales personnel activities which should be taken into account when planning their activities, is the size of a region served. The concentration of efforts of the sales employee on the clients that fall into the left / upper quadrant of the matrix is justified when they are compactly located, when the time spent on visiting them can be neglected.

If clients with the attractive potential are located on the territory of a large region, the prioritization tool (P_{ik}) can be quotients of the division of the ACPC values by the time spent on visiting each client (Formula 4):

$$P_{ik} = ACPC_k / T_{ik} \quad (4),$$

where P_{ik} – the priority level of the k-th customer for the i-th supplier,

$ACPC_k$ – the complex value of the potential of the k-th client,

T_{ik} – time spent by an employee of the i-th supplier to visit the k-th client.

Thus, when analyzing the characteristics of clients included in the matrix (Figure 01), it may turn out that the highest priority quadrant (left / top) includes a part of clients, whose priority level (despite the large values of the ACPC) will be limited by the need for high time cost to contact them. In this regard, sales department employees can

1. select a part of clients with a satisfactory level of ACPC / FCPC values from other quadrants.
2. transfer some of the contacts with the most "remote" clients (included in the left / upper quadrant of the matrix) into a virtual environment.

In general, to optimize the distribution of efforts of sales personnel between different groups of clients, the three-dimensional matrix presented in Figure 02 can be used.

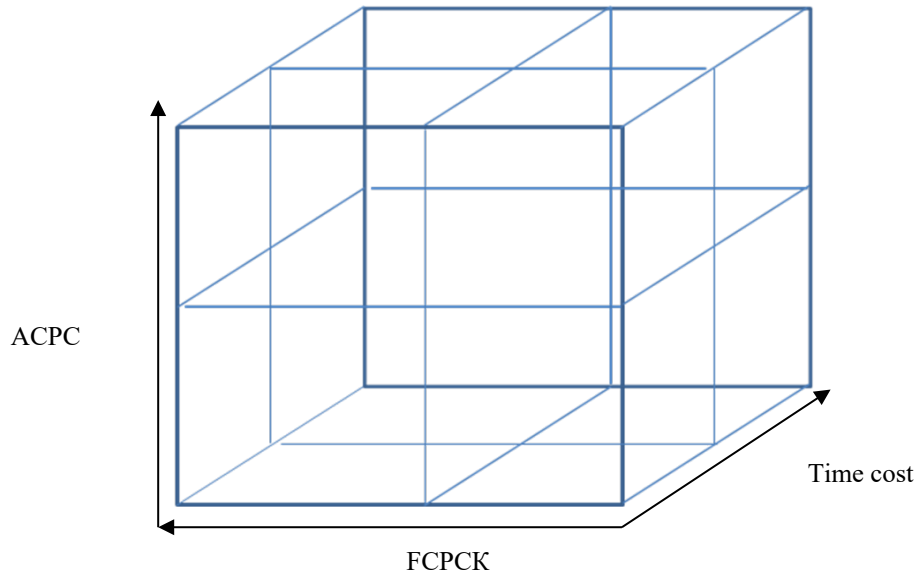


Figure 2. Three-dimensional matrix of optimization of distribution of sales personnel's efforts between different customer groups

The most priority clients (the concentration of efforts will fulfill the sales plan "by shaft") will fall into the left / top / front part of the three-dimensional matrix.

7. Conclusion

New indicators have been developed (Index of the Client's Potential (ICP), Feasibility of the Complex Client's Potential of the Client (FCCP), Index of Client's Readiness for Cooperation (ICS)) which allow us to justify the optimal distribution of efforts of the sales personnel aimed at implementing their priorities.

2. The matrix tools can improve the efforts of the sales personnel.

3. When using the sales plan "by shaft" as the main priority of sales employee's activities, the most priority clients (the concentration of efforts will fulfill the sales plan "by shaft") will fall into the left / upper quadrant of the two-dimensional matrix (it is expedient to use it in a compact arrangement of clients) and the left / top / front part of the 3-D matrix, intended for the use in a more general case.

Thus, the developed indicators and matrix tools can optimize the activity of sales personnel in the conditions of various sizes of the territory served by them. When using other priorities for the activities of the sales personnel (in addition to fulfilling the sales plan "by shaft"), it may be necessary to adapt matrix tools to the priorities. The use of the developed tools for managing the activity of sales personnel can be useful when transforming the sales management systems used in modern Russian business (Dimitriadi & Aroyan, 2013).

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