### CHAPTER 1

**Development and role of selling in marketing**

**Mephisto Products Ltd**

‘Yet another poor year’, reflected the senior executive of Mephisto Products. ‘Profits down by 15 per cent, sales and turnover are static in a market that was reckoned to be growing at a rate of some 20 per cent per annum. It cannot go on’. These were the thoughts of Jim Bullins, and he contended that the company would be out of business if the next year turned out to be as bad.

Jim Bullins had been senior executive at Mephisto for the past three years. In each of these years, he had witnessed a decline in sales and profits. The company produced a range of techni- cally sophisticated electromechanical control devices for industry. Mephisto’s major customers were in the chemical processing industry. The products were fitted to the customer’s processing plant in order to provide safety and cut-out mechanisms, should anything untoward happen in the manufacturing process.

The products were sold through a UK salesforce of some 12 people. Each represented a differ- ent area of the country and all were technically qualified mechanical or electrical engineers. Although some 95 per cent of Mephisto’s sales were to the chemical industry, there were many more applications for electromechanical control devices in a wide variety of industries.

The reason that sales were concentrated in just the one industry was historical, in that the firm’s founder, James Watkinson, had some 30 years earlier married the daughter of the owner of a major detergent manufacturer. As an engineer, Watkinson had seen the potential for such de- vices in this type of manufacture and, with the aid of a small loan from his father-in-law, had commenced manufacture of such devices, initially for his father-in-law’s company and later for wider application in the chemical industry. Watkinson had long since resigned from active par- ticipation in Mephisto Products, although he still held a financial interest. However, the philosophy Watkinson had brought to the company was one that still pervaded business thinking at Mephisto.

The essence of this philosophy was centred on product and production excellence, backed by strong technical sales support. Watkinson believed that if the product was right, that is, well de- signed and manufactured to the highest level of quality, there would be a market. Needless to say, such a product then needed selling (because customers were not necessarily aware that they had a need for such safety mechanisms) and salespeople were encouraged to use what may be described as high pressure salesmanship, pointing out the consequences of not having such mechanisms in a manufacturing plant. They, therefore, tended to emphasise the negative aspects (of not having such devices) rather than the positive aspects (of how good they were, time sav- ing in the case of plant breakdown, etc.). Needless to say, in Watkinson’s day, such products then needed selling and, even though sales were to industrial purchasers, it was felt that such selling techniques were justified. This philosophy still pertained and new salespeople were urged to remember that, unless they were pressed, most customers would not consider updating their control equipment.

Little advertising and sales promotions were carried out, although from time to time, when there was some spare cash, the company did purchase advertising space in *The Chemical Processors’ Quarterly*. Pricing was done on a cost-plus basis, with total costs being calculated and a fixed percentage added to account for profits. Prices were thus fixed by the accounts department and sales had no say in how they were established. This led to much dissent among the salespeople, who constantly argued that prices were not competitive and that if they were cut, sales could be increased substantially.

Delivery times were slow compared with the average in the industry and there were few dis- counts for large order quantities, with the salesperson first having to clear such discounts with accounts before agreeing to such an arrangement. Again, Watkinson’s old philosophy still pre- vailed: ‘If they want the product badly enough, they will wait for it’, and ‘Why offer discounts for large quantities – if they did not want that many they would not order them’.

During the previous five years, from being a relatively successful company, market share for Mephisto Products dropped substantially. The market became much more competitive with many new entrants, particularly from EU countries, coming into the UK market which had tradi- tionally been supplied by UK manufacturers. Many of these new entrants had introduced new and updated products, to the market, with such products drawing upon recent advances in elec- tronics. These new products were seen by the market as being technically innovative, but the view taken by Mephisto management was that they were faddish and, once the novelty had worn off, customers would come back to their Mephisto’s superior products.

Unlike many of his colleagues, Jim Bullins was worried by developments over the past five years and felt that there was a need for many changes. He was aware that the more successful new entrants to the industry had introduced a marketing philosophy into their operations. Com- pared with ten years ago in this type of business, it was now common practice for companies to appoint marketing managers. Furthermore, he knew from talking to other people in the industry that such companies considered sales to be an integral part of marketing. At a recent meeting with his senior staff, he mentioned to the sales manager the possibility of appointing a market- ing director. The sales manager, who was shortly expecting to be made sales director, was scathing about the idea. His view was that marketing was suitable for a baked beans manufac- turer but not for a company engaged in the manufacture and sale of sophisticated control devices for the chemicals industry. He argued that Mephisto’s customers would not be swayed by superficial advertising and marketing ploys.

Although Jim Bullins always took heed of advice from his senior managers, recent sales figures had convinced him that the time had now come to make some changes. He would start, he de- cided, by appointing a marketing manager in the first instance.. This person would have marketing experience, and would come, most probably from the chemical industry. The person appointed would have equal status to the sales manager, and ultimately either the new appointee or the existing sales manager would be promoted to the board of directors.

**Discussion questions**

1. *Criticise Mephisto Products’ approach to sales and marketing.*
2. *Comment on the following as they exist now at Mephisto Products:*
	1. *marketing orientation*
	2. *the marketing mix*
	3. *the product life-cycle*
3. *What problems can you anticipate if Jim Bullins goes ahead and appoints a marketing manager?*
4. *What general advice can you give to the company to make it more marketing orientated?*

**Synopsis**

The case describes a company that has not adapted to changing economic circumstances. The company has remained in a market that has not necessarily declined, but one that has witnessed more competition especially from EU countries. These new entrants have brought with them new products, while Mephisto’s products have not been updated. The company is production orientated and this philosophy permeates thinking amongst their sales staff. A solution to this problem is seen to be the appointment of a new marketing manager.

**Teaching objectives**

To analyse a case situation in terms of identifying its orientation in respect of it being a produc- tion, sales or marketing focus and to analyse its marketing mix and product life-cycle issues, change is suggested and how this change is to be managed must now be addressed.

**Suggested teaching approach and guideline solutions to dis- cussion questions**

#### Question 1

The obvious point that should be brought out is that the company is very much production ori- entated. The syndrome of ‘Build a better mousetrap and the world will beat a path to your door’ is reflected in Watkinson’s view of well-designed and manufactured products to the highest level of quality. However, in order to get this message across, sales orientation is needed in terms of emphasising the negative aspects of not updating control equipment.

In order to build relationships the company needs to establish trust and confidence at individual levels amongst its regular clients and in time, the necessity of these control devices will be ap- parent to the extent of it being ‘second nature’. The devices should be marketed along the lines of satisfying modern day safety requirements rather than as individual control devices. There should be a move away from a contracts-based approach towards a safety solutions approach.

#### Question 2

1. As has been pointed out in Question 1, the company is production orientated. It does at- tempt to apply sales orientation using the ‘fear’ factor as a sales tactic, but it does avoid the bad excesses of true sales orientation – some of which are nothing more than confidence

trickery. Marketing orientation is not part of their culture, although there is a hint in the case study that Jim Bullins might be amenable to the suggestion of applying marketing orientation.

1. *Price* – with finance dictating cost-plus margins, the role of sales is one of order taking rather than any kind of proactive marketing; *Product* – a refusal to accept that new products are making serious inroads into the marketplace and the fact that new products are based on new technology, which is obviously proving itself amongst customers. *Channels of distribu- tion* are direct, which is not unusual for industrial products of this nature. Perhaps, consideration might be given to the appointment of agents in addition to the direct salesforce – perhaps, in other EU countries to counter EU inroads into the United Kingdom. *Promotion* is only done when there is spare cash available – again another pointer towards production orientation. It certainly does not form part of any concerted marketing approach to target customers. *Customers* seem to be canvassed on a contract-by-contract basis rather than at- tempting to build long-term sustainable relationships.
2. This part of the question is essentially an extension of the product part of the discussion in part (b). The discussion here should revolve around the fact that Mephisto Products are in the late maturity or decline stages of the product life-cycle and this could be linked to a dis- cussion on new product development issues.

#### Question 3

There will obviously be problems for Jim Bullins in getting the idea of marketing accepted. Al- though Jim is the chief executive, the company seems to be still very much under the philosophical control of James Watkinson. Perhaps, the finance department is the first function that has to be convinced in relation to market-based pricing, followed by production/research in terms of producing products that are suited to the modern marketplace. The facts speak for themselves and to have static turnover in a market that is growing at a rate of 20 per cent per annum is a serious situation.

#### Question 4

There might also be problems for the new appointee if he or she is not a positive personality in gaining an acceptance for marketing philosophies and ideas. Clearly, a good communicator (of marketing ideas) and a persuasive personality are prime requirements.

#### Question 5

This should be apparent from the foregoing questions and this question can probably wrap up any good ideas that have been brought out already. Typical advice that can be given is as fol- lows:

* pricing to be market-based; not cost-based;
* consideration should be given to a new system of sales remuneration that encourages representatives to build up long-term relationships;
* product development has to be based upon marketing research data that reflects the re- quirements of customers, rather than only ideas from the research and development function;
* advertising has to be based upon the job to be done rather than simply upon what the com- pany can afford to pay;
* agents to be considered for tackling the broader EU marketplace;
* working towards a more proactive involvement with customers, perhaps, with a view to gaining an acceptance of the company’s products at customers’ product specification stages. Long-term relationships and a solutions-based approach rather than the contracts-based ap- proach that exists at present should be encouraged.

# Telcontar

Telcontar, a leading supplier of software and services for real-time location-based solutions has announced the appointment in May 2002 of Graham Page as Managing Director, Europe. Based in London, Page will be responsible for all European operations planned for the UK, Germany and other major countries. He will also be a member of the corporate executive management team, located in California, USA.

Telcontar provides software and integration services to providers of location-based applications including vehicle telematics systems, wired Internet solutions, wireless Internet and cell phone applications.

The location-based services supplied range from driving directions, real-time traffic data and maps. Telcontar’s map management software and multi-dimensional spatial data access prod- ucts allow location-based service providers to integrate digital maps with traditional database content drawn from multiple services. This provides fast accurate access to comprehensive map and data services.

Page has a strong background of general management including sales, marketing, implementation and support of application software throughout Europe. Previous roles include Vice President, Europe, at both Sherpa Corporation and ASK Computer Systems and Managing Director at Numetrix. In each case, Page was responsible for restructuring and building successful, profit- able operations.

‘The demand for location-based information is immense, and increasing all the time, particu- larly in the wireless and telematics sectors. Telcontar has the leading technology platform for providing these services’. Page commented: ‘I am looking forward to setting up the European operation for Telcontar’s products and services in what is going to be a fast moving and dy- namic market. We already have several significant deals with high profile organisations in the pipeline, so watch this space’!

Telcontar is the provider of the premier software platform for location-based services. Telcon- tar’s clients use its Drill Down Server (to offer their own customers such services as driving directions, real-time traffic information, and maps). Telcontar’s services are also used by ve- hicular or personal emergency response call centres as well as for fleet tracking and dispatch. The company specialises in integrating digital maps with traditional database content drawn from multiple sources.

In March 2001, Telcontar secured $US23.5 million of second round funding from a consortium of companies led by Ford Motor Company.

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**Discussion questions**

1. *Do you feel that Page’s background in sales and marketing is the right kind of experience for this type of new venture? Might not a more technical background be more appropriate?*
2. *Page’s immediate task is to recruit members of the sales team. Advise Page as to the type of salespersons he should be looking for.*

**Synopsis**

This mini–case study examines the recent setting up of a ‘cutting edge’ company that is engaged in software and integration services. On the face of it, the company has been successful and now includes Ford Motor Company as one of its clients. This is an American company that has now set up this subsidiary in the United Kingdom and has put a person with a successful marketing and sales background in charge of operations.

**Teaching objectives**

1. The provision of a platform for discussion of issues relating to management of a company.
2. A platform for discussion relating to salesforce recruitment.

**Suggested teaching approach and guideline solutions to discussion questions**

#### Question 1

Perhaps, if the company was setting up with embryonic software products then a more technical person might be more appropriate. However, it seems as though such products are developed in the United States of America and then marketed through Telecontar in the United Kingdom. Page has already demonstrated a successful track record as he has been a Vice President, in Europe both at Sherpa Corporation and ASK Computer Systems, and as Managing Director at Numetrix. In each case he has been responsible for restructuring and building successful, profit- able operations. It would seem, therefore, that given the circumstances surrounding the case, that Page’s background is an appropriate one in this context.

#### Question 2

Discussion here can relate to whether one appoints salespersons with product knowledge or with knowledge of sales technique. The best type of candidate would be one who demonstrates abil- ity in relation to each. However, such an ideal salesperson is sometimes difficult to find. It is then a matter of asking whether it is easier to graft technical knowledge onto a good salesper- son, or whether it is easier to give a technical person training in the sales technique. The latter might seem to be the easiest option, but here we come across the dilemma of ‘good salespersons are born and not made’ that many people subscribe to. In other words, it could be that because

of a technical person’s more scientific and exact mindset many sales opportunities might be missed, perhaps, because of lack of lateral vision. Certainly, there is not an all-correct or all- wrong answer to this question and a lively debate should ensue