

Sales Management

Sprint Sport

Sprint Sport had in the mid 1970s. Rapid growth in the running shoe market fuelled a demand which the main manufacturers had difficulty in meeting. This allowed distributors like Sprint to become established through the import of Far Eastern product. Sprint, initially servicing the London area, achieved continuing growth in sales, profitability, customer base and product range during the last 6 years. Details are summarised in Table 10A.

Table 10A. Sprint progress in the last 6 years in £'000, (except numbers of outlets), with year 6 the most recent year.

	1	2	3	4	5	6
Sales	550	780	1180	1340	1350	1420
Profit	125	180	320	340	320	310
Stocks	65	87	128	165	256	402
Outlets	750	900	1000	1300	1450	1950

By the end of the 1980s, the market for running shoes had peaked. Price competition became intense, as leading manufacturers started to heavily discount to maintain high production volumes. Sprint had initially tried to cope with the changing market by increasing its product range. However, this had led to a substantial increase in stocks without achieving the desired improving in profitability. In the fast moving competitive trainer market product quickly became outdated and obsolescent, and Sprint was facing steadily greater write-offs against certain stock items. The company had also attempted to increase the coverage of the market by increasing the salesforce and the number of outlets on which they called. This had had the unfortunate effect of increasing the number of outlets that were not generating significant sales volume.

Sprint Sport had always sold to the independent sports shop and footwear outlets in the South East via a salesforce of five. By 1985 the company were considering a re-organisation of the salesforce into the three main regions - Greater London, serviced from the North London offices; a South East operation with a small office at Ashford in Kent; and a South West branch based in Reading, because of the long travelling time and high expenses of the London sales team when visiting outlets outside the Greater London area. The analysis of customer numbers and turnover is in Table 10B.

Table 10B. Source of turnover for Sprint in the last year in £000, and number of sales representatives.

Area	Footwear shops	Sports shops	Salesforce
London	810	650	3
South East	145	150	1
South West	160	180	1
Total	1115	980	5

Like many other companies, Sprint had a standard callage pattern for all of its accounts, requiring the sales representatives to call every 6 weeks on all the accounts in their area.

In the last year, 80 per cent of outlets had been called on every month, suggesting that the average callage rate for each sales representative was around 2700 per year: or 12 calls per working day; generating an average sale of £105; costing on average £8 in sales representative time; and yielding a gross profit on sale of £42. Increasing the product range meant that the sales representatives spent a longer time in front of the customers, with an average customer contact rising from 10.5 minutes, 3 years previously, to 13.5 minutes in the current year.

The maximum effective selling time in the majority of independent stores was around 10 minutes, as the proprietors regarded this as the effective limit that they could spend away from serving in the outlet. By the current year, the problem of supervising the salesforce had become considerable. Though the skills that the sales representatives employed were fairly basic, the management was aware that the longer serving representatives were more effective than those that had recently joined the company. Turnover of sales staff was running at 25 per cent per annum and keeping and training the sales representatives would be particularly important. The growth in the salesforce meant that the managing director could spend less and less time with individual members of the sales team. Some competitors had resolved the problem of dealing with large numbers of small accounts by introducing a telesales operation, which reduced the need for sales representatives to call on such accounts. However the Sprint management had yet to establish policy in respect of this problem.

The average sale hid some considerable extremes. Sprint found that, on average, 80 per cent of its turnover was achieved from 25 per cent of its customer base, with a large proportion of its customer base providing few sales. This analysis is summarised in Table 10C.

Table 10C Sales analysis by customer number

Customer %	Sales %	Cumulative %
5	25	25
6-10	20	45
11-20	25	70
21-25	10	80
26-35	6	86
36-55	6	92
56-75	5	97
76-100	3	100

The future of Sprint

With the declining trainer market, the Sprint management were aware that in the long term they would have to act. They had identified a number of key factors. First, Sprint expertise was clearly as a distributor of leisure clothing. Secondly, the company was currently based in the South East of England which had 30 per cent of the total population, but 40 per cent of the total expenditure on sporting goods. Within the overall South East the company only covered 65 per cent of the geographical area. Though Sprint had concentrated on developing sales through the independent outlets this had been against the national trend which had seen the continuing rise in the importance of multiple chains. This information is included in Table 10D.

Table 10D. Changes in outlet numbers over last 5 years with year 5 most recent.

Outlet type	1	5
Footwear independents	18000	11000
Footwear multiples	11000	12000
Sports independents	8500	6500
Sports multiples	500	1500

In addition to the important multiple chains, there were a number of other distribution channels that the company had ignored. Among these were the large number of sports clubs buying team equipment - footwear, clothing - from agreed suppliers. Other significant consumers of sporting equipment included holiday camps and sports centres. This market was difficult to estimate, but the likely value and numbers of outlets involved is outlined in Table 10E.

Table 10E. Non-traditional outlets for sporting equipment.

Outlet Type	Number	Estimated sales (£ million)
Holiday camps	135	6.0
Sports centres	900	3.5
Golf clubs	3200	12.0
Football clubs	45000	15.0
Rugby clubs	3000	2.5
Sub-aqua	800	1.0

Most of the outlets in Table 10E are independent, except for the holiday camp sector which is dominated by three companies that are involved in 90 per cent of total purchases in the sector. Though the market for trainers had ceased to grow in real terms, other areas of sports equipment had not shown similar declines. The growth in other areas of sports equipment such as skiing had been considerable, and was likely to continue in the foreseeable future. Some of the key market sectors are given in Table 10F.

Table 10F. Market sizes for certain product sectors over past 5 years in £million at retail, year 5 the most recent.

	1	5
Sports clothing	160	220
Sports footwear	550	430
Tennis equipment	55	50
Skiing equipment	80	110
Swimming & diving	25	20

During the mid 1980s a number of companies had approached Sprint to act on their behalf to distribute sports equipment in the United Kingdom. Degree 7, one of the premium French manufacturers of designer skiing equipment was eager to improve representation in the South East of England. It manufactured a wide range of skiing equipment and clothing. Schamasseun, an expanding Dutch swimwear manufacturer, was looking for market opportunities and offered its entire range of sporting goods for the UK market. With its experience of manufacturing in the Far East, Sprint was also considering the possibility

of having a range of product manufactured under its own brand name, but were unclear as to the implications.

Salesforce policy

Sprint took the view that a number of factors might be responsible for the very high rate of turnover in the salesforce. The recruitment policy, with its emphasis on young sales representatives with limited retail experience, was a possible area of concern. Failure in the information systems in providing effective back up and support to the salesforce was another. This created delivery and accounting problems on a regular basis. Training and salesforce organisation was also continually changing. During the last 3 years the company had had a sales manager, replaced the sales manager with a sales director, and then had the salesforce reporting to the general manager. Training had also varied from year to year, but tended to be minimal. Finally, motivational policies were based on a simple commission structure which limited salesforce earnings to around a maximum of £18,000. There were no other motivational techniques employed.

Action

What should the management of Sprint do to improve the performance of its salesforce? What are the implications of changing company directions on the salesforce is developed and controlled?