

Title: Demand Creation through Business Network Coordination by Salespersons: The Case Study of Kagome's Area Marketing

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Abstract:

In this paper, Kagome Co. Ltd. – a Japanese food manufacturer – will be introduced. This case study will discuss how the creative area marketing creates new business opportunities. And area marketing is achieved through network formation and coordinated by salespersons. We conclude the paper by discussing the implications of this case.

Keywords: Relationship selling, demand creation, Industrial sales, network,

Introduction

The importance of long-term relationships is widely accepted by marketing researchers (Crosby, Evans, and Cowles 1990; Morgan and Hunt 1994; Srinivasan and Moorman 2005). The term “relationship marketing” is applied to a number of different marketing activities. In sales management research, salespersons are regarded as relationship managers, playing a key role in development and management of the buyer–seller relationship (Beverland 2001; Bradford and Weitz 2011; Landry, Arnold, and Arndt 2005; Tellefsen and Eyuboglu 2002; Weitz and Bradford 1999).

In this paper, the authors introduce a case about Japanese food manufacturer Kagome Co., Ltd (Kagome here after). The case will give an insight into the relationship selling studies. Kagome has strong relationships with their business partners. Moreover, it is a competitive advantage for them.

But these relationships are not necessarily “long-term”. Who are they connecting with and how are they connecting is more important. If someone connects an appropriate person with appropriate network structure, he/she can get the right information and enough resources for what he/she wants to do. In our case, resource mobilization through networks is the key to create demands for Kagome’s products. Networks are the source of the competitive advantages. And the Kagome’s salespersons

take an important role in managing their networks.

Needless to say, managing networks is one of the most important sales tasks. Salespersons play a unique role as boundary spanners (e.g., Donnelly and Ivancevich 1975), who develop interpersonal ties with people inside and outside of their firms. In recent years, a significant body of research on sales networks has been published in not only academic journals (Plouffe, Williams, and Leigh 2004; Sparks and Schenk 2006; Seevers, Skinner, and Kelley 2007; Palmatier 2008), but also practitioner outlets (Casciaro and Lobo 2005; Cross, Liedtka, and Weiss 2005; Üstüner and Godes 2006). Some leading marketing scholars have encouraged these studies (e.g., Achrol and Kotler 1999; Iacobucci 1996).

The relation between network and sales performance has been an important research issue. Much research had been conducted on this subject. Üstüner and Godes' (2006) claimed that each stage of the sales process requires a salesperson to build and use different kind of social networks. They acknowledged the importance of a salesperson's skills at managing information flows and coordinating efforts to contact customers through his/her network. In the earlier stage of a sales process, sparse networks, i.e., a wide range of connections are desirable for identifying prospects. On one hand, sparse networks enable a salesperson to gather diverse information, while on

the other dense networks, i.e. close connections with limited partners are more desirable for coordination purposes. What is needed for salespersons is research explaining the practical usage of networks as Üstüner and Godes' (2006) work does. However, this kind of research is quite sparse. So, first of all, we need to do some descriptive study on it.

The purpose of this paper is to illustrate how a firm or a salesperson uses various networking tools to stimulate and create demand for its product. First, we will review the theoretical background briefly in the next section. Then we will introduce the case of Kagome. This paper concludes by discussing its implications and the directions for future research.

Theoretical Background

The trend of personal selling studies has shifted from influencing buyer behavior to managing buyer–seller relationships. Needless to say, sales management studies have a long history. However, the research directly on the relationships has started not so long ago.

Originally, the study of personal selling started in the end of the 19th century in order to explore what kind of qualities and abilities salespersons should acquire and

how they should behave. From that time, personal selling research had been focused on the salespersons themselves. There is a lot of research on the sales behaviors, behavioral predisposition of salespersons, and salespersons' capabilities.

The cognitive approach or the adaptive selling approach (e.g. Weitz et al 1986) is one of a remarkable achievement of personal selling studies. "Personal selling is the only communication vehicle in which the marketing message can be adapted to the specific customer's needs and beliefs (Weitz et al. 1986, p.174)." Adaptive selling is defined as "the altering of sales behaviors during a customer interaction or across customer interactions based on perceived information about the nature of the selling situation" (Weitz et al., 1986, p. 175). Weitz et al. (1986) insisted on the importance to clarify the adaptive behavior of effective salespersons and to reveal the dynamic nature of the selling job.

An effort to measure the degree of adaptation has also been made. The ADAPTS scale was developed and its antecedents and consequences have been investigated (Spiro and Weitz, 1990; Marks, Vorhies, and Badovick 1996; Robinson, Marshall, Moncrief and Laask 2002; Chankraberry, Brown, Widing, and Taylor 2004).

However, the focus of sales management is shifting from what is to be done at the business meeting to how to manage the whole relationship, which seems to coincide

with the mainstream of marketing, that is, relationship marketing. In the relationship perspective, a salesperson is required to act as a relationship manager. The new trend of personal selling research is called relationship selling (Jolson 1997; Weitz and Bradford 1999). Paparoidamis and Guenzi (2009) define relationship selling strategy as a strategic approach developed by a seller willing to establish long-term and mutually profitable relationships with its customers. Adaptive selling is considered as an important factor to improve relationship quality. Customer oriented selling (Saxe and Weitz 1982; Weitz 1978), another root of the adaptive selling concept, is also considered an important factor to improve relationship quality (Schwepker 2003).

In the name of relationship selling, many studies have been done. For example, conflict management (Weitz and Bradford 1999; Bradford and Weitz 2005) is investigated as an inherent factor in relationship selling. Leader-member exchange is also investigated as an important factor to encourage relational behavior of salespersons (Paparoidamis and Guenzi 2009).

However, research directly related to relationship selling behavior itself is lacking. Of course, investigating the factors positively related to relationship selling behavior is important. But, investigating the nature of relationship selling behavior itself is also important.

Adaptive selling behavior could be regarded as relationship selling behavior, because it is customer oriented. To gather information about the variety of customer needs and to alter sales behavior adapting to the needs could foster good relationships.

However, what is a good relationship? How does it work? And how do salespeople behave to build a good relationship? These questions are still not clear. Üstüner and Godes' (2006) claimed that networks are the means by which information come through as well as resources or collaborations. They said effective salespersons know the nature of the network and use different networks as the situation demands. What is needed for salespersons is research explaining the practical usage of sales networks as Üstüner and Godes' (2006) work does.

The case: Kagome's demand creation through network

The company: Kagome Co., Ltd.

Kagome is a Japanese food manufacturer with a capital of 19,985 million Japanese Yen (166 million EUR, 1 EUR = 120 JPY) and annual sales of 180,047 million Yen (1,495 million EUR) in FY 2011 (which ended on March 31, 2012). Kagome is one of the largest producers of tomato products in Japan. Kagome produces a wide range of fruit and vegetable products, beverages, microwavable meals, and

pro-biotic drinks.

Kagome takes a distinctive marketing strategy that centered on the local area. Why they have to implement such a strategy? To investigate this question, we need to review the Kagome's history firstly.

The history of Kagome was started from tomato and tomato products. Kagome is the pioneer that introduced tomatoes as food into Japan. Ichitaro Kanie, Kagome's founder, first succeeded in cultivating tomatoes in his garden in Japan in 1899. At that time, tomatoes were regarded as a decorative plant. By Kagome's effort, Japanese people started to learn how to incorporate tomatoes in the daily diet.

However, in Japanese food culture, the usages of tomato products are still not numerous. According to information from the Japanese government (Ministry of Agriculture, Forestry and Fisheries), the consumption of tomato products in Japan is almost one-fourth of the amount in the U.S. and one-third of the amount compared to Europe. In 2007, tomato consumption in U.S. is 43.7 kg per person and it is 27.4 kg per person in Europe. Consumption in Greece is extremely high such as 94.3 kg per person. In Italy, it is 53.9 kg per person. In contrast, Japanese tomato consumption in 2007 is just only 9.0 kg per person. In order to increase sales of tomato products, Kagome continues to educate Japanese consumers how to cook tomato products. In other words,

they have to implement demand creation.

In order to educate Japanese consumers, a typical way is advertising. But nationwide mass advertising is getting less effective in recent years. Mass advertising can't respond to the diversified needs of consumers, especially when food culture has regional differences. To sell food effectively, area marketing is more important than mass advertising.

Kagome's area marketing is operating under the initiative of local branches instead of national headquarter. Kagome promotes empowerment to local branches. Promotion budget and authority are largely transferred to local branches. Salespersons in local branches are playing the main role in the area marketing. Then, let's see the Kagome's area marketing precisely and investigate its characteristics and consequences.

Demand Creation through Consultative Selling by Collaboration with the Local firms

In order to create demand, Kagome applies a "consultative selling" strategy. They introduce recipes and ideas that use tomato products to promote sales. By this effort, Kagome tries to make Japanese consumers familiar with tomatoes. For example, there was a campaign called "thanks for growing me", Kagome gives tomato seedlings to consumers. By growing the seedling, tomatoes became popular in Japan. Also,

Kagome held a campaign called “vegetable day” on 31th of August to promote the consumption of vegetables. “Yasai” is the pronunciation of vegetable in Japanese. It is the phonetic equivalent to 831, too. So the campaign is held on this date annually. The “vegetable day” campaign increased the sales of tomato products incredibly. In 2011, this campaign helped retailers make the largest sales of tomato products in that year.

It is notable, that the concept of Kagome’s “consultative selling” is different compared to the traditional one. Because there are many different activities included. For example, Kagome introduced the Italian pasta dish (Vongole Rosso) that uses tomatoes in an Italian fair back in 2010. During that week, the sales of Kagome’s tomato products increased about 15% and the sales of clams increased about 17%. That meant the Kagome’s campaigns are not for Kagome’s tomato products only. By introducing food made with tomatoes, Kagome tries to increase the sales of all food products that connected to tomatoes on the menu.

The results bring the possibility of cooperation with other companies to Kagome. In the “summer healthy drink fair” campaign, Kagome cooperated with other beverage makers. Through this campaign, not only did the sales of Kagome’s tomato juice increase but also the vinegar maker’s products were increased. Furthermore, by showing the cooking exhibition, sales of cooking wares also increased. Combining food

tasting with tableware selling, the sales of tableware increased with tomatoes. All these new challenges brought new distribution channels to the cooking ware and tableware makers. And all of Kagome's campaigns boosted the sales of retailers. Thus, retailers are willing to cooperate with Kagome.

Through numerous cooperation with other companies, Kagome does "consultative selling" to its customers and creates the demand for tomato products.

Otome-ari-zuki (Goddess-presenting-month)

The selling style of Kagome effects not only on its product distribution but also marketing behaviors. The event "Otome-ari-zuki" targeted on young ladies is a good example. That event was held in Matsue city on 19th November, 2011.

The name of "Otome-ari-zuki" comes from Kannazuki. Kannazuki (or also Kami-nashi-zuki) is a traditional name for the tenth month in the traditional Japanese calendar. The name can be translated literally as "the month without gods". In Shinto tradition it was said that the eight million gods of Japan left their shrines and congregated annually at "Izumo Taisha (one of the most ancient Shinto shrine in Japan)." Izumo Taisha is located in Izumo city, next to Matsue city. So in this district, the month was known as Kami-ari-zuki, "the month with all gods". Kagome replace the

Kami (God) with Otome (Goddess). In this case, Otome means young ladies. So “Otome-ari-zuki” means “the month with the goddess or young ladies”.

Via this event, Kagome tried to introduce tomato products to young ladies. As a result, there were 5,500 young ladies in her twenties and thirties that participated. The population of Matsue city is about 200 thousand. But only 10% of the population are young ladies. So, we can say this event was successful because it gathered 5,500 young ladies. It amounted to 25% of the young ladies in this city.

The host of “Otome-ari-zuki” event is a news paper company called “San-in Chuo Simpo”. Kagome participates this event by arranging a “girls’ home party” with the major retailer in this area. And Kagome also used the news paper company to do publicity to promote the event.

The reason why Kagome decided to hold this event is they know the average single young lady can cook no more than ten different dishes. Kagome assumed there is a business chance for young ladies who would like to increase their cooking repertoires before getting married. Therefore, if Kagome can teach them how to use tomato products to cook it may increase the sales of their tomatoes products.

Kagome invited TV celebrities who are popular among young ladies to have talk shows to gather participants. Also Kagome cooperated with “wedding ceremony

production company” to have a marriage talk show. For the new brides, Kagome arranged a “wedding dress fashion show”. And also arranged an event called “trade fair for girls’ home party” with other food makers to introduce the new recipes to the young ladies.

Before the events, Kagome introduced the recipes that related to tomatoes by local newspaper called “San-in Chuo Simpo” in advance. They appeared not only how to increase the food repertories but also promoted how tomatoes work for beauty and health. At the event location, Kagome handed out “The tomato recipe book”. All the ingredients in the recipe were sold in the cooperative retailer in this area. These retailers set a special corner up for the event in their store. After the event, Kagome also used the news paper company to do publicity to make encourage retention of the event participants.

This event needs the cooperation of many companies. To coordinate these kinds of events is quite a tough job for Kagome’s salespersons. In general the manufacturer may pass this job to an advertising agency. In other words there is room for advertng agencies to enter into this coordination business. However, Kagome did not pass the job to advertising agency. Why Kagome did the difficult job by itself?

Kagome spent less than one million yen to coordinate the event. The cost is far

less than the expenses for nationwide advertising on TV. The lowest running cost prevents the entry of large advertising agencies to the events business, because the cost is too low to pay for their efforts. That is why the Kagome's salespersons have to do the coordination by themselves.

The event was held in the next year, 17th November 2012, it was also a great success with more than 5,000 young ladies and more than 70 companies participated. These events not necessarily bring big sales to Kagome's products in the short run. But the event is an important way to create demands for tomato products.

Discussion

The findings from the case study are as follows. In Kagome's demand creation process there are at least three characteristic points. First, Kagome chooses the personal selling as its main promotion tool instead of advertising. For the consumer goods manufacturer, the most popular tool of promotion is advertising. But just as we had mentioned above, tomato products are not products that easily penetrate Japanese food culture. Kagome has to educate Japanese consumers or create demand. Furthermore, food culture has regional difference. So there is no one best way to educate the Japanese consumers how to use tomato products in their daily lives. That is why Kagome uses

personal selling to achieve its goal.

Second, the salesperson in the local branch of Kagome has high independence that makes it easier to make decisions for promotions. The area marketing mentioned above is operating under the initiative of local branch instead of headquarters. Promotion budget and authority are largely transferred to the local branches. Salespersons in local branches are playing the main role in the area marketing. Because of this independence, many creative ideas have been adapted to the promotion activities.

Third, in the case, Kagome has built good relationship with local government, mass media, suppliers, and business partners. Kagome's network is expanded even toward rivals and to the different industries, such as home electronics, house ware industries, and so on. Thus, Kagome is able to make creative area marketing via cooperation of a network with a small budget.

In conclusion, Kagome's demand creation process achieved success through this network. Local branches are highly independent in promotion decisions. And highly independent salespersons form networks rooted in a local area. Network is important source of collaboration to carry on these events or campaigns. That is why Kagome can apply appropriate demand creation in each local area.

Implication

The concept of “relationship selling” refers how to use adaptive behavior to improve the relationships. This is an application of an adaptive selling concept. How salespersons adapt to the customer during and across sales meeting is regarded as the key to improve relationships between buyer and seller.

However, in the case of Kagome, we can find how to combine the resources of Kagome’s business partners to the area marketing by full use the network is the key point. In the relationship selling, the importance of good relationships has been stressed. But how to use this relationship strategically is the topic for theoretical development. Here the “management of relationships” and “usage of network resources” are the new arena for further research.

It might be necessary to see personal selling from a network view. It is important to extend the concept of relationship with customers to network including suppliers, business partners, rivals, and so on. How to form networks and how to coordinate the network are the key factors for success of salespersons, because they are the boundary spanners.

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