

# WHEN TO FRAGMENT? A THEORETICAL FRAMEWORK FOR SALES CHANNELS FOR A DYNAMIC ENVIRONMENT

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## ABSTRACT

Dixon, Pullins and Davis reported on an extensive review of marketing and sales channels at the GSSI 2013. Leveraging a global literature review, they found many scholars fail to distinguish between sales and marketing channels, treating the two constructs interchangeably. Based on 100 depth interviews with subject matter experts and the global literature, these scholars defined sales channels as *an organizational structure or process that contains, distributes, and directs the flow of resources, products, services, and information needed to complete a transfer of ownership. The process can be initiated by either the selling organization or the customer.* Given new technologies empowering customers/consumers and the high level of dynamism in global markets, we need a robust framework for understanding how the sales channel structure frames the selling function or impacts the salesperson's role in the modern business world.

## NEW THEORETICAL LENS: FRAGMENTATION THEORY

Workplace boundaries are constantly expanding due to information and communication technologies (ICT) (Sieben & Wettergren 2010). ICT has changed the work environment and the value chain by suspending the confinements of time, space, and location. Previously, space and location represented discontinuities that interrupted the coherence of a business process, setting, task and relationship (Watson-Manheim, Chudoba, & Crowston 2002). Today, however, a business process can be completed at an employee's home, a customer's office, online or at headquarters. The work location (lack of cohesion regarding location) represents a discontinuity and current theory fails to account for this change. At the point of each discontinuity in the work process, the possibility of fragmentation exists. *Fragmentation involves the completion of an activity or service as a part of the value chain network in a physically separate location* (Arndt 2009). Reductions in trade restrictions, changes in cultural institutions, cost-cutting innovations in travel and ICT have facilitated the application of fragmentation (Arndt 2009). Fragmentation theory provides a fresh lens for re-examining the strategic elements in the sales channel in the value chain. Our model builds on ICT's fragmentation theory to understand three key aspects of the sales channel: (1) separation and differentiation of tasks in the sales channel(s), (2) identification and management of resources through fragmentation, and (3) identification of when (or if) an organization should fragment components of the sales channel. It appears that a key to successful fragmentation emanates from the coordination function, indicating the crucial integration and recognition of information's role. Current thinking about sales channels is written from the context of what the firm controls. But in today's economy, businesses control less of a standardized sales channel, the macro forces acting upon the selling process and the buyer-seller relationship, the In fact, business may impact markets more rapidly by giving up some control. Since current perspectives assume control, research emphasizes control-related issues such as power.

Our fragmentation-based sales channel framework considers four contextual elements: attributes and goals of the buying and selling organization, macro forces that act upon the buyer-seller relationship and forces that affect the interactions between the buyer and seller. Fragmentation is also transformative for the sales process. The traditional sales process includes: prospecting, pre-approach, questioning, needs assessment, presentation, overcoming objections, gaining commitment and follow-up (Rich, Spiro & Stanton 2002). Considering fragmentation theory, the sales process is transformed to (1) connecting with individuals, organizations and their ecosystems, (2) understanding via questioning and information search, (3) sharing information and resources, (4) providing innovative solutions that create value, (5) episodic closure of value creation and logistics. The process is transformed to reflect the quantity of relevant information available to buyers and sellers.

The characteristics of information and being informed are foundational to the fragmentation-based sales channel framework. Our model emphasizes the role of information in the application of fragmentation to tasks within the sales channel, the role definition of actors within the sales channel and the spanning, and in some cases the dissolution, of boundaries within/outside of the organization. Information transparency impacts everything about the sales process. Fragmentation theory allows us to account for the less-important traditional sources of information as well as the changing value-creation role played by the sales organization and by the customer. Utilizing ICT's fragmentation theory, we present a model for better understanding these effects, a model that will contribute to the theoretical and practical understanding of modern sales force management.

References Available Upon Request