INFORMATION AND SYSTEMS-BASED MANAGEMENT:
A MARKETING PERSPECTIVE

An Honors Thesis (ID 499)

By

Mark Woodhouse

Thesis Director

[Signature]

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Within the limited scope of the literature concerning Marketing Information Systems, direct, all-inclusive one-paragraph definitions abound. Generally, they run something like this:

A structured, interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information collected from both intra- and extra-firm sources, for use as the bases for decision-making in specified responsibility areas of marketing management.

A marketing information system is a continuing and interacting structure of people, equipment, and procedures designed to gather, sort, analyze, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, execution, and control.

A marketing information system is the means by which the firm coordinates the various marketing functions and integrates the activities of the marketing department with those of the company as a whole. The purpose of an MIS is to ensure that all information bearing on a decision is provided to the decision maker in a timely and reliable fashion.

A problem inherent in such definitions, and which will cause no small amount of consternation for the marketer seeking a simple answer to a brief question, is that these definitions do not--despite appearances--define marketing information systems. Ask the author of any one of these or a score of similar descriptions, and they will immediately point out that all are correct--but that each of the others has left out some particular element that--voilà--just happens
to be the very essence of an information system.

Similarly, if one goes from the producers to the actual users of such notions (i.e., the theoreticians to the practitioners, or the academicians to the "on-line" businessmen), the response varies only to the extent that it is generally not so concise, nor as broad. Janet Pascoe, a marketing executive with Howard Sams (a publishing subsidiary of ITT) demonstrated a system which essentially provided feedback to marketing personnel regarding various aspects of the sales routine. Conversely, a Warner-Gear executive regards the notion of a marketing information system as one that emphasizes the monitoring of in-house manufacturing processes and stimulates the development of interdepartmental efficiency as a vital step in the overall course of product-movement from scratch to shelf. Operating in a relatively closed market, outside information is less of a priority.

In short, nobody has ever really conclusively offered an adequate definition for the notion of a marketing information system. Rather than focusing on the nuts and bolts of what a system is, the attention has keyed primarily on what one does—which is not the same.

The crux of the difference is this:

Taking the latter approach, one tacitly yet erroneously accepts the role of the system as a provider of information, rather than as a tool to be used in facilitating the manipulation
of information considered necessary to operate effectively and efficiently in a competitive environment.

Mr. James Peterson, while vice president-grocery products marketing at the Pillsbury Company, was quoted in the Harvard Business Review:

"We realized we couldn't develop a...system until we had clearly and sharply defined the responsibilities of our marketing managers. If the system was to measure their performance against plans, we had to specify precisely what each man was accountable for."

This approach emphasizes the critical point that an information system does not produce--people do, and the generally accepted school of thought at this point in time is that they produce more when they have the use of a formal MIS at their disposal. This point is uncontested here.

Another underlying factor responsible for the confusion surrounding the determination of the nature of an MIS is the fact that the notion cannot be defined in the usual academic paragraph. It cannot be done. Those who try, although honest in their intent to convey a valid and complete assessment of what an MIS should do, fail to establish adequate parameters even by virtue of their combined efforts to satisfy the need of the typical marketing manager to know what to look for in a marketing information system.

Those who write on the subject invariably end up focusing on a particular aspect or certain specific
characteristics which comprise what they consider the best system model. This is not altogether bad, but it makes it difficult for someone looking for a generic explanation of a relatively objective nature.

Furthermore, the phrase "marketing information system" seems to be taken too often to imply a certain tangibility which really does not exist. As mentioned earlier, marketers tend to look for a simple answer to a brief question—i.e., "What is an MIS?" The problem here is not in the question, but in the supposition that an "easy" answer is readily available. The purpose of this paper, therefore, will be to establish in one place some (necessarily) broad, but nevertheless substantive parameters for use by marketers seeking to maximize the effectiveness and efficiency of their primary operations in the business environment.

According to Philip Kotler, a prominent researcher on the subject of marketing information systems, executives who are satisfied with the quality of their marketing information are difficult to find. He categorizes their complaints in the following manner:

There is too much marketing information of the wrong kind, and not enough of the right kind;

Marketing information is so dispersed throughout the company that a great effort is usually necessary to locate simple facts;

Important information is sometimes suppressed by other executives or subordinates, for personal reasons;

Important information often arrives too late to be useful,
## FIGURE 20-6 Applications and Benefits Possible with MIS Systems

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<td>1. Control of</td>
<td>1. More timely computerized reports.</td>
<td>1. Undesirable cost trends are spotted more quickly so that corrective action may be taken sooner.</td>
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<td>marketing costs.</td>
<td>2. Flexible on-line retrieval of data.</td>
<td>2. Executives can ask supplementary questions of the computer to help pinpoint reasons for a sales decline and reach an action decision more quickly.</td>
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<td>2. Diagnosis of</td>
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<td>poor sales</td>
<td>4. Cheaper, more detailed, and more frequent reports.</td>
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<td>1. Forecasting.</td>
<td>1. Automatic translation of terms and classifications between departments.</td>
<td>1. Survey-based forecasts of demand for complex industrial goods can be automatically translated into parts requirements and production schedules.</td>
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<td>2. Promotional</td>
<td>2. Systematic testing of alternative promotional plans and compatibility testing of various divisional plans.</td>
<td>2. Complex simulation models both developed and operated with the help of data bank information can be used for promotional planning by product managers and for strategic planning by top management.</td>
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<td>planning and</td>
<td>3. Programmed executive decision rules can operate on data bank informations.</td>
<td>3. Credit decisions are automatically made as each order is processed.</td>
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<td>corporate long-range</td>
<td>4. Detailed sales-reporting permits automation of management decisions.</td>
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<td>planning.</td>
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<td>4. Purchasing.</td>
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<td>Research Systems</td>
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<tr>
<td>1. Advertising</td>
<td>1. Additional manipulation of data is possible when stored for computers in an unaggregated file.</td>
<td>1. Sales analysis is possible by new market segment breakdowns.</td>
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<td>strategy.</td>
<td>2. Improved storage and retrieval capability allows new types of data to be collected and used.</td>
<td>2. Systematic recording of information about past R&amp;D contract bidding situations allows improved bidding strategies.</td>
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<td>2. Pricing strategy.</td>
<td>3. Well-designed data banks permit integration and comparison of different sets of data.</td>
<td>3. Advertising expenditures are compared to shipments by county to provide information about advertising effectiveness.</td>
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<td>3. Evaluation of</td>
<td>4. Comprehensive monitoring of input and performance variables yields information when changes are made.</td>
<td>4. Changes in promotional strategy by type of customer are matched with sales results on a continuous basis.</td>
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<td>advertising</td>
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<td>4. Continuous</td>
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Information often arrives in a form that leaves no idea of its accuracy, and there is no one to turn to for confirmation.\textsuperscript{12}

In addition, Mr. Kotler cites the tendency of information to become distorted as it passes from one source to another. Less tangible problems also prevail.

For example, attitudes as late as the early 1970's in many large corporations were partly to blame for the way in which information was managed within a company. It was simply accepted that important marketing information eventually ended up on the desk of the appropriate executive.

However, as more and more companies begin placing serious premiums on the ability to act and react ever more swiftly within the competitive framework of their environment, and quickening technological, cultural and economic rates of change play an ever-increasing role in determining the viability of decisions emanating at both the micro and aggregate levels of the marketing community, the question of whether or not to systematize becomes one of whether to survive or not. Inherent in the notion of the systems approach to operations is the idea that such an endeavor be supported on a hierarchical systems-based foundation, of which the marketing information system is an integral part.

At this point it is appropriate to draw an important distinction. Many executives apparently feel that marketing research and marketing information are synonymous. This is
not so. In fact, the research function is a component part of the total MIS.

Typically, the marketing research department will routinely supply sales reports and analyses of these to appropriate locations within the organization. Also, in the event that particular information of a specified nature is required, the research department is charged with the directed task of acquiring this information. As a matter of incidence, the department may pass along information that is not expected but which has been gathered and may be useful to somebody in the organization.

An information system as an entity does not replace the research department conceptually or functionally. Instead, it serves to systematize the availability and format of sales and marketing reports in a form conducive to ready evaluation and analysis; it leaves the responsibility of acquiring very specific but necessary information--both in terms of processing and presentation--to the research department; and the biggest difference of all: rather than being designed to fight small fires, or to take on "jobs" as time permits, the MIS is constantly being fed information from all relevant quarters of the company which might affect marketing decisions.

The difference...is like the difference between a flash bulb and a candle. Let's say you are dancing in the dark. Every 90 seconds
Marketing decisions and communications
you're allowed to set off a flash bulb. You can use those brief intervals of intense light to chart a course, but remember everybody is moving, too. Hopefully, they'll accommodate themselves roughly to your predictions. You may get bumped and you may stumble every so often, but you can dance along.

On the other hand, you can light a candle. It doesn't yield as much light, but it's a steady light. You are continually aware of the movements of other bodies. You can adjust your own course to the course of others.2

Relevency must be determined by humans and will be situation- or organizational-specific. This information is abstracted, indexed, disseminated—in short, processed—by the system, which as central source of readily available, easily accessed, up-to-date information is drawn upon by users. It is the users—not the system—upon whom the responsibility for making the ultimate decisions must rest. The system merely provides the decision-maker with the best opportunity to make the "right" decision.

Thus should evolve a decision founded on as accurate an assessment of as many relevent and timely factors as possible in a choice array scenario.

This is typified by the DuPont approach:

...DuPont is moving toward marketing information centers. Basically...storing in a computer a great deal of information about specific markets, your position and your competitor's in those markets, the vehicles which cover those markets, etc. When the time comes to make a move, all the information is at your fingertips, so you're working on facts, not hunches.12
An MIS does not intrinsically require the use of a computer. But in reality, the MIS serves as a central processing device located between functional data and theoretical applications of such data, and it "processes the information for each function. Thus, it reduces the inefficiencies that are inherent in a piecemeal, everyone-for-himself approach."10 Particularly in larger corporations, the amount of information required to remain competitive is simply too large and unwieldy an amount to allow an optimal or even adequately efficient systematic approach without the use of computers.

Insofar as they are used for this purpose, the computers are considered part of what has been labelled the "support system" of the MIS. "Support systems include those activities required to generate and manipulate data--i.e., market research and other data processing."5 The support system is one of the two major components of an MIS.

The other major component is labelled the "operating system," and this element "uses the data as an aid to planning and controlling marketing activities."5 Cox and Good have written that three types of marketing operating designs exist: control, planning and basic research systems.

Control systems allow marketing personnel to access at any time such information as sales-to-date (categorized in any manner or combination of manners desired), sales
relative to particular goals, and cross tabulations of variables relating sales to product codes, customers, territories, etc. This information is constantly updated, and printed copies may be immediately available. Terminals can be located anywhere in the organization, such as in the sales or marketing manager's own office, etc. Time-series and statistical demand analyses are emphasized and facilitated.

The speed and efficiency of this type of system is often helpful in generating marketing opportunities as well as solving problems and identifying trends. Bernard Goldberg, as president of Schenley's marketing subsidiary, stated that "We can get answers literally while we are still formulating the questions. Needed information is available so quickly that it helps us think."5

Trend analysis and problem solving also characterize Planning Systems. But here they are not so much an end as a means. Planning systems at their most useful allow marketing managers to simulate a marketing or sales environment and a specific problematic situation facing them in this environment. They can then plug in various possible responses to get a theoretical but often quite accurate prediction of the outcome of each of the possible decisions.

But "perhaps the ultimate in sophistication is a marketing planning system which reviews alternatives, then actually makes decisions and takes action. Thus, several large retailing organizations have developed systems that
review sales trends and inventories and then place orders for merchandise."

Advertising often is a source of frustration to companies who would prefer to have more control over the many variables that affect purchasers' desisison to buy or not. Most successful companies find some form of advertising or promotion expedient and in some way related to sales productivity. However, most MIS systems have not been able to account for the many "uncontrollables" associated with advertising variables. Thus the development of the Basic Research System. Though certainly not restricted to advertising applications, this is a common and appropriate example used to illustrate this notion.

The Basic Research System in this instance would store the characteristics of any advertisement run by the company over a given period of time (up to infinity, theoretically). A correlationary analysis would eventually be generated demonstrating the relationship of, say, illustrations versus no illustrations, color versus black and white, amount of ad copy, and so forth, to sales (as an example).

As a result, it is possible to relate the characteristics of various advertising configurations to effectiveness measurements under a variety of conditions employing numerous consumer type models by systematically drawing on what amounts to quantified "experience."
Essential to an understanding of any kind of "information system"—marketing or otherwise—is an appreciation of what is meant by the term "information" in the first place.

The particular difference between "data" and "information" should especially be noted. Marketers generally do not lack either—in fact, they tend to have more than they know what to do with. However, what is useful and what is not? Raw data on a computer printout is useless until some kind of meaning is attached to it. At this point, it becomes information. Some data will have little meaning to the marketer, or will not be considered necessary information at a unique point in time, if ever. Yet even at this stage, after this data has been eliminated from consideration, more information is often available than can easily be digested and manipulated by marketing personnel. It is in this instance that a systemized approach to information handling becomes important.

The types of problems encountered by firms in handling information were demonstrated convincingly in a study by Albaum. Using six customers as confederates in the study, Albaum created six pieces of inaccurate marketing information which the customers passed on to salesmen of one company.

The information regarded the supposed construction of a new factory, a revised price structure of a competitor, new requirements for potential customers, and the appearance of a new product by a competitor of potential superiority
to the company's own. The results were educational, to say the least.

Only two of the six salesmen receiving the important marketing information even bothered to pass it on to the appropriate people in the organization. One of these took four days to do it, and the other—incredibly—two weeks. In the former case, the information was greatly twisted, as well. Three information problems are suggested by this scenario:

1) **INFORMATION DISAPPEARANCE**
   In this situation, data are simply lost or not passed on to the right person. In the Albaum study, four salespeople did not even bother to inform their marketing department of the information that they had been given.

2) **INFORMATION DELAY**
   Information is transmitted to other members in the organization but not in a timely fashion. The salesperson who took nearly two weeks to transmit the information may have compromised the firm's competitive position.

3) **INFORMATION DISTORTION**
   The information is communicated in a timely fashion but it is erroneous, distorted, or incomplete. In the case of such misinformation, the firm may be better off not receiving it at all.

How is an MIS implemented into the existing corporate structure? A popular suggestion outlines the need for a committee/team approach. The committee is composed of the
vice-president of marketing and his highest executives. This committee is ultimately responsible for the direction and scope of the MIS endeavor. It must determine the objectives used to define the type of marketing information sought; also, this committee should act as overseer of the system, to assess the viability of the system on an on-going basis and to ensure that changes are implemented as they are needed to complement company objectives and maintain the system's appropriateness as a tool.

As far as the actual hands-on implementation of the system is concerned, however, the "team"members are better equipped in terms of available time and technical training than the top executive group. This team, according to Kotler, should consist of the following personnel: "The marketing research director, the economic research director, a company sales force executive, a representative from the long-range corporate planning office, a representative from the controller's office, a company computer center specialist, and a company operations researcher."¹²

Note the potential fluidity of such a group architecture. By substituting different specialists, the system takes on a diverse array of practical application capabilities which can be finely tuned and tailored to the specific needs of a particular organization.

By maintaining the committee/team structure as a type
Questionnaire for Determining Marketing Information Needs

1. What types of decisions are you regularly called upon to make?
2. What types of information do you need to make these decisions?
3. What types of information do you regularly get?
4. What types of special studies do you periodically request?
5. What types of information would you like to get that you are not now getting?
7. What magazines and trade reports would you like to see routed to you on a regular basis?
8. What specific topics would you like to be kept informed of?
9. What types of data-analysis programs would you like to see made available?
10. What do you think would be the four most helpful improvements that could be made in the present marketing information system?

of "assignment" (to which personnel might be temporarily assigned while working on projects of special import, for example), a ready-made "task force" stands available at very short notice. This nearly immediate availability will serve at least two very important purposes which will add to the streamlining of operations:

First, the initiation of the planning functions involved in new operations (and some on-going and old ones) would be hastened by the existence of a semi-standing group (more on this term later) able to convene on short notice and possessing the experience and goal of tackling new problems in a concentrated, quasi-"super effort" to at least "push" it beyond the planning and into the in-process stages. This could be accomplished much faster than in the absence of such an MIS supported committee/team approach, without a loss in and possibly with an increase in reliability and confidence in the ultimate course of the marketing endeavor.

Also, more efficient use would be made of the skills of each of the committee/team members. Not only would the symbiotic relationship promote greater levels of freedom and increased incentive to contribute to the group's success, but an end result is also greater time to initiate new projects or to commit a greater amount of creative development to existing ones.

A "semi-standing group" is so-called here simply because
it is not absolutely essential--nor desirable--to assign a single specific group of people to a full-time assignment on this committee, as mentioned earlier. To take this one step farther, it is really not even necessary to have any group of this type in session at any particular time. What is important is that personnel are on hand who are trained in this method of information-management-based decision making. This training in itself would just be part of the overall "learning," or educational process, that would need to be instituted to accommodate the ready interface of system and the human element of the organization anyway, as would be the case with any major improvement in the technical aspects of running a company.

A second, related, benefit serving to streamline operations with the introduction of a committee/team approach is that of semi-centralization. This might also be called a "funneling" approach to information management. This results due to the nature of the group, which has representatives from various areas of the company who can bring to the group information that might otherwise have been overlooked. In addition, non-group members (who should be made aware of the group's activities where practical and relevant) can feed information that they believe may be pertinent to the representative from their department. The fact that a definite and visible source exists, recognized by everyone as "the"
person to whom information should be directed, should increase
the likelihood that information will actually be passed on.
It will have to pass through fewer channels as well.

Thus a few of the problems noted by Albaum might be
alleviated to some extent.

More than one representative might be needed from a
department. Theoretically at least, there will most certainly
be more than one project in the planning and developmental
stages in a company of any size, and the logical extension of
the committee/team approach to provide for this contingency
would involve the formation of several groups or of one
large group with multiple representatives from each depart­
ment. The difference between the two in reality would probably
be basically semantic.

In reality, the multiple-representative, or "super group"
approach would be progressively less feasible on a practical
basis as the theoretical need for it grew. Eventually,
management of such an organizational configuration would
become impossible. Unnecessary costs and constraints on
the number of projects which could be feasibly entertained,
or massive decentralization up through the top ranks of the
management hierarchy would create such a monster of intra­
organizational communication problems (among others) that
the original purpose would itself be lost. At all times,
the original goals prompting the creation of the MIS should
be kept in sight when making decisions affecting the structure
and overall scope of the entity.

Problems exist even in a rationally planned and executed committee/team scenario.

One of the chief problems is that of executives who may not—or perhaps, do not wish to—see the difference between traditional "task force groups" or informal "team" unit approaches that they have used in the past, and the concept of an integrative, vastly more powerful (in terms of efficiency, speed, comprehensiveness, flexibility, reliability, etc.) systemized information unit.

The only way around this obstacle, short of replacing them (usually not a viable alternative) is to educate them. They, as well as everyone else involved, must not only agree that it "might be" a useful device, but in fact must be one hundred per cent behind the decision to implement the system. This means making a personal commitment on the part of some of the executives to include themselves as enthusiastic participants in the process.

A problem in haphazard expansion of the committee/team structure (i.e., delegating, as it were, without taking care to maintain a strong central coordinating mechanism) arises in that there is an understandable reticence on the part of contributing departments such as the Computer Center, the Accounting department, and so on, who do not care to keep too many of their personnel tied up for the sake of the Marketing or Sales department. (The nature and shape of the
coordinating mechanism will be greatly affected by the specific structure and needs of the organization itself.)

Going back to some of the problems mentioned earlier that Kotler has described with respect to the quality of marketing information, one can see that some problems cannot be totally eliminated even with this more sophisticated approach to information management. A committee/team member may suppress (or be ordered to suppress) information of potential usefulness, for example.

The idea, again, is not to expect miracles or perfection--the most significant component of the MIS is, after all, the human component. But despite these problems, the overall venture should end up being more efficient and ultimately cost-effective if the system is designed well and tailored to the needs of the company using it.

In conclusion, a look at the tactical employment of marketing information systems is appropriate.

Orion Research, Inc., a company specializing in the marketing of analytical instrumentation equipment, has installed a system which: Ranks sales leads according to their potential value; gives salespeople the information they need for profit-building follow-up; and provides management with better insights into salesperson and distributor performance. The system is labelled the Comprehensive Computerized Marketing System (CCMS).
"Briefly, the system automatically selects from more than 150 pieces of company literature the right ones for each customer or prospect inquiry, clues the salesperson on the kind of action each inquiry should get, tracks the salesperson's follow-up until the order is won or lost, and, concurrently, builds a data base that generates analytical reports for management."^6

Sound complex? Expensive? The computer used in this arrangement is not a giant, costly mainframe. Rather, it is a Prime Computer super mini, capable of supporting a large number of terminals with simultaneous input and accessing capabilities.

By helping sales reps concentrate their efforts on the most likely leads and to manage their time and territories efficiently, Orion's business jumped 31% in six months--with no increase in the sales force.

The Computer and Instrumentation Division (CID) of Westinghouse reaped the following year-to-year benefits from the installation of an MIS:^7

* Total sales contacts per salesperson up 27%.
* New customer contracts per salesperson up 300%.
* Bookings per salesperson up 300%.
* Cost per sales call down 25%.
Nor is that all. These benefits were obtained concurrently with a reduction in the size of the sales force from 31 to 24 without affecting CID's 15-17% annual growth rate. And according to Thayer Taylor in Sales & Marketing Management (July 6, 1981), a company insider estimated that the improvements resulting from the installation of the system generated an extra $2 million in operation profits in 1980.

The system creates three types of reports. One is an output report describing the activities of the salesmen for the previous week and including his call plan for the upcoming week. This particular company is interested in variables such as product code, customer industry, status of accounts (active/inactive), call objectives, dollar potential and whether or not the call is cold or a new customer lead. These are generally accepted aspects throughout the business community pertaining to sales evaluations, but there are others as well that a company may decide to include in a "sales activity" report. An MIS such as the one used at CID can (and should) be easily modified when or if the need for it becomes apparent.

A "negotiations file" updated on a weekly basis monitors the status of negotiations involving $10,000+. Personnel involved in the negotiations are included in the report, as is the probability of winning, dollar potentials, and bid
and close dates.

For all negotiations of $100,000 or more in size, a "target report" lists all members of the sales team working on the project, the strategy that they employed for winning the contract, areas or factors that may lead to or become problems, and the status as best it can be determined of competitors bidding on the same contract.

Instead of collecting call reports, sales orders or bid proposals in the traditional sense and manually sifting through piles of paper to get the types of information described above, each salesman is given the relatively more cost- and time-efficient (as well as less arduous) task of simply calling in his information to the nearest office, where it is taped over the phone. Every morning, a professional WP operator retrieves the information and "files" it electronically, to be distributed to the proper headquarters (division, marketing, etc.) depending on what type of information it is. Thus it finds its way into one of the three reports mentioned earlier.

According to "Donald W. Feidt, principal at United Research and designer of the system..."Salespeople resent call reports because they're considered after-the-fact and nonproductive."?

It should be noted that prior to implementation of the system, the same information was essentially available as after
it was in place, but Ray Corll (National Sales Manager of CID) either had to "wait weeks for the computer center to prepare a special analysis using data that was a month old or I manually reviewed call reports."?

Now, with an established format which eliminates personal "style" on the part of salesmen reporting information and a system designed to facilitate the flow and management of the information, an accurate assessment of the overall marketing position of the company can be obtained in a very short amount of time.

The formatting of objectives and attainment evaluations has also impacted on such areas of the sales structure at CID as compensation. Corll was able to alter his incentive program so the salesmen find it advantageous to make calls that support particular objectives. Although in theory this is probably practical by companies not using an MIS, Ray Corll noted a tripling of new customer contacts in 1980. The system works.

Finally, it should be reemphasized that a marketing information system is a tool. Not a panacea, but an ever more viable and ultimately necessary device for any company destined to grow successfully and remain competitive in an increasingly merciless business environment. This view is echoed in the words of John Muczko, former marketing manager of CID and then marketing vice president of Systems Engineering Laboratories,
Orlando:

No matter how much research you do, you never know how customers will react until you start knocking on doors. Fast feedback on customer reaction, especially on geographic differences, enables us to ask why (is it due to price or sales coverage?) and make the necessary adjustments more rapidly.
BIBLIOGRAPHY


Also:

Interviews with Janet Pascoe, Marketing Director, Howard Sams Publishing (a subsidiary of ITT), and a marketing executive at Warner-Gear who asked that he not be identified. Indianapolis and Muncie, respectively.
Addenda

