

Subject: **SALES MANAGEMENT**

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SALES MANAGEMENT: AN OVERVIEW

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1.0 OBJECTIVE

After going through this lesson, you will be able to-

- Discuss the sales, sales management and related concepts.
- Explain the structure and objectives of a sales organisation.

1.1 INTRODUCTION

In daily life, a layman deals with different transaction in terms of selling and purchasing of goods and services. In these transactions the second one persuades the first person. Therefore, selling may be defined as persuading people to satisfy the want of first one. The person, who does this act, is called as the salesman, the result of this action as sales, while these activities of the person, are supervised and controlled by sales-management. In the present scenario sales executives are professionals. They plan, build and maintain effective organisations and design and utilize efficient control procedures. The professional approach requires thorough analysis, market-efficient qualitative and quantitative personal-selling strategy. It calls for skilful application of organisational principles to the conduct of sales operations. In addition, the professional approach demands the ability to install, operate, and use control procedures appropriate to the firm's situation and its objectives. Executives capable of applying the professional approach to sales management are in high demand today. The quality of selling is referred to as salesmanship. In other words, 'management' is synonymous with leadership. Managers do the same thing in industry, as ministers do in states and at the centre, i.e., they have to plan, forecast, direct and control their personnel. Here success lies in running together, hand in hand. Managers are the captains of the army of their followers.

1.2 DEFINITION

Originally, the term 'sales management' referred to the direction of sales force personnel. But, it has gained a significant position in the today's world. Now, the sales management meant management of all marketing activities, including advertising, sales promotion, marketing research, physical distribution, pricing, and product merchandising. The American marketers association (AMA's) definition, takes into consideration a number of these viewpoints. Its definitions runs like: the planning, direction, and control of the personnel, selling activities of a business unit including recruiting, selecting, training, assigning, rating, supervising, paying, motivating, as all these tasks apply to the personnel sales-force.

Further, it may be quoted: it is a socio-scientific process, involving 'group-effort' in the pursuit of common goals or objectives, which are pre-determined. Co-ordination is its key, though, no doubt, it is a system of authority, but the emphasis is on harmony and not conflict.

Sales-management differs from other fields of management, mainly in different aspects: the selling operation of a business firm does not exist in isolation. Thus, simultaneous with the changes taking place in the business, as well as marketing-orientation, anew concept of sales management has evolved. The business, is now society-oriented, on human-welfare aspects. So, sales-management has to work in a broader and newer environment, in co-existence with the traditional lines. The present emphasis is now on total development of human resources.

1.3 BENEFITS OF SELLING ACTIVITIES

There are different benefits of selling activities, which are as follows:

- (1) **Benefits to the society:** economic growth and maximum employment are the basics for national development. The achievement of both these goals means jobs and incomes for a nation's labour-force. The number of people, who need jobs, continues to expand, and also some jobs are being eliminated, because of the introduction of computers and abolition of obsolete technology. If jobs are to be made available for all those, who want and expect them, the economy must continuously expand its production of goods and services, which can only be done by adopting sound government-policies and efficient use of people. Equally important here is the fact, that an economy needs individuals, to sell what is produced. Through their persistent efforts to create and stimulate demand, sales-people could be said to be the life and blood of a productive economic-system. The large number of workers, in factories, and offices, would not be needed, if someone were not selling their products.
- (2) **Benefits to consumers:** professional people may not know every fact of a product, but they, at least know its major uses, limitations and benefits; so they can easily serve their customers, quite effectively. For example, an insurance agent can analyse the hazards and risks that confront a

client's business or home-situation, examine existing coverage and offer helpful advice, in order to eliminate the gaps or overlaps in coverage, in addition to saving the client's money. The sales-engineers are qualified to analyse technical-problems, which may be confronting a particular organisation and they can give the right recommendations for developing efficient operations. Like-wise, the medical-representatives may help the busy doctor, by keeping him abreast of new drugs in the market. The list of sales-people who can offer assistance to customers is practically without end.

- (3) Benefits to business firms; their sales-persons and customers:** salespersons are owned by their companies, while customers are the end-users of the company's product(s) and/or services, all these people, in the chain of marketing, stand to benefit by sales-activities. A business firm can be profitable only if its revenues exceed its costs. The prime responsibility of the salespersons is to sell the goods, produced by the organisation, at a profit. The creative sales-person, tries to penetrate his territory, and adopts suitable means and techniques of profitable-selling of goods and/or services. Business firms, derive various other benefits from, non-selling activities of sales-persons. The sales-person, in the field, is an ideal person, to keep the company abreast, or ahead of competition. He, thus, becomes an important source of field-intelligence by providing important (and sometimes very crucial) information, about the nature of

competitive-activities, and also about the changing needs of customers. The sales-force has the additional responsibility of serving the needs of customers that buy the firm's product(s). Most firms cannot survive, only on the basis of one-time sales; repeat-sales are necessary. This is possible only if the customers are served in a professional manner. A customer-oriented sales-person has to perform such activities as: providing customers with 'product-information' and 'demonstration(s); training customers-employees, in product-use; providing customers with sales-advice; and assisting customers in maintaining 'inventories'.

1.4 ELEMENTS OF SALES MANAGEMENT

There are the four basic elements of sales management, discussed below:

- (1) Planning:** a business cannot be taken as a chance. Every salespeople or person concerned have to see for the future, in a planned way like what must be done? And who will do it? The plan must be based on extensive market research, and the facts must be verified at every stage. The plan should also be evaluated, after investigating the total-market, for a particular type of product. Flexibility must be provided by establishing a specialists production line, to allow for variation in production. The plan should also be subject to continued review. The details of the plan should be discussed, with all the departmental heads, concerned, and

their sub-ordinates, who bear responsibility for fulfilling their parts of the plan.

- (2) **Co-ordination:** Co-ordination is all pervasive and permeates every function of the management-process. For example, in planning, departmental-plans are integrated into a master. Plan, ensuring adequate co-ordination. Similarly, organising starts by co-ordination wholly, partially inter-departmental and inter-personnel matters. Co-ordination also helps in maximum utilisation of human-effort by the exercise of effective leadership, guidance, motivation, supervision, communication etc. The control-system also needs co-ordination. Co-ordination does not have any special techniques. Nevertheless, there are sound principles, on which to develop skills. It has a special need to help the staff, to see the total picture and co-ordinate their activities, with the rest of the team. The sales manager has to encourage direct personal-contact, within the organisation, particularly where there is lateral-leadership. Harmony, and not discord, should be the guiding mantra. In addition, one has to ensure free flow of information that is selective to the objectives of the business. No personal problems, arising from business-operations are to be ignored, but solved through a free-exchange of ideas. This is especially true in the case of the sales-force of any organisation.
- (3) **Controlling:** the sales manager has to check regularly, that the sales activities are moving in the right direction or not. He guides, leads, and motivates the subordinates, so as to

achieve the goals planned for the business. He has to take steps to ensure that the activities of the people conform to the plans and objectives of the organisation. The controlling system should be such that one can study the past, note the pitfalls and take corrective measures, so that similar problems may not occur in the future. The controller has to ensure that the set targets, budgets and schedules are attained or followed in letter and spirit. There must be procedures to bring to light the failure to attain a target. The control-system has to (i) prepare sales and market forecasts; (ii) determine the level of sales-budget; (iii) determine the sales-quotas for each salesman; (iv) determine, review and select distribution-channels; (v) organise an efficient sales force; (vi) establish a system of sales-reporting; (vii) establish a system of statistical sales-credit; (viii) establish stock-control system(s); (ix) review of performance of the sales-force; and (x) establish periodical testing programmes. In a big organisation, each salesman is assigned a territory (not so big that it cannot be adequately covered). Each salesman has a target, set for specific 'period. From the weekly and monthly sales-reports, the control system is established, that will prepare records whether a particular salesman is working efficiently or not.

- (4) Motivating:** Motivation is essentially a human resource concept. It aims to weld together distinctive personalities into an efficient team. For this, knowledge of human psychology is needed, as a means of understanding behaviour patterns.

This is especially important in the case of the sales-force.
Only motivated sales-persons can achieve company's goals.

1.5 OBJECTIVES OF SALES MANAGEMENT

Every business firm has certain objectives to achieve. These objectives may be very explicit and definitive, or they may be implicit or general. Although, firms have different mixes of objectives, and they do place differing emphasis, on individual ones, the typical objectives include (i) profitability, (ii) sales-volume, (iii) market share, (iv) growth, and (v) corporate-image. While all these objectives are important to a business firm, the objectives, relating to sales-volume, market share and profitability, are greatly affected by the effectiveness and efficiency, with which the sales-function is managed.

Business firms, have, in fact, found that it is the most effective management objective of the firm; that must emanate out of its overall business or corporate objectives. The sales-management objectives of a business firm, generally relate to the areas of (i) achieving sufficient sales-volume, (ii) providing sufficient profit, and (iii) experiencing continuing growth.

Generally, objectives of sales-management have to cover various sales-functions, in an integrated manner. These objectives are to be expressed, as far as possible, in measurable and quantitative terms, and should also be realistic and achievable. Since, there are more than one objective, these should be put, on a hierarchical manner (most-important, down to the least important). To ensure their flawless realisation, they must be congruent, i.e., they must fit together, and not

be in conflict with each other. For example, suppose you ask a salesman to cut his travelling expenses, and ask him to spend more time, in the field. To make these two requirements, more meaningful, they must be linked with specific time-element.

The setting of objectives should not be based only on the judgment of the top-management. Rather, it should be formulated and finalised, with the involvement of the sales-force, at the grass-roots level. In addition, the process of setting of sales-objectives should begin, only after the company has conducted benchmark studies, to find out, as to where it stands in terms of product, brand and market-sales and market share trends (all in measurable terms).

1.6 SMBO APPROACH

It is another approach to formulate and accomplish sales-objectives is the sales management by objectives (SMBO) technique. It is formulated combined by sales manager and sales-force (representatives). It aims to focus on (i) results, within a specified set of objectives and (ii) participative style of management.

1.6.1 Process of SMBO

The operationalisation of SMBO is a process, comprising of the following steps:

- (i) Setting goals jointly with the salesman:** In this process the goals for sales-man and sales managers are settled simultaneously in the organisation so that they can built a

close coordination between them and lastly they achieve the main objective of the organisation.

- (ii) **Planning strategy to reach the objectives:** His the participative style of sales. Management proves to be a boon to the top-management, in the sense of the close familiarity of the salesman, with their markets. The outcome of the joint exercise would be the development of a strategy that directs the salesman to his objectives, following a plan, in the correct sequence, with the correct timing, and must be efficient, in the use of resources of time and money.

1.6.2 Importance of SMBO

The importance of SMBO for a business firm is as follows:

- (a) Directing the salesman towards the broader sales and marketing objectives of the Company;
- (b) Providing a better approach, from the view-point of the salesman; and
- (c) Motivating the salesman.

1.7 ORGANISATION OF SELLING UNIT

The main objective of any business firm is to sell effectively its goods and services to the consumer at reasonable prices. So long as the business undertaking operates on a small-scale; the proprietor can handle himself, or with the help of a few salesmen, under his direct-control and supervision. But, as the business grows and expands, the

size of the target market, to be covered to sell large quantities of goods and services becomes too large to be controlled by the owner of the business firm, personally. Therefore, these activities arises the need of a sales-organisation.

Generally, an organisation is a structured-process in which individuals interact with each other for achieving stated-objectives. It is a social and dynamic system. It emphasises human-values. It is the job of management, to integrate and co-ordinate all its constituents.

1.7.1 Need and Importance

The sales organisation is required for the following purposes:

- (i) To enable the top-management, to devote to more time in policy making for the growth and expansion of business.
- (ii) To divide and fix authority among the sub-ordinates so that they may shirk work.
- (iii) To avoid repetition of duties and functions so that there may not be any confusion among them.
- (iv) To locate responsibility of each and every employee so that they can complete the whole work in stipulated time; if not then the particular person must be responsible.
- (v) To establish the sales-routine in the business unit.
- (vi) To stimulate sales-effort.
- (vii) To enforce proper supervision of sales-force.

- (viii) To integrate the individual in the organisation.

Business organisations consist of an input, a processing-unit, an output and a feedback-loop; with its own environment Organisation as an open-ended social and dynamic system. Feedback-loop, provides control mechanism. Input is drawn from the environment. It gives output to satisfy the needs of environment, which the process itself transfers, input to output through its operators. In this approach, the main emphasis is on human-values. Workers are not simply cogs in the machinery they are social beings first. They are the key players of the production-system; and the management has to recognise this fact, that each person is unique. This makes an organisation, in the present-day context, quite complex.

1.7.2 Functions of Sale Organisation

A sales organisation performs the following functions:

- (i) Analysis of markets thoroughly, including products and market research.
- (ii) Adoption of sound and defensible sales-policy.
- (iii) Accurate market or sales forecasting and planning the sales-campaign, based on relevant data or information supplied by the marketing research staff.
- (iv) Deciding about prices of the goods and services; terms of sales and pricing policies to be implemented in the potential and existing markets.

- (v) Labelling, Packaging and packing, for the consumer, who wants a container, which will satisfy his desire for attractive appearance; keeping qualities, utility, quantity, and correct price and many other factors in view.
- (vi) Branding or naming the product(s) and/or services to differentiate them from the competitors and to recognise easily by the customer.
- (vii) Deciding the channels of distribution for easy accessibility and timely delivery of the products and services.
- (viii) Selection, training and control of salesmen, and fixing their remuneration to run the business operations efficiently and effectively.
- (ix) Allocation of territory, and quota setting for effective Selling and to fix the responsibility to the concern person.
- (x) Sales-programmes and sales-promotion-activities prepared so that every sales activity may be completed in a planned manner
- (xi) Arranging for advertising and publicity to inform the customer about the new products and services and their multiple uses.
- (xii) Order-preparation and office-recording to know the profitability of the business and to evaluate the performance of the employees.

- (xiii) Preparation of customer s record-card to the customer loyalty about the products.
- (xiv) Scrutiny and recording of reports to compare the other competitors and to compare with the past period.
- (xv) Study of statistical-records and reports for comparative analyses in terms of sales, etc.
- (xvi) Maintenance of salesman’s records to know their efficiency and to develop them.

1.7.3 Structure of Sales Organisation

The structure of sales organisation differs from company to company. There may be a very small and simple one with only a few salesmen. At the other extreme, there may be quite complex, with many sub-organisations, based upon divisions, according to territory, product and marketing-functions. The structure of the sales-organisation, usually depends upon the following factors:

- (i) Nature and size of the firm.
- (ii) Methods of distribution, adopted by the firm.
- (iii) Selling-policies of the firm.
- (iv) Financial conditions of the firm.
- (v) Personality of the sales manager.

The other dimension of the sales-organisation-structure, is related to

- (i) What shall be the status of the sales manager?
- (ii) What functions shall his department perform?
- (iii) What shall be the strength of the department? etc.

These are many issues, which, besides being based on the factors, listed in the procedure shall depend upon the state of the acceptance of the modern marketing concept, within the organisation, and the extent to which, it is found to permeate within it. We have some firms in India, where the sales manager is the head of total marketing and sales-operations of the company; others where the head of the sales-operations of the company, is a functional director of the company's board of directors, and responsible for total sales-operations of the company.

Further, to carry out the functions of the sales-organisation successfully, the sales department is divided into sub-departments. Each sub-department is put under an officer, who is responsible to the sales-manager, who is the head or chief executive officer (CEO) of the company. For example, in the case of a big business firm, these sub-departments could be (i) market-research, (ii) advertising, (iii) sales-promotion, (iv) recruitment and training, (v) credit and collection, (vi) sales-office for receiving the orders and arranging to dispatch goods to their destinations.

1.7.4 Steps to establish a sales structure

The following procedure may be adopted to, establish a practical and viable sales-organisational structure:

- (i) Begin with a historical profile of the company's allegiance, overall organisation and top-management philosophy of the firm.
- (ii) Analyse the requirements of the company and the sales-department, particularly in terms of its: size, position in the market, nature of activities, product mix, nature of customers, state of competition, and sales-people and their ambitions.
- (iii) Appraise the potential of the company, in terms of its impact on the financial, technical, scientific and human resources, existing currently.
- (iv) Analyse the prevailing working-atmosphere and state of communications, especially from the view-point of relationship and human-feelings involved in such relationships.
- (v) List the various administrative-details, connected with the company.
- (vi) Prepare a note, relating to the various administrative-details including aspects like hierarchy, span of control, etc. on the sales-department, and overall organisation of the department.
- (vii) Describe the procedures and Processes to be followed for executing various tasks.

- (viii) Based on the above, prepare a draft-structure of the sales-department, giving job-descriptions of the whole of the department, and a who's who of the department.
- (ix) Examine the structure, from the point of view of viability and practicality.

In the light of the complexities and vastness of the above process, for creating a sales structure, once again, we state that various industries, though being equally efficient, and of the same category, organise their sales-departments, in different ways.

1.8 SUMMARY

In total, Selling is the act, sales is the result of this act, while salesman is the person who does this act. So, salesmanship is the quality of act of selling. Thus, selling and salesmanship cannot be used synonymously. Salesmanship serves the dual purpose of discovering and persuading prospective buyers. By his creative faculties, a salesman has not only to sell but also establish a winning, regular and permanent relationship with his customers. A satisfied customer is just the beginning of this type of relationship, which ensures future repeat orders. Sales-management is governed by the principle of management. The four elements viz., (i) planning, (ii) co-ordination, (iii) controlling, and (iv) motivation are very relevant, as per requirement of the special nature of the business. Objectives are equally important for sound sales-management. Generally, these are (i) achieving sufficient sales-volume, (ii) providing reasonable profit, and (iii) experiencing continuing growth. SMBO (sales management by objectives) is a recent approach to

formulate and accomplish these objectives. Sales-management also needs proper organisational structure. Different structures suit different situations and requirements. These may be based on national or regional basis or on product market basis. A sales manager/director is the key person to plan, co-ordinate, control and motivate all the selling-activities of a business-concern. His job is multi-purpose and he has to face, all the odd and difficult changes. However, with his skill, urgency, and adaptability, these can be easily faced with.

1.9 KEYWORDS

SMBO: Sales Management by objective is a selling technique or approach which focus on result within a specified set of objectives.

Sales Volume: It is the total number of products sold. It may be expressed in monetary terms as well.

1.10 SELF ASSESSMENT QUESTIONS

1. Differentiate (i) selling, (ii) sales, and (iii) salesmanship.
2. Salesmanship is both an Art as well as a Science. Comment.
3. Write a short essay on sales-management.
4. What do you mean by objectives of any organisation? Explain.
5. What do you mean by organisation for sales-management? Explain its need, importance, functions and the essentials of a good structure.

6. Write short notes on:
 - (i) SMBO
 - (ii) Organisational Structure of Call Center
 - (iii) Selling activities of a firm.

1.11 REFERENCES/SUGGESTED READINGS

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PERSONAL SELLING

STRUCTURE

- 2.0 Objectives
- 2.1. Introduction
- 2.2 Personal selling objectives
- 2.3 Relevant situation for personal selling
- 2.4 Diversity of selling situations
- 2.5 Selling process
 - 2.5.1 Prospecting
 - 2.5.2 Preparation
 - 2.5.3 Presentation
 - 2.5.4 Handling objections
 - 2.5.5 Closing
 - 2.5.6 Follow-up
- 2.6 Summary
- 2.7 Keywords
- 2.8 Self assessment questions
- 2.9 References/Suggested readings

2.0 OBJECTIVES

After going through this lesson, you should be able to-

- Define personal selling and salesmanship.

- Explain personal selling objectives.
- Discuss the importance and relevance of personal selling in different situations.
- Explain the diversity of selling situation.
- Elaborate the personal selling process.

2.1 INTRODUCTION

Sales management, personal selling and salesmanship are all related. Sales management directs the personal selling effort, which in turn, is implemented largely through salesmanship. The term personal selling and salesmanship are often used without distinction. However, there are vital differences between two terms. Personal selling is a broader concept than salesmanship. Salesmanship is one of the aspects of personal selling. Salesmanship is one of the skills used in personal selling, it is not all of it. 'Salesmanship is the art of successfully persuading prospects or customers to buy products or services from which they can derive suitable benefits, thereby increasing their total satisfaction'. Salesmanship is seller initiated effort that provides prospective buyers with information, and motivates them to make favourable decisions concerning the seller's products or services.

'Personal Selling' is a highly distinctive form of promotion. It is basically a two way communication involving not only individual but social behaviour also. It aims at bringing the right products to the right customers. It takes several forms including calls by company's sales representative, assistance by a sales clerk, an informal invitation from one company executive to another. It is employed for the purpose of

creating product awareness, stimulating interest, developing brand preference, negotiating price etc.

The increase in complexity of products has increased the importance of personal selling. Manufacturers of highly technical products such as computers, electronic typewriters, digital phones, microwave kitchen appliances, remote control equipments etc. depend more heavily on personal selling than do grocery or toiletry products manufacturers.

Ever growing competition from domestic and foreign sources have also increased the importance of sales persons in the marketing effort of a firm. In personal selling, company's sales persons are often referred to as sales representative, salesman or sales girl, they remain on the company's payroll or work on commission basis or both to push the product in the market by positively motivating the prospective customer through oral presentation or demonstrating the product in question.

Consumers want all sorts of goods and services but inertia may keep them from buying. Sales efforts stimulate the consumption process by reducing people's inherent reluctance to make purchase decision. In fact sales person act as catalyst in the market place. When the nature of the product is such that the buyer needs special information in order to use it properly, sales representative acts as a consultant to consumer, to apprise them of products technicalities and usage. Sales person also work out the details of manner and timing of given physical possession.

In case of industrial products, the promotion mix mostly consist of personal selling rather than advertising. Being high value and complex product, personal contact with the customer is essential to convince him

of the product's quality and utility. On the other hand, consumer product companies use personal selling together with advertising, to influence prospect to try their brand. But personal selling in this case cannot substitute for advertising, it can only be used tactically to intensify marketing effort, mainly because it is expensive.

2.2 PERSONAL SELLING OBJECTIVES

The qualitative personal selling objectives are long term and concern the contribution management expects personal selling to make in achieving long-term company objectives. These objectives generally are carried over from one period's promotional program to the next. Depending upon company objectives and the promotional mix, personal selling may be assigned such qualitative objectives as-

1. To do the entire selling job (as when there are no other elements in the promotional mix).
2. To "service" existing accounts (that is, to maintain contacts with present customers, take orders, and so forth).
3. To search out and obtain new customers.
4. To secure and maintain customers' cooperation in stocking and promoting the product line.
5. To keep customers informed on changes in the product line and other aspects of marketing strategy.
6. To assist customers in selling the product line (as through "missionary selling").

7. To provide technical advice and assistance to customers (as with complicated products and where products are especially designed to fit buyers' specializations).
8. To assist (or handle) the training of middlemen's sales personnel.
9. To provide advice and assistance to middlemen on management problems.
10. To collect and report market information of interest and use to company management.

The basic considerations in setting qualitative personal selling objectives are decisions on sales policies and personal selling strategies and their role in the total promotional program. After this role is defined, qualitative long-term personal selling objectives are set. In turn, the qualitative personal selling objectives become the major determinants of the quantitative personal selling objectives.

The quantitative objectives assigned to personal selling are short term and are adjusted from one promotional period to another. The sales volume objective-the rupee or unit sales volume management sets as the target for the promotional period-is the key quantitative objective. All other quantitative personal selling objectives are derived from or are related to the sales volume objective. Thus, discussion here focuses upon the setting of sales volume objectives. Setting the sales volume objective influences the setting of other quantitative personal selling objectives, among them the following:

1. To capture and retain a certain market share.

2. To obtain sales volume in ways that contribute to profitability (for example, by selling the “optimum” mix of company products).
3. To obtain some number of new accounts of given types.
4. To keep personal selling expenses within set limits.
5. To secure targeted percentages of certain accounts’ business.

2.3 RELEVANT SITUATION FOR PERSONAL SELLING

Let us discuss some of the situations when personal selling in a company becomes more relevant.

1. **Product situation:** Personal selling is relatively more effective and economical in case:
 - (a) When a product is of a high unit value like Xeroxing machine, computers etc.
 - (b) When a product is in the introductory state of its life cycle and require creation of core demand.
 - (c) A product requires personal attention to match specific consumer needs e.g. insurance policy.
 - (d) Product requires demonstration e.g. most of the industrial products.
 - (e) Product requires after-sales service.

(f) Product has no brand loyalty or very poor brand loyalty.

2. Market situation: Personal selling situation can be best utilized when:

(a) A company is selling to a small number of large-size buyers.

(b) A company sells in a small-local market or in government or institutional market.

(c) Desired middle men or agents are not available.

(d) An indirect channel or distribution is used for selling to merchant-middlemen only.

3. Company situation: Personal selling is relatively more effective and economical when:

(a) The company is not in a position to identify and make use of suitable non-personal communication media.

(b) A company cannot afford to have a large and regular advertising outlay.

4. Consumer behaviour situation: Personal selling is more effective when:

(a) Purchases are valuable but infrequent.

(b) Consumer needs instant answers to his questions.

- (c) Consumer requires persuasion and follow-up in the face of competitive pressure.

2.4 DIVERSITY OF SELLING SITUATIONS

All of us being consumers often come across variety of selling situations. Differences in marketing factors cause each company to have individualized selling styles. Each different type of selling job requires the sales person to perform a variety of different tasks and activities under different circumstances. The job of a soft drink driver salesperson who calls in routine fashion on a number of retail stores is different from that of a computer sales person who sells a system for managing information to executive of a consultancy firm.

Before categorizing sales persons into basic selling styles, one convenient way to classify the many different types of sales job is to array them on the basis of the creative skill required in the job, from simple service-or repeat order selling to the complex developmental selling. Let us now discuss the different kinds of selling positions prevalent in Indian companies.

Delivery sales person: The primary job of the delivery sales person is to deliver the product e.g. soft drink, bread, milk etc. The selling responsibilities are secondary. Good service and a pleasant personality may lead to more sales.

Inside order taker: The retail sales person standing behind a counter is an inside order taker. The customer comes to the sales person with the intention to buy a product or service, the sales person only

serves him or her. The sales person may use suggestion selling but ordinarily cannot do much more.

Outside order taker: The soap or spices sales person calling on retailer is an outside order taker. They do little creative selling. In contract with store personnel these representatives actually may be discouraged from doing any hard selling. That task is left to executives higher in the hierarchy.

Missionary sales people: These sales persons are not expected or permitted to solicit an order. Their job is to build goodwill or to educate actual or potential user or provide services for the customers, as in the case of Medical representatives, working for the pharmaceutical company.

Consultative sales person: Consultative sales are characterized by the product or service that is sold at the higher level of an organization e.g. computer system or management consultancy service. The decision to purchase such products involves higher capital outlay thus sales job requires a low key, low pressure approach by the sales person. It would also require a very strong knowledge about product, patience to discuss product with several people of organization and potential benefits to the user. Even at times when the progress of sales slows down representative has to make creative and sensitive efforts to resume interest but without appearing to exert pressure on the prospect.

Technical sales personnel: The most distinctive characteristic of technical sales is the product knowledge required by its sales person, unlike the consultative sales, where sophistication in organization relationship and persuasive ability are sales persons' most valuable

assets. Even time required to sell the product is relatively less than consultative sales.

Most of the technical purchasing requires approval of several people but only one or two people with technical knowledge influence decision. If the sales representative is able to satisfy these people with product characteristics, application, installation process, approval from higher management is usually forthcoming. The technical sales persons though not strangers to the process of making a sale, are trained to utilize the rational approach, by going into details of product utility and features.

Commercial sales person: This field generally includes non-technical sales to business, industry, government and non-profit organization e.g. office equipment, wholesale goods, building products, business services and others. Unlike the previous two types, it is customary for the commercial sales person to make sales on first or second call. The process stresses approach to right person (decision maker), making a smooth presentation and closing the sales.

The field is composed of order takers, to follow up and maintenance of accounts and order getter, to develop new accounts. Since these require different approaches, they normally require different personality traits e.g. the order getter are more aggressive and more highly motivated.

Direct sales people: Direct sales are primarily concerned with the sales of products and services to ultimate consumers e.g. restaurants, door to door sales, insurance, encyclopaedias, magazines etc. There is normally some emotional appeal associated with this type of selling, thus

sales persons are required to possess strong persuasive ability. Often length of time to close sales is shortest in the case of above product categories. In fact, sales person are trained to close the sales on the first visit because it is felt if consumers are given time, they will either cool off from buying or will buy from competitor.

2.5 SELLING PROCESS

All selling process contain the same basic steps, though the detail of each step and time required to complete it will vary according to the product that is being sold. For example: a door to door sales representative may go through all the steps from prospecting to closing of sale in a matter of ten to fifteen minutes in contrast, the selling process for computer or electronic typewriter may take several visits, even years, for getting an order.

2.5.1 Prospecting

The selling process begins with prospecting or finding qualified potential customers. Except in retail selling, it is unlikely that customers will come to the sales person. In order to sell the product, the sales person must seek out potential customers, prospecting involves two major activities-

- (a) identifying potential customers also known as prospects; and
- (b) qualifying them in order to determine if they are valid prospects.

(a) Identifying prospects

The identification of potential customers is not an easy job, especially for a new sales person. Rejection rate is quite high and immediate payoffs are usually minimal. In some consumer goods businesses, identification of prospects usually come from friends and acquaintances, other sales people, former customers, present customers etc. Few of the best sources and techniques for finding prospects are discussed below.

Present customers: The best source of prospects is usually the sales person's existing satisfied customers. It is much easier to sell additional goods and services to existing customers than to attract new customers. Indian companies are using this method of selling successfully. For example person or an organization who has purchased a portable typewriter from an office automation product company and is pleased with it is usually more receptive to purchase a bigger typewriter and similar product from the same company than someone else. This is the main reason, present customers should get first priority by the company when new products and services are introduced.

Endless chain: This is also an effective prospecting tactics. In this method companies use satisfied customers as source of referrals. Sales representatives ask current customers for names of friends or business associates who might need similar products or services. Then, as the sales person contacts and sells to these prospects, more referrals are solicited. In this way the process continues further.

Centre of Influence: Another effective prospecting technique based on referrals is the center of influence approach. A center of influence is a person with information about other people or influence

over them that can help a sales person identify good prospects. Some frequently used centers of influences are housewives, bankers, local politicians etc.

Spotters: Some companies use spotters as a source for prospecting potential customers. Spotters are usually 'sales trainees' who help sales person identifying prospects, thus saving time and qualifying sales lead.

Cold call: Cold call is also known as unsolicited sales calls. This prospecting techniques involves knocking on doors. The sales person makes contact with a potential customers, introduces himself or herself, and asks if there is a use for the product or service. This technique is utilized by the sales person when they have time available between scheduled appointments.

Directories: A wide variety of directories are full of prospect. The classified telephone directory is the most obvious one. A sales person may also find that membership directories of trade associations, professional societies, and civic and social organizations are good sources for prospects.

Mailing lists: In India, specialized companies compile lists of individuals and organizations for direct mail advertisers. These lists may also be used to identify sales prospects. The major advantages of mailing list are that they are often more current and more selective than directories.

Trade shows and exhibitions: A cost effective way to make personal contacts and locate prospective buyer is to participate in trade shows and exhibitions. Now a days more and more companies are

increasing their participation in these shows and exhibitions to company's booth by mailing invitations or promising a gift. Advance announcements sent to trade publications may also help to attract prospects. In view of the rising costs of personal selling trade shows have become an increasingly important source of prospecting. India International Trade Fair organized by Trade Fair Authority of India every year provides a good example of usage of trade shows for prospecting.

(b) Qualifying prospects

Once the sales person has identified potential customers, he or she must qualify them to determine, if they are valid prospects. Unless this is done, time and energy is wasted in trying to sell to people who cannot or will not purchase the product or service.

There are several factors to consider while qualifying a prospect. One approach to qualifying often called MAN (Money, Authority and Need) approach is given below:

Money: Does the prospect have the money or resources to purchase a product or service? Ability to pay is very critical factor in qualifying a prospect. The sales people must be familiar with financial resources of a prospect.

Authority: Does the prospect have the authority to make commitment? This is a particular concern when dealing with corporation, government agencies or other large organizations. Even while selling to a married couple, it may be difficult to identify who actually makes the purchase decision. A sales person must identify the key decision maker early to economise on selling time more effectively.

Need: Does the prospect need the product or service? If a sales person cannot establish that the customer will benefit from purchasing a product or service, there is no reason to waste a sales call. The prospect either will refuse the offer or will end up dissatisfied with the purchase. Before proceeding further the sales person should first appraise whether money, authority and need exist with the prospect.

2.5.2 Preparation

After a prospect has been identified and qualified, the sales person prepares for the sale of product or service. The preparation stage involves the two key activities i.e. Pre-approach and Call Planning.

(a) *Pre-approach*

The pre-approach step includes all the information gathering activities necessary to learn relevant facts about the prospect and his or her needs and situations.

Four necessary steps of pre-approach are:

1. It should disclose the party need and ability to buy.
2. It should provide information that will enable the seller to tailor the presentation to the prospect.
3. It should provide information that may keep the sales person from making serious tactical errors during the presentation.
4. Finally, a good pre-approach increases the sales person confidence and makes him confident to handle whatever may arise during the sales.

(b) Call planning

Call planning involves a specific planning sequence. The sales person defines the objective of the call, devise a selling strategy to achieve this objective, and makes the appointments. The primary objective of any sales effort is to get an order. For some sales call intermediate objectives may be needed. Some examples of intermediate objectives are:

- To obtain more information about the prospect.
- To relate the prospects needs and concerns to features and benefits of the product or service.
- To obtain permission for demonstration of the product.
- To introduce a new distributor.

The sales person must develop a strategy, or course of action to achieve his or her objective. Careful consideration of the prospect's background and needs is required in order to able to formulate a tailor made strategy appropriate for the prospect. Since sales calls are costly, they should be arranged in advance. Cold calls i.e. calls without specific appointment may be appropriate for introducing the sales person or dropping off information. This method is generally inefficient for selling most products and services and is not consistent with modern professional selling.

2.5.3 Presentation

After establishing rapport with the prospects through calls, the sales person proceeds to the formal sales presentation. The objective of the presentation is to explain how the product meets the special needs of the consumer. The job of the sales person is to inform the prospect about

the characteristics, capabilities and availability of goods and services that are for sale. In order to ensure that the presentation is understood by the prospect, the sales person should be clear in his/her communication. Presentation should also be interesting enough to keep the attention of the prospect focused on the proposal.

Sales presentations are classified into the different categories:

Fully automated, Semi-automated, Memorized, Organized, and Unstructured.

Fully automated: The fully automated presentation is the most highly structured approach, based on film or slide presentations. The sales person simply answer questions or clear up doubts. e.g. selling life insurance to the rural or semi-urban prospects.

Semi-automated: In this approach, the sales person reads from brochures or literatures, adding comments to the prepared materials when necessary. A common example is selling of pharmaceutical products by medical representatives.

Memorized: In memorized presentation, company message is presented, with few changes initiated by the sales person.

Organised presentation: The most popular and often the most effective sales presentation method is the organized presentation. With this method the sales person has complete flexibility in oral communication but follows a company prepared outline or checklist. The organized approach best exemplifies the selling process in which customers are moved through four stages to a purchase decision; i.e. attention, interest, desire and action (AIDA).

Unstructured presentations: (Also referred to as problem solving)

In this approach, the buyer and seller together explore the problems that are the real sources of the company's needs. Although unstructured presentations are often effective and widely used, they have a number of limitations. Such presentations tend to be not too well-focused. As a result, points are often missed and time is wasted. Further, sales person do not usually anticipate objections but may have to face surprise complaint from the prospects. Because it is difficult to teach sales person how to use the unstructured method, the problem solving presentation seems best suited to experienced, sales person who are selling to established customers.

Sales presentation comprises of two distinct activities, approach and demonstration.

a) Approach

When the sales person has the name of the prospect and adequate pre-approach information, the next step is the actual approach. It frequently makes or breaks the entire presentation. If the approach fails, the sales person often does not get a chance to give a presentation or demonstration. It gets the prospect attention, it immediately inspires interest in hearing more about the proposition, and it makes easy transition into the demonstration phase.

Four basic approaches are in common use:

1. The introductory approach, the sales person introduces himself to the prospect and states what company he represents.

2. The product consists of handling the product to prospect with little conversation. It can be most effective when the product is unique and creates interest on sight.
3. The sales person starts the sale in a consumer-benefit approach by informing the prospect of what the firm can provide in benefits. In other words, directs the prospects attention toward the benefits the firm has to deliver.
4. Lastly, referral approach successful in getting an audience with prospect who is difficult to see directly. It consists of obtaining the permission of a past or present customer to use his or her name as a reference in meeting a new prospect.

(b) Demonstration

The demonstration is the core of the selling process. The sales person actually transmits the information and attempts to persuade the prospect through product demonstration to make a customer.

Two factors should be taken into consideration in preparing an effective product demonstration:

- i) The demonstration should be carefully rehearsed to reduce the possibility of even a minor malfunction.
- ii) The demonstration should be designed to give customers 'hand on' experience with the product wherever possible. For example an industrial sales representative might arrange a demonstration before the purchaser's technical personnel.

2.5.4 Handling objections

All sales person confront sales resistance i.e. actions or statements by a prospects that postpone, hinder or prevent the completion of the sale. Normally sales resistance takes the form of an objection which can be classified as stated or hidden. Prospects may state their objections to a proposition openly and give the sales person a chance to answer them. This is an ideal situation because everything is out in the open and the sales person does not need to read the prospect's mind. Unfortunately, in many instances prospects hide their real reasons for not buying. Beside having hidden objections, their stated objection may be phoney. Unless one can determine the real barrier to the sale one shall not be able to overcome it. There are two major techniques for discovering hidden objections. One is to keep the prospect talking by asking probing questions. The other is to use insights gained through experience in selling the product, combined with a knowledge of the prospects situation, to perceive the hidden objection. Often objection to price and product are also faced by sales person either in a form of unaffordable or too high price. Product objections can be answered best when sales people have extensive product knowledge of both their own products and competitors. Many times prospects may be misinformed or may not understand some of the technical aspects of the proposition. In this case, the sales person should provide additional information. Even the prospects objections can be met simply and effectively by altering the product to suit the customer.

2.5.5 Closing

After having answered and overcome objections, it is the stage for sales person to ask for the order from the prospects. The entire effort is wasted unless the sales person can get the prospect to agree to buy the product. There are several closing techniques which are being used by sales person in India. Sales person should select among these technique one that fits the specific prospect and selling situation. Now we would discuss few effective closing techniques. In action close technique the sales person take an action that will complete the sale e.g. in case of high priced products like Motorcar, photocopier or industrial product the sales person may negotiate with the financial institution for financial assistance for the prospects.

The gift close technique provides the prospect with an added incentive for taking immediate buying action. In one more yes close techniques, the sales persons restates the benefits of the products in a series of questions that will result in positive responses by the prospects. The process may result in an order.

The direct close is clear and simple technique, many sales persons feel that this is the best approach for closing, especially if there are strong positive buying motives, the sales person will summarise the major points that were made during presentation to the prospects prior to asking for the sale.

Experienced sales people always try to close early. If they are not successful, they continue the presentation and then try a different closing technique. Good sales person know that if they have successfully

completed all of the earlier steps, then the prospect is worth an extra effort at closing. In most cases this simply means switching to a different type of close. Closing is the most important aspect of the sales process. Unless the sales person can close the sale, the other steps in the sales process are meaningless.

2.5.6 Follow-up

The selling process is not completed by merely making the sale, as generally assumed by many sales person. After sales activities are important part of the whole selling process. Effective sales-follow-up reduces the buyer's doubt about the product or services and improves the chance that the person will buy again in the future. In addition to post-sale activities, sales person are also required to maintain good customer relations.

Now-a-days many companies are evolving specific policies and practices to ensure that customer's needs are not neglected. No matter how efficient a company is, there are always some customer complaints. The complaint should be taken seriously and handled with concern. The customer must know that the company cares about maintaining good customer relations. Reasonably frequent contacts with the present customers are, an expected part of the sales person's job. For important customers, personal visit are appropriate. Letters, notes, phone calls, greetings are also good ways to keep in touch with customers. Many good business house also offer customer newsletter.

Successful sales person never stop serving customers. In addition to handling complaints, they keep customer informed about the latest

products or services, fulfil reasonable request, and provide other forms of assistance. The sales people should also appreciate the customer by thanking customers for their business. Small gifts can be given after the sale and at appropriate times during the year. Sales person should try to make self-analysis for evaluating their own selling performance and methods. A Sales person should analyse every call to determine what factors influenced its eventual outcome. Self-analysis is a very useful tool in improving overall sales effectiveness.

2.6 SUMMARY

Today personal selling has become a challenging profession. There has been a significant change in its role from being a simple order taker to that of an order maker or consultant to the buyers. Modern sales persons understand that they are the major link in the total marketing strategy for the company. If a company wants to maximize the effectiveness of its marketing programme, the personal selling effort must be effectively integrated with the other elements of the marketing mix.

With the growing complexity of products, importance of personal selling has increased. They now act as introducers, intelligent communicator as well as demand pushers and also add unique utility to product. Their role has changed drastically from being a simple communicator to business manager. In order to be successful a sales person must possess a set of personal, product related and functional qualities, as variety of analytical and administrative duties are important component of the job. Before approaching a prospect every sales person is advised to do bit of homework regarding company's name, size, authority concern and general requirement. While meeting the prospect,

sales person should introduce himself, his company and the product under promotion. Product presentation and overcoming of customer objections, leads to convincing the customer and result in the closing of mutually satisfying sale.

2.7 KEYWORDS

Personal Selling: Personal selling is finest form of promotion done by sales force.

Salesmanship: It is the art of successfully persuading customer in selling situations for mutual benefits.

Prospecting: It is the act of finding or identifying potential customers.

2.8 SELF ASSESSMENT QUESTIONS

1. Elaborate various steps involved in sales process with suitable example.
2. Discuss different situations where role of personal selling is vital.
3. Write the diversity of selling situation with suitable illustrations.

2.9 REFERENCES/SUGGESTED READINGS

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RECRUITMENT AND SELECTION

STRUCTURE

- 3.0 Objective
- 3.1 Introduction
- 3.2 Recruitment process
- 3.3 Sources of recruitment
- 3.4 Selection process
- 3.5 Summary
- 3.6 Keywords
- 3.7 Self assessment questions
- 3.8 References/Suggested readings

3.0 OBJECTIVE

After going through this lesson, you will be able to-

- Learn the process of recruitment and various sources of it
- Understand the steps involved in selection process.

3.1 INTRODUCTION

Recruitment is a positive process in which a company attract a pool of talented people, whereas selection is a negative process through which they screen people and finally select desired number of personnel who are offered appointment. Attracting and selecting new sales

personnel is an important aspect of the sales manager's job. Recruitment is the procedure to obtain a good number of people with the potential capability of becoming good sales personnel. After attracting a large number of people, it becomes feasible to select the individuals, which fit the needs of the organization. Appropriate recruiting and selection policies and procedures, and their skilful execution result in greater overall efficiency of sales department. Good selection fits the right person to the right job, thereby increasing job satisfaction and reducing the cost of personnel turnover. In addition training costs are reduced, either because those hired are more capable of absorbing training or because they require less formal training.

3.2 RECRUITMENT PROCESS

To ensure the new recruits have the aptitude necessary to be successful in a particular type of sales job, certain procedures should be followed in the recruitment process. The steps in this process are:

(a) Conducting a job analysis

Before a company can search for a particular type of salesperson, it must know something about the sales job to be filled. To aid in the process, a job analysis should be conducted to identify the duties, requirements, responsibilities, and conditions involved in the job. A proper job analysis involves following steps:

1. Analyze the environment in which the salesperson is to work. For example: (a) what is the nature of the competition faced by the salesperson in this job? (b) what is the nature of the customers to be contacted, and what kinds of problems do

they have? (c) what degree of knowledge, skill, and potential is needed for this particular position?

2. Determine the duties and responsibilities that are expected from the sales-person. In so doing, information should be obtained from (a) salespeople; (b) customers; (c) the sales manager; and (d) other marketing executives, including the advertising manager, marketing services manager, distribution manager, marketing research director, and credit manager.
3. Spend time making calls with several salespeople, observing and recording the various tasks of the job as they are actually performed. This should be done for a variety of different types of customers and over a representative period of time.

(b) Preparing a job description

The result of a formal job analysis is a job description. Since a job description is used in recruiting, selecting, training, compensating and evaluating the sales force, the description should be in writing so that it can be referred to frequently. The written job description lets prospective job applicants, as well as current sales personnel, know exactly what the duties and responsibilities of the sales position are and on what basis the new employee will be evaluated.

The job description is probably the most important single tool used in managing the sales force. It is used not only in hiring but also in managing and sometimes as a basis for firing salespeople. It provides the

sales trainer with a description of the salespeople's duties and enables him or her to develop training programmes that will help salespeople perform their duties better. Job descriptions are also used in developing compensation plans. Often, the type of job determines the type of compensation plan that will be used. Job descriptions aid managers in supervision and motivation, and they are used as an official document that is part of the contract between management and a salesperson's union. Finally, a job description puts management in a position to determine whether each salesperson has a reasonable workload.

(c) *Developing a set of job qualifications*

The duties and responsibilities set forth in the job description should be converted into a set of qualifications that a recruit should have in order to perform the sales job satisfactorily. Determining these qualifications is probably the most difficult aspect of the entire recruitment process. One reason is that the manager is dealing with human beings; therefore, a multitude of subjective and very complex characteristics are involved. Specific qualifications such as education and experience should be included in the job qualification, thus making good candidates easier to identify. But most firms also try to identify personality traits that presumably make better salespersons, such as self-confidence, aggressiveness, etc.

(d) *Attracting a pool of applicants*

The next major step in the recruitment process is attracting a pool of applicants for the sales position to be filled. All large companies with a sales force have a continuous need to identify, locate, and attract

potentially effective salespeople. The candidates recruited become the reserve pool of sales staff from which new salespeople will be chosen. The quality of this group will predict the future successes or problems of the sales organization.

3.3 SOURCES OF RECRUITMENT

There are many places a sales manager can go to find recruits. Sales managers should analyze each potential source to determine which ones will produce the best recruits for the sales position to be filled. Once good sources are identified, sales managers should maintain a continuing relationship with them, even during periods when no hiring is being done. Good sources are hard to find, and goodwill must be established between the firm and the source to ensure good recruits in the future.

Some firms will use only one source; others will use several. The most frequently used sources are persons within the company, competitors, non-competing companies, educational institutions, advertisements, and employment agencies.

(a) Persons within the company

Companies often recruit salespeople from other departments, such as production or engineering, and from the non-selling section of the sales department. The people are already familiar with company policies as well as the technical aspects of the product itself. The chance of finding good salespeople within the company should be excellent because sales managers know the people and are aware of their sales potential. In fact, most firms turn to non-sale personnel within the company as their first source of new sales recruits.

Hiring people from within the company can lift morale because a transfer to sales is often viewed as a promotion. But transferring outstanding workers from the plant or office into the sales department does not guarantee success. In some cases hostility can arise among plant and office supervisors, who feel their personnel are being taken by the sales department.

Recommendations from the present sales force and sales executive usually yield better prospects than those of other employees because the people in sales understand the needed qualifications.

(b) Competitors

Salespeople recruited from a competitor are trained, have experience of selling similar products to similar markets, and should be ready to sell almost immediately. But usually a premium must be paid in order to attract them from their present jobs.

Some sales managers are reluctant to hire competitors' salespeople because the practice is sometimes viewed as unethical. But is it? Is it really any different than attempting to take a competitor's customers or market share? No. But it is unethical if the salesperson uses valuable confidential information in competing against the former employer.

Recruiting competitors' salespeople may bring other problems. Although these people are highly trained and know the market and the product very well. It is often hard for them to unlearn old practices. They may not be compatible with the new organization and management. Also, recruits from a competitors usually are expected to switch their

customers to the new business; if they are unable to do so, their new employer may be disappointed.

The potential for these problems to arise may be evaluated with one question: why is this person leaving the present employer? A satisfactory answer to this question frequently clears up many doubts and usually leads to a valuable employee. The difficulty arises, however, in determining the real answer. Often, it is almost impossible to assess accurately why someone is looking for another job. Good sales managers must be able to evaluate effectively the information they get.

(c) *Non-competing companies*

Non-competing firms can provide a good source of trained and experienced salespeople, especially if they are selling similar products or selling to the same market. Even though some recruits may be unfamiliar with the recruiting firm's product line, they do have selling experience and require less training.

Companies that are either vendors or customers of the recruiting firm can also be an excellent source of candidates. Recruits from these sources already have some knowledge of the company from having sold to or purchased from it; their familiarity reduces the time it will take to make them productive employees. Another advantage of recruits from the sources is that they are already familiar with the industry.

(d) *Educational institutions*

High schools, adult evening classes, business colleges, vocational schools, junior colleges, and universities are all excellent sources of sales

recruits. Large firms usually are successful in recruiting from universities, but small firms tend to be more successful in recruiting from small educational institutions or from other sources.

While most college graduates lack specific sales experience, they have the education and perspective that most employers seek in potential sales managers. College graduates tend to adapt more easily than experienced personnel. They have not yet developed any loyalties to a firm or an industry.

A major problem in recruiting from college campuses used to be the unfavourable image of sales. Selling typically was associated with job insecurity, low status, and lack of creativity, but this situation has been changing in recent years. Colleges graduates are beginning to realize that selling provides challenge and a sense of accomplishment, that it is complex and exciting, that it allows them to be creative, that it rewards them well and in direct proportion to their level of achievement, and that it provides opportunity for rapid advancement. In short, many students today know that a sales career is a good use of a college education.

Small firms are less likely to recruit on college campuses because many graduates prefer large, well-known corporations with training programs and company benefits. College students tend to avoid small companies because these companies usually employ few college graduates, and students are afraid that people without college degrees will not understand or appreciate their needs and expectations.

(e) *Advertisements*

Classified advertisements in newspapers and trade journals are another source of recruits. National newspapers and various trade journals are used in recruiting for high-caliber sales and sales management positions. However, most firms that use advertising, especially in local newspapers, are recruiting for low-level sales positions. Many businesses use advertising only as a last resort.

While advertisements reach a large audience, the caliber of the average applicant is often second-rate. This places a burden on those doing the initial screening. The quality of applicants recruited by advertisements can be increased by carefully selecting the type of media and describing the job qualifications specifically in the ad. To be effective, a recruiting ad must attract attention and have credibility. The following elements should be included to ensure an ad's effectiveness: company name; product; territory; hiring qualifications; compensation plan, expense plan, and fringe benefits; and the way to contact the employer.

(f) Employment agencies

Employment agencies are among the best and the worst sources. Most of the time it depends on the relationship between the agency and the sales manager. The agency should be carefully selected, and a good working relationship must be developed. Sales managers should make sure that the agency clearly understands both the job description and the job qualifications for the position to be filled.

In recent years agencies have steadily improved and expanded their services. They can provide a highly useful service to sales managers by

screening candidates so that recruiters may spend more time with those prospects who are most highly qualified for the job.

3.4 SELECTION PROCESS

The recruiting process furnishes the sales manager with a pool of applicants from which to choose. The selection process involves choosing the candidates who best meet the qualifications and have the greatest aptitude for the job. There are numerous tools, techniques, and procedures that can be used in the selection process. Companies typically use initial screening interviews, application forms, in-depth interviews, reference checks, physical examinations, and tests as selection tools.

None of these should be used alone. Each is designed to collect different information. While successful selection of sales applicants does not necessitate the use of all the tools and techniques, the more that are used, the higher the probability of selecting successful sales personnel.

Selection tools and techniques are only aids to sound executive judgement. They can eliminate the obviously unqualified candidates and generally spot the more competent individuals. However, in regard to the majority or recruits who normally fall between these extremes, the current tools can only suggest which ones will be successful in sales. As a result executive judgement is heavily relied on in selecting salespeople.

(a) Initial screening interviews

The steps in the selection process vary from company to company, depending on the size of the company, the number of salespeople needed,

and the importance of the position to be filled. The purpose of the initial screening interview is to eliminate, as soon as possible, the undesirable recruits. Initial screening may start with an application form, an interview, or some type of test. But no matter which tool is initially used , it should be brief. The shorter it is, the ore it will cut down on costs. But it must not be so brief that it screens out good candidates.

(b) Application forms

Application forms are one of the two most widely used selection tools (the other is the personal interview). An application form is an easy means of collecting information necessary for determining an applicant's qualifications. Information requested on forms usually includes name, address, position applied for, physical condition, educational background, work experience, participation in social organizations, outside interests and activities, and personal references. Other important questions on an application form relate directly to the sales position for which the application is made. For example:

- Why do you want this job?
- Why do you want to change jobs?
- What minimum income do you require?
- Are you willing to travel?
- Are you willing to be transferred?
- Are you willing to use your car for business?
- What do you want to be doing five years from now? Ten years from now?

Application forms will differ from company to company. On all forms, however, it is illegal to include questions that are not related to the job.

Some companies use a weighted application form that has been developed from the regular application form by analyzing the various items that help distinguish between good and poor salespeople. If companies can show that items such as educational level, and years of selling experience tend to be more related to success than are other items, then more weight (importance) can be placed on them in making hiring decisions. Thus, applicants who rate higher than an established minimum number of points on these items are considered, and those who fail to reach the cutoff point are usually rejected.

An important function of application forms is to help sales managers prepare for personal interviews with candidates for sales positions. By looking over the application form before the interview, the sales manager can get an initial impression of the applicant and can prepare a list of questions to ask during the interview.

(c) *In-depth interviews*

The interview is the most used of the various tools for selecting employees. A salesperson is seldom hired without a personal interview. In fact, as many as three or four interviews are usually conducted with the most desirable candidates. No other selection tool can take the place of getting to know the applicants personally.

The personal interview is used to help determine if a person is right for the job. It can bring out personal characteristics that no other

selection tool is capable of revealing. The interview also serves as a two-way channel of communication, which means both the company and the applicant can ask questions and learn about each other.

The questions asked during an interview should be aimed at finding out certain things: Is the candidate qualified for the job? Does the candidate really want the job? Will this sales job help the candidate fulfill personal goals? Will the candidate find this sales position challenging enough? These questions, like those on the application form, are directed at examining the applicant's past behaviour, experiences, and motivation.

Every sales manager will use a different approach in attempting to elicit useful information. The approach used will depend on the sales manager's personality, training, and work experience.

Interviews differ, depending on the number of questions that are prepared in advance and the extent to which the interviewer guides the conversation. At one end is the totally structured, or guided, interview; at the other end is the informal, unstructured type. In the structured interview, the recruiter asks each candidate the same set of questions. These are standardized questions that have been designed to help determine the applicant's fitness for the sales position, structured interviews can be used for initial screening but are not useful in probing for in-depth information. A structured approach is particularly useful for inexperienced interviewers. Since it helps and guide the interviewer and ensures that all factors relevant to the candidate's qualifications are covered.

At the other end of the continuum is the unstructured interview, which is informal and non-directed. The goal of the unstructured

interviewing approach is to get the candidate to talk freely on a variety of topics. Frequently, the recruiter begins the interview by saying to the candidate. "Tell me about yourself", or by asking questions such as "Why did you decide to interview with our company?"

Several problems are associated with unstructured interviews. One is that they do not provide answers to standard questions that can be compared with other candidates' responses or with the company's past experiences. Also, considerable time may be spent on relatively unimportant topics. However, personnel experts say this technique is the best for probing an individual's personality and for gaining insight into the candidate's attitudes and opinions. To administer and interpret unstructured interviews, interviewers must be well trained.

Therefore, many firms use a combination of structured and unstructured approaches, usually referred to as a semi-structured interview. In semi-structured interviews the interviewer has a preplanned list of major questions but allows time for interaction and discussion. This approach is flexible and can be tailored to meet the needs of different candidates as well as different interviewers.

(d) Reference checks

A company cannot be sure it has all the information on an applicant until references have been thoroughly checked. Reference checks allow a company to secure information not available from other sources. References usually are checked while the application form is processed and before the final interview takes place.

In general, the quality of reference checks as a selection tool is questionable. Checking on the names supplied by a candidate is often seen as a waste of time because it is unlikely that serious problems will be uncovered. Therefore, many firms try to talk with people who know the applicant but were not listed on the application form. For reference checking to be a useful selection tool, the sales manager must be resourceful and pursue leads that are not directly given. If only one significant fact is uncovered, it usually makes the effort worthwhile.

References from teachers and former employers are generally more helpful than other types of references. Teachers can usually give an indication of intelligence, work habits, and personality traits. Former employers can be used to find out why the person left the job and how well he or she got along with others. Reference checks can uncover information about an applicant that may alter a sales manager's perceptions of the person's sales ability.

(e) *Physical examinations*

Many sales jobs require a degree of physical activity and stamina. Poor physical condition can only hinder a salesperson's job performance; therefore, a company should insist on a thorough medical examination for all its sales recruits. The results from the examination should be interpreted by a doctor who is familiar with the demands of the sales job, and the sales manager should be notified of the results. Because of their expense, physical examinations usually are not given until a recruit has passed most of the steps in the selection process.

(f) *Tests*

Tests are the most controversial tools used in the selection process. The need for application forms, reference checks, and personal interviews is seldom disputed, but there are differences of opinion about whether tests are necessary in the hiring of salespeople. Questions regarding the legality of testing have increased the complexity and the controversy surrounding the use of tests as a screening tool. But research has shown that test profile data can be useful to management in the process of selecting and classifying sales applicants who are likely to be high performers.

There are some basic tests used in the selection process of sales personnel.

Intelligence tests: These tests measure raw intelligence and trainability. Recent research has indicated that a salesperson's cognitive ability or intelligence is the best indicator of future job performance. Thus, although once looked down upon, the intelligence test is slowly regaining status as the most effective tool for selecting salespeople.

Knowledge tests: These tests are designed to measure what the applicant knows about a certain product, service, market, and the like.

Sales aptitude test: These tests measure a person's innate or acquired social skills and selling know-how as well as tact and diplomacy.

Vocational interest tests: These tests measure the applicant's vocational interest, the assumption being that a person is going to be more effective and stable if he or she has a strong interest in selling.

Personality tests- these tests attempt to measure the behavioural traits believed necessary for success in selling, such as assertiveness, initiative, and extroversion.

3.5 SUMMARY

Recruiting applicants in today's business environment is a very important and challenging task for the sales manager. Companies use several sources to find qualified applicants. The search can begin within the company by seeking individuals from other departments such as production, marketing etc., some of the external sources include competitive and non-competitive firms, educational institutions, advertisements, and employment agencies. Recruiters must recognize the top rated candidates can come from any source. However, with the increasing costs of recruiting, sales managers must be careful to devote their time to the most productive sources.

Selecting good applicants is an extremely important and challenging task for the sales manager. It is critical that the sales manager select the candidate who best meet the qualification established by the company. Some of the tools companies use during the selection process include screening interviews, application forms, in-depth interviews, reference checks, physical examinations, and tests. Once the process of recruiting and selection is complete, the new salesperson must be integrated into the sales force.

3.6 KEYWORDS

Recruitment: It is a positive process in which a company attract a pool of talented people, who can be future sales force.

Selection: It is termed as negative process through which pool of talented manpower is screened and finally desired number of people are offered employment.

Job Analysis: It is done to identify the duties, responsibilities, requirements, and conditions involved in the job.

Reference Checks: It allows a company to secure information not available from other sources.

3.7 SELF ASSESSMENT QUESTIONS

1. Define recruitment and discuss in brief the process of recruitment.
2. Elaborate the important sources of recruitment.
3. Write in brief the important steps involved in selection process.
4. "Appropriate selection policies and procedures result in greater efficiency and reduce the training costs as well".
Comment.

3.8 REFERENCES/SUGGESTED READINGS

1. Still, Cundiff, and Govoni, 'Sales Management', PHI.
2. Stanton and Spiro, 'Management of a Sales Force', McGraw Hill.

3. Anderson, Joseph, and Bush, 'Professional Sales Management', McGraw Hill.
4. Robert J. Calvin, 'Sales Management', Tata McGraw Hill.
5. Dalrymple, Cron, and Decarlo, 'Sales Management', John Wiley and Sons.
6. Manning and Reece, 'Selling Today', Pearson Education.

Subject: **Sales Management**

Course Code: **MM-308**

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Lesson No.: **04**

Vetter: **Dr. H. Bansal**

SALES TRAINING

STRUCTURE

- 4.0 Objective
- 4.1 Introduction
- 4.2 Sales force training
- 4.3 Sales force development
- 4.4 Methods of improving sales-force productivity
- 4.5 Summary
- 4.6 Keywords
- 4.7 Self assessment questions
- 4.8 References/Suggested readings

4.0 OBJECTIVE

After going through this lesson, you will be able to-

- Discuss the sales force and its training, and development processes to achieve the objectives and good results in a business unit.
- Explain the methods of improving the productivity of sales force.

4.1 INTRODUCTION

For effective operation of selling activities, sale force in terms of manpower and womanpower is necessary for a business concern. For attaining predetermined objectives; it is imperative that entire manpower should be in place. Manpower i.e. in this case salesforce is one of the most precious resources of a business unit. It takes a lot of years to build-up and to develop itself for efficient and effective working. As we know that the effective sales organisation is the antipathy of any competitor. However, it must be emphasised that the Sales-Force can be effective only when the other ingredients of the Marketing-Mix: product, price, place and promotion are equally sound and intact. To expect sales-people to become more productive; it is hardly fair. Each ingredient of this Mix has to be emphasised equally so that its productivity may be improved. Thus, the Sales-Force is the infantry that has to visit customers, and/or channels of distribution to impart information and knowledge; actually obtain orders from specific customers, and ensure that existing customers are happy and satisfied with the company and its service provided to them apart from, of course, looking for new prospects.

4.2 SALES FORCE TRAINING

Training is very much important for salesforce to ensure that the contents related to the product are described to the potential customer and exiting customers efficiently and effectively. Generally, training means to train the employees i.e. to improve their productivity to face the challenges created by competition. The art of selling lies in presenting the benefits and multi-uses of the product so that the buyer gets the feeling of satisfaction to his needs.

Not only, it is expected from a successful salesman that he must be well informed/intelligent in terms of knowledge but also he must be skilled in the presentation of information/knowledge of himself. A salesforce training programme, thus, aims at providing the required knowledge about the products and the effective ways presentation to the customers in the market. The nature and scale of both these skills should be specified, in advance, so that the programme so conceived is directed towards predetermined and definite goals.

The Training-Programme may be for the-newly recruited salesmen as well as those already in employment with the company to refresh their knowledge. So, the first task for the Sales Manager/Training Manager is to set objectives for such type of training programmes. For this purpose, the first step is to identify the gap between the standard of skills required and Salesman's current standard in the organisation/company.

The level, they are supposed to achieve can be known easily by reference to job specifications. Current-levels of skills, in the case of existing Salesmen, can be determined through observations of their actual working i.e., their knowledge about Product, Competition, selling-skills etc. Though, a good Training-Programme should clearly state what the Trainees are expected to do, after their Training and the period within which they should be able to do it. For guidance, the Training Manager, may include Knowledge-Areas, viz. the Company, its Products, Practices and Procedures; as well as the Product/Services and their Competition. The Skill-Areas include (i) Sales-techniques, (ii) Work-Organisation, and (iii) Reporting-System. Depending on the nature of a Company, there may be certain other exclusive, supplementary areas, where Training may also be needed.

After setting the objectives, the Manager has to think about the following points:

- (i) What should be taught?
- (ii) Where should it be taught?
- (iii) Should who teach it?
- (iv) How should it be taught? and
- (v) What time should it be taught at?

In the reply of the first question, i.e., what (i.e., contents of the course), have been explained already. Regarding the second question of place, normally there are three alternatives: the company's, factory and Office, the fields and courses run by outside organisations, e.g., NICEM, etc. Usually, the best location for training in basics: policies procedures and processes, knowledge is the place where this type of work is being actually carried out, e.g. Company's Head Office. Moreover, the basics of theoretical-training maybe discussed the staff training room is the best location. To impart the basic knowledge, the trainees should be assigned to a senior sales executive. It will be here that the trainee will be able to appreciate the application of the required skills. And, training may be integrated with demonstrations and real-life experience in in-plant-training.

In the response to the question 'By Whom', it simply means that the training should be imparted by different senior sales-executives, who are specialists in their own areas. Of course, the overall responsibility is that of the sales manager/training manager. By delegating the authority,

the sales manager does not wash-off his hands; he just shares his burden, but retains overall control. Some big companies have their own training department and human resource development departments. It pre-supposes enough number of trainees, to justify specialised staff. Sometimes, companies also have consultants. But this approach has the disadvantage of total lack of their knowledge of company's objectives and needs. External courses are also mostly general in nature. However, a judicious mix of all the three alternatives, so as to serve best the company's needs is advised.

The reply of fourth question depends upon, who is teaching? Every individual has his own and unique way of teaching/explaining. However, some basic guidelines may be laid down to serve as instructions of the training-personnel. Similarly, the last question is at 'What Time?' It is difficult to precisely lay down the specific duration of training. Usually, it may be between 6-8 weeks in medium to large companies. In between sessions, there should be adequate breaks. If required, the programme can go well into the evenings. However, every instructor should avoid too much of lectures and rather should concentrate on participative-activity, so that interest in the course is maintained. Another teaching-approach, suitable to all companies of any size is meet the man behind you. Here, each head of the department talks with the trainees. In doing so, he makes direct contact and he befriends them. He tries to sell his department to the trainees. During this type of a lecture, the following points are may be covered: (i) His job-what he does? (ii) Goals-what his department does presently? (iii) Innovations- what is scheduled for future? (iv) Needs-what is needed for his more effective working? (v) Help-how salesmen can help in effective working? To sum-up, the initial

training-programme ends with the achievement of basic-objectives laid down for it. By this time the trainee is expected to have acquired basic grounding in (i) product-knowledge, (ii) the company and (iii) the desired level of skills in sales-techniques, and maybe considered to be fit to be exposed to actual field conditions, i.e., then starts the on-the-job training. It is here, that he applies the principles enunciated during his training. It is absolutely necessary that the supervisor looks after each new entrant; and ensures their proper seasoning. Sometimes, a new entrant is assigned to an experienced senior salesman, for a couple of weeks, so that he gets practical training; before-assuming charge of his independent territory. It is sometimes said, if the trainee has not learnt, the trainer has not taught. In fact, it is true; because, as we know that after a series of tests, analysis etc.; a person of below average qualities cannot get selected for the job. So, unless the training-methods are devised and planned well in advance, it would result in a huge waste of valuable resources of the company. A good training schedule may be prepared on the basis of ACMEE principle, where 'A' = Aim of the Training; 'C' = Content of the Training; 'M' = Method of the Training; 'E' = Execution of the training-programme, and 'E' = Evaluation. A Training-Programme should be executed scientifically, and a post-evaluation should be made after each kind of Training.

4.3 SALES FORCE DEVELOPMENT

It is assumed that the newly trained salesmen charge of his territory after initial-training freely. But, the sales manager must ensure the ways for their continuous development. The standards of performance that the salespeople have learnt during their training must

be properly channelised. It has been noticed that even the seniors, with good performance-records, need assistance, to give continued good performance. And it must be remembered that the development is a continuous process and is the key to make the sales-force really more and more productive/efficient. Development-process could be carried out in two ways:

- (1) Field, i.e., on-the-job training, where sales-executive develops each individual new-entrant salesman, under his charge, during his day-to-day working, and
- (2) Through sales-meetings, refresher courses and development programmes, at the office.

Field- training aims at rendering continuous help to the salesman, to get over his initial difficulties; and perform better on an on-going-basis. For this, the sales-executive in-charge has to follow the points:

- (i) Compares his charge's field-performance regularly, (compared with the set standards) and reasons for variances are established.
- (ii) Weak areas are also identified, and the salesman is educated, on how to overcome them. The new-entrant salesman is encouraged to incorporate offered suggestions in his work.
- (iii) The weak areas observed by the sales-executive in-charge, should be tabulated on corporate basis. This will reveal general weaknesses of initial training, and would help set

objectives of the refresher course for the future. It will also help in improving the quality of training for future batches.

4.4 METHODS OF IMPROVING SALES-FORCE PRODUCTIVITY

In the ensuing lines, it is tried to explore a few important areas, in which Marketing- . Oriented Companies can help their sales- force, to act and perform in a more productive manner.

(1) Identifying the Perfect Customer

Every time the company must do the task of personal selling's sales-force. The salesman haste call on prospects and tries to convert them into customers. One of the drawbacks of asking salespeople to carryout a number of calls-per-period is the danger that one tends to concentrate on the number, rather than on the quality of calls. However, it is more sensible, to target one's effort on a smaller number of better calls. At this point, they can plan their day in a more effective way, by allowing more of their time and effort upon A=Excellent or B=Good Customers; some time on the C=Fair and none on the D=Poor. That would mean that the 'Call-rate' can be better targeted on promising-prospects, and little time is wasted on contacts, which are less likely to yield results i.e. sales. The preparation Ofahit-list designating levels of attractiveness to potential-customers, can thus, be a powerful tool to spur productivity, in the selling-effort. In the case of industrial goods, one can use the standard industrial classifications (sics), as the basis for categorisation of customers. This is particularly valuable, if market research has established which group/class, in the classification, offers promising-pickings. However, the company may adopt its own basis to

suit its unique aims/objectives and needs. However, some type of selectivity is essential to run the sales-force, as a tight and effective force. No two bases need be the same. But bear in mind not to target those customers, whom you're competitors are in a far better position of penetrating. As a guide/salesperson, for this basis of categories, the following points must be considered:

- (i) Size of the firm and/or its consumption-level (sales-volume).
- (ii) Segments that serve potential-customers.
- (iii) The nature of firm's products, techniques and production-processes.
- (iv) The personality of buying-decision-makers and/or their motivational stimuli (e.g., willing to purchase from large firms or from small firms only).
- (v) The geographical location of the customers.

2. *Understanding the Customer's Decision-Making Unit (DMU)*

Generally, sales-person deals with a number of customers. In this process of selling; the main participants are deciders, buyers, influencers, users, and gatekeepers etc. Each one of these has a role to play, sometimes supportive and sometimes become barrier. A good salesperson must understand the way this unit, as a whole, functions, and the respective roles of each member, thereof. The situation gets further complicated in the case of large firms, where there are many members in this decision-making unit (DMU). Each one of them is to be

communicated, in one form or the other. However, it is impractical, inefficient and often positively imprudent, for the sales-persons to contact them all. It is suggested that he may contact, the less important or less accessible members of this unit, through company's literature, direct-mailing, exhibitions etc. However, it must be ensured that:

(i) Every member of the DMU receives the right amount of information neither too much, nor too little.

(ii) He has to concentrate on the most important and decisive members of this DMU of the buyer (customer).

(iii) The sales manager may prepare a record about ever] one of more promising customers, which should include: annual reports and published accounts; a scrap-book of published material about the firm; company's literature and product-specifications; organisational details; a "who-is-who" of the personnel in the company; and ideally, a comparison of the firm's performance, with that of its competitors. If this database is complete and up-to-date, the sales-person would be addressing a customer about whom his or her knowledge-level is so high, that a true relationship can easily be forged.

(iv) The sales manager may also prepare a comprehensive list of DMU's members, together with the other sub-departments of marketing, designing and integrated communication programme' etc. Whatever selling-technique the sales-person adopts, the aim should be, to target each member of the DMU, in the most productive and cost-beneficial way, especially those upon whom they can have maximum impact. In case the sales-department has a fairly small number of large potential (key) accounts, we can also prepare an integrated communication

programme with DMU-members of these Companies. It is rather surprising to note that a large number of firms do not bother to collect the most elementary information about the client-company, even where the total catchments market consists of only not more than a couple of dozen companies.

(3) *Learning from the Star Performers*

Sales-Force is a heterogenic lot of numerous personalities. That makes it rather impossible to achieve total homogeneity of behaviour; attitude; and performances. There are the high-flyers at one extreme, and sloggers at the other; the former are enthusiastic, creative and effective; the latter may work hard, but results do not come easily to them. However, by analysing the level of performance of individual sales-people, one can easily designate, the top ten percent as the stars; the next twenty percent as good; the next thirty as adequate; and the remaining forty percent are treated as 'problem children'. Once the sales-force has been categorised into clearly defined Groups, based on their performance quality, 'one can ask a simple question:

"What does the 'Star' do, which is so very different from that of others?" If one could identify, in some detail, how the 'Star' behaves, in front of a "Customer", the way he (or she) communicates the message, plans and manages time, uses Sales-Aids etc., one would know how to develop new training-methods, for the rest of the force. Thus, an insight would be gained, into the Selling and Buying-Environment, and this should help in discovering areas, in which Productivity could be improved.

(4) Sales-Meetings (Conferences)

This is another, important avenue for the development of the sales-force. The “objectives” of such sales-meetings are: (i) training and development of individuals; (ii) to inform and get the feedback-information; (iii) to stimulate and motivate, and (iv) to provide a common platform for exchange of experience. A sales meeting to be successful, should have the following in-built ingredients:

(a) Location: It should be held at a place, where any additional information, can be easily made available. Company’s Headquarters; Head Office of the Sales Manager; or that of the Regional Manager, are ideally suitable. Adequate arrangement should be made for the seating of the participants, and proper and “business-like atmosphere” should be created.

(b) Audience: The level of intelligence of participants should be considered. This will help in selecting and assigning the subjects for discussion, to suitable hands.

(c) Agenda: A proper Agenda should be framed, keeping in view the needs, for which the Meeting is being held. The agenda should be made known to the participants in advance.

(d) Periodicity: The sales meeting should have a definite periodicity. National-level sales-meetings/conferences, are usually an annual affair. This ensures that the participants are well prepared.

(e) Activities: There should be proper allocation of work, so that each participant knows what to expect from whom. The Convener should

do well to ensure a “participative atmosphere” in the Meeting. A little ‘Creativity’, on his part, will go a long way, in ensuring success of the meeting.

(5) *Kerb-Side Conferences*

These conferences aim at a random appraisal of the performance of a sales-man, and is usually done on a monthly basis, taking a day’s work into consideration. It should be ensured that (i) the salesman is not calling on his friendly customers on that day, and (ii) the presence of the appraiser, does not influence the sales-person’s work-pattern. The appraiser has to watch the salesman, during the day and keep a mental note of his strong and weak areas. After the call(s) is/are over the day, the appraiser and the salesman deferred to a quiet place, where the work is systematically appraised; and properly recorded and graded, on an appraisal-form. It is essential that the agreement of the salesman be obtained to such an appraisal-form. This will put him in a proper frame of mind, and he will be receptive to suggestions.

The sequence of this appraisal, could be like this: (i) the appraiser appreciates the skills that have been employed; (ii) the salesman is now asked to analyse the call(s), identify the problems not properly tackled, and reasons thereof; (iii) if the salesman fails to identify his weak areas, even after questioning, the appraiser tells him about these, in very clear terms; (iv) once the deficiencies have been isolated, salesman’s concurrence, on his weaknesses is obtained; (v) the appraiser, then gives instructions, on how to overcome these weaknesses. The salesman, may in some cases be asked to rehearse these, to reduce the element of any doubt; (vi) any follow-up action is then specifically pointed out; (vii) before

parting, the appraiser says a few words of encouragement and concludes on a note of optimism.

Such kerb-side meetings are very useful for the purpose of increasing the productivity of employees, but heavily depend on the ability and skills of the appraiser, to pinpoint deficiencies and offer remedial measures. However, generalities should be avoided, as the process is very expensive.

(6) Refresher Courses

Generally, the refresher courses are held at the company's headquarters, usually once a year. The course-content is usually based on the feedback-information from (i) company's activities; (ii) sales-executives; (iii) market-intelligence; (iv) sales-meetings/conferences etc., (v) product-development, (vi) technical areas affecting the company etc. (since the last conference/meeting). Such courses make the sales-force adequately prepared, periodically, to face the challenges of competition, with confidence.

(7) Sales Bulletins

Lastly but not least, training and development is also continued through sales bulletins. It is a good medium to keep the salesman educated about day-to-day matters of changes/interests. The information reaches him through the bulletins, while the salespeople are at work, and also when it is urgently required. No time is lost in waiting for the next sales-meeting/conference. However, the language used in the bulletins should be crisp and to the point, so as to arouse the salesman's interest and is easily understood by the recipient.

4.5 SUMMARY

The Selling activity is the most important instrument for attaining a Business-concern's objectives and good results. So, the whole set-up of the personnel, which carries it out, is equally important and crucial, for the success of any undertaking. This set-up is termed as the Sales-Force of an Enterprise-the most precious resource, and the envy of competitive firms. It takes many years to build-up and to develop it to do the work efficiently and effectively. But it can be most effective only when the other components of the marketing-mix are equally sound and intact. It is the infantry that visits customers and/or channels of distribution, and provides the information and knowledge to the potential customers to obtain orders and ensure that the existing customers are happy and satisfied with the company and its services provided to them. Every well-managed, productive and effective sales-force organisation has its challenging objectives for the overall sales-efforts, for the region and for each individual of the company. Naturally to achieve the objectives and good results, a new entrant needs training (theoretical and practical). Before this selection of the new recruits must be done with the consideration of job-analysis, description and specification respectively. Because, these steps relates to is the quality and quantity of the sales-force. The work of training new entrants does not end when the theoretical training is over. Next is the in-job training, when new entrants are assigned to experienced sales-executives, for practical training? This is essential for his all-round development. Finally, there is the most difficult, but most vital aspect, of the whole training-programmes. It is to improve the overall productivity of the total sales-force. To improve the productivity of the employees it is very important to identifying the

perfect customer, his decision-making unit (DMU), and learning from star-performers. Further, national and regional conferences and sales bulletins etc. Also help in this process/activity.

4.6 KEYWORDS

DMU: Sales persons deals with a number of customers– deciders, buyers, influencers, users etc. This concept of Decision Making Unit suggests that sales personnel must understand the way this unit, as a whole, functions.

Star Performers: Sales force is heterogenic lot of numerous personalities. Star performers are the top lot of sales force based on performance.

Sales Force: Common nomenclature for sales personnel, sales executive, salesman etc.

Sales Bulletins: It is a medium to keep salesman educated about day-to-day matters of interests for their development.

4.7 SELF ASSESSMENT QUESTIONS

1. What do you mean by sales-person and sales-force? How these two have become so important in success of firm?
2. What are the objectives of a sales-organisation? What are their essential requirements? How would you set them, as a sales manager, of a cotton textile company?
3. Explain the following:

- (i) Recruitment and selection of a sales-force, its importance and the processes.
 - (ii) Job-requirements of a salesman.
 - (iii) Kerb-side conferences;
 - (iv) Refresher courses, conferences and sales bulletins; their use and importance.
4. How to improve sales-force's productivity. Explain.
 5. "A well-organised and developed sales-force is the envy of your competitors." Comment and discuss, with examples.

4.8 REFERENCES/SUGGESTED READINGS

1. Still, Cundiff, and Govoni, 'Sales Management', PHI.
2. Stanton and Spiro, 'Management of a Sales Force', McGraw Hill.
3. Anderson, Joseph, and Bush, 'Professional Sales Management', McGraw Hill.
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Subject: **Sales Management**

Course Code: **MM-308**

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Lesson No.: **05**

Vetter: **Dr. V.K. Bishnoi**

COMPENSATION AND MOTIVATION OF SALES PERSONNEL

STRUCTURE

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Requirements of a good sales compensation plan
- 5.3 Devising a sales compensation plan
- 5.4 Types of compensation
- 5.5 Factors influencing compensation
- 5.6 Dimensions of sales motivation
- 5.7 Importance of motivation
- 5.8 Motivation theories
- 5.9 Motivational tools
- 5.10 Summary
- 5.11 Keywords
- 5.12 Self assessment questions
- 5.13 References/Suggested readings

5.0 OBJECTIVES

After going through this lesson, you will be able to-

- Explain the importance of compensation and motivation.

- To know the types of compensation and factors influencing it.
- Discuss the need for motivating sales personnel and motivational tools.

5.1 INTRODUCTION

Successful sales managers have three primary concerns in managing the sales force- attracting outstanding salespeople, motivating them to work both effectively and efficiently, and holding on to good sales people. Among the most important tools for accomplishing these three objectives is the organisation's compensation plan. The sales force of any company needs to be compensated adequately to keep its morale high and to enable it to contribute to its maximum. A sales force is the representative of the company's philosophy and business principles. The building and maintenance of sales force is possible through proper compensation plan.

Motivation is derived from the Latin term 'movere' meaning 'to move'. Motivation stimulates the movement of an individual. It can be defined as a dynamic process set in motion by creating or arousing internal needs that activate goal-directed efforts and determine their intensity and persistence. In simple words motivation is goal-directed behaviour, underlying which are certain needs or desires. It is generally regarded as the process of getting people to work towards the achievement of an objective. Sales force cannot be controlled, administered in the way factory workers can be monitored. The salesforce is required to be self starters, highly ambitions, result oriented and go-

getters. Thus, the salesforce has to be kept highly motivated and committed.

5.2 REQUIREMENTS OF A GOOD SALES COMPENSATION PLAN

A good sales compensation plan meets seven requirements. First, it provides a living wage, preferably in the form of a secure income. Individuals worried about money matters do not concentrate on doing their jobs well. Second, the plan fits with the rest of the motivational program-it does not conflict with other motivational factors, such as the intangible feeling of belonging to the sales team. Third, the plan is fair-it does not penalize sales personnel because of factors beyond their control-within the limits of seniority and other special circumstances, sales personnel receive equal pay for equal performance. Fourth, it is easy for sales personnel to understand- they are able to calculate their own earnings. Fifth, the plan adjusts pay to changes in performance. Sixth, the plan is economical to administer. Seventh, the plan helps in attaining the objectives of the sales organization.

5.3 DEVISING A SALES COMPENSATION PLAN

Whether contemplating major or minor changes or drafting a completely new sales compensation plan, the sales executive approaches the project systematically. Good compensation plans are built on solid foundations. A systematic approach assures that no essential step is overlooked.

The first step is to re-examine the nature of the sales job. Up-to-date written job descriptions are the logical place to start. Other aspects

of company operations are considered in relation to their impact upon the sales job. Sales department objectives are analyzed for their effect on the salesperson's job. The impact of sales-related marketing policies is determined. Distribution policies, credit policies, price policies, and other policies affect the salesperson's job. Current and proposed advertising and sales promotional programs assist in clarifying the nature of the salesperson's goals, duties, and activities.

Most large companies, and many smaller ones, use job evaluation system to determine the relative value of individual jobs. Job evaluation procedure is not scientific; it is an orderly approach based on judgement. It focuses on the jobs, without considering the ability or personality of individuals who do the work. Its purpose is to arrive at fair compensation relationships among jobs.

Traditionally, sales executives have opposed using formal job evaluations to determine the compensation levels of sales personnel. They contend that compensation levels for sales personnel are more closely related to external supply-and-demand factors than to conditions inside the company.

Because compensation levels for sales personnel are related to external supply-and-demand factors, it is important to consider prevailing compensation patterns in the community and industry. Management needs answers to four questions- (1) What compensation systems are being used? (2) What is the average compensation for similar positions? (3) How are other companies doing with their plans? and (4) What are the pros and cons of departing from industry or community patterns?

A programme for setting compensation of sales personnel is sound only if it considers the relation of external compensation practices to those of the company. Effective sales executives maintain constant vigilance against the possibility that the pay of sales personnel will get out of line with that paid for similar jobs in the community or industry.

Management must determine the amount of compensation salesperson should receive. Although the compensation level might be set through individual bargaining, or on an arbitrary judgement basis, neither expedient is recommended. Management should ascertain whether the caliber of the present sales force measures up to what the company would like to have. Management weights the worth of individual persons through estimating the sales and profit that would be lost if particular salespeople resigned. Another consideration is the compensation amount the company can afford to pay.

A sales compensation plan has as many as four basic elements: (1) a fixed element, either a salary or a drawing account, to provide some stability of income; (2) a variable element (for example, a commission, bonus, or profit-sharing arrangement), to serve as an incentive; (3) an element covering the fringe or “plus factor”, such as paid vacations, sickness and accident benefits, life insurance, pensions, and the like; and (4) an element providing for reimbursement of expenses or payment of expense allowances. Not every company includes all four elements. Management selects the combination of elements that best fits the selling situation.

Management should consult the present sales personnel. Management should encourage sales personnel to articulate their likes

and dislikes about the current plan and to suggest changes in it. Criticisms and suggestions are appraised relative to the plan or plans under consideration.

For clarification and to eliminate inconsistencies the tentative plan is put in writing. Then it is pre-tested. The amount of testing required depends upon how much the new plan differs from the one in use. The greater the difference, the more thorough is the testing. Pretests of compensation plans are almost always mathematical and usually computerized.

The plan is then revised to eliminate trouble spots or deficiencies. If alternations are extensive, the revised plan goes through further pretests and perhaps another pilot test.

At the time the new plan is implemented, it is explained to sales personnel. Management should convince them of its basic fairness and logic. The sales personnel are made to understand what management hopes to accomplish through the new plan and how this is to be done. Details of changes from the old plan, and their significance require explanation. Provisions for follow-up are made. From periodic checkups, need for further adjustment is detected. Periodic checks provide evidence of the plan's accomplishments, and they uncover weaknesses needing correction.

5.4 TYPES OF COMPENSATION

Direct: The direct compensation package for a salesman is more or less the same in all companies. However, as you must have also seen in your experience, a company employing technical person as salesman for

selling, say, industrial or electronic products may offer a high basic salary. Sometimes, when the product is in the introductory stage the function of the salesman is to create new markets and make customers understand how to use the product as in the case of a new consumer durable product like vacuum cleaners or a new electronics product used by certain industries; the basic salary of the salesman may be on the higher side. The direct compensation package of a salesperson thus consists of the basic pay plus allowances covering all travel and entertainment expenses etc. In case, the salesman has to stay overnight his boarding and lodging allowances are also provided for. The basic salary and other allowances are revised from time to time. They also increase with promotion of the salesman.

Indirect: It consists of financial as well as non-financial incentives.

Financial incentives

- (i) Salary plus commission on sales above a certain amount-** Herein, the salesman receives direct salary and a commission in addition to it. Every salesman is assigned a fixed quota. The commission is awarded on achievement of the targeted quota. A fixed percentage of sales achieved over and above the target is also set. This type of compensation scheme ensures a direct salary as well as an in-built motivation system through incentives.
- (ii) Salary plus share in profits-** This is not a very prevalent method. It is generally suggested for a company selling high value items with high profit margins. The incentive here is

based on profits earned. The selling expenses to sell a product may also be large and this is incorporated in the profit sharing scheme as it acts as a control mechanism. Also salespeople working to obtain contracts are generally given a share in profits rather than awarded on direct sales.

Non-financial incentives

- (a) **Training programme-** Most companies offer training programmes for their salesmen. On an average a salesman has to undergo a training course every one or two years. These programmes enable interaction between salesmen of different territories as well as provide them with latest developments in the field. These training programmes are viewed as an indirect benefit by the salesmen.
- (b) **Awards, recognitions and prizes-** In addition to training programmes the award ceremonies for outstanding achievements in sales are held in exotic locations like hill stations or five-star hotels. The awards are presented through foreign dignitaries or important people in the field, thus providing the salesman with the much needed recognition.

5.5 FACTORS INFLUENCING COMPENSATION

Although the basic structure of a compensation plan may be similar across the companies, some factors do predominantly shape the structure of the company's compensation plan.

The relation with product life cycle

The amount of selling effort is directly related with the stage at which a product is in its life cycle. The compensation structure is a function of selling effort. When the product is in the introductory stage the company needs a dynamic salesforce which can establish the product in the desired market. The salesforce must be enterprising, willing to travel, take criticism easily, have a good knowledge of the product, have good communication skills and last but not the least, have tremendous stamina to work. To keep such a salesforce motivated, adequate compensation is the basic need.

In the growth stage, the motivation of the salesforce has to be sustained to exploit all the opportunities available in the market. They have to approach the market with renewed vigour. At this point indirect compensation schemes which are incentive linked play an important role. When the product has firmly established itself, the salesforce also needs a break from the monotony. Other indirect benefits like training programmes in good environmental locations; foreign trips for training and understanding markets; promotions to much responsible positions are the requirements at this stage.

When the product is in the decline stage some fresh incentive schemes may be introduced in the compensation scheme to generate fresh interest in the product. The number of people involved with the product has also to increase marginally.

Compensation related with demographic characteristic

The compensation package preferred by the salespeople depends upon their demographic characteristics also. Their age and size of family or number of dependents play an important part in the preference for a basic salary and/or incentives. However, this cannot be generalized and depends largely on the individual.

Role of selling in marketing strategy of the company, and competitor's practices are other important factors influencing compensation.

5.6 DIMENSIONS OF SALES MOTIVATION

Motivational effort is generally thought to include three dimensions- intensity, persistence, and choice. Intensity refers to the amount of effort the salesperson expends on a given task; persistence refers to how long the salesperson will continue to put forth effort; and choice refers to the salesperson's choice of specific actions to accomplish job-related tasks. For example, a salesperson may decide to focus on a particular customer (choice). He may increase the number of calls he makes on this customer (intensity) until he gets the first order (persistence). The choice of a specific action may affect the intensity and persistence. Likewise, intensity and persistence may affect the choice of specific actions.

The sales job consists of a large variety of complex and diverse tasks. Because of this, it is important that the sales person's efforts be channeled in a direction consistent with the company's strategic plan. Therefore, the direction of the salesperson's effort is as important as the intensity and persistence of that effort.

5.7 IMPORTANCE OF MOTIVATION

The nature of the sales job, the individuality of salespeople, the diversity of company goals, and the continuing changes in the marketplace make motivating sales persons a particularly difficult and important task.

Unique nature of the sales job- Salespeople experience a wonderful sense of exhilaration when they make a sale. But they must also frequently deal with the frustration and rejection of not making the sale. Even very good sales person does not make every sale. Also, while many customers are gracious, courteous, and thoughtful in their dealings with salespeople, some are rude, demanding, and even threatening.

Salespeople spend a large amount of time by themselves calling on customers and travelling between accounts. This means that most of the time they are away from any kind of support from their peers or leaders, and they often feel isolated and detached from their companies. Consequently, they usually require more motivation than is needed for other jobs to reach the performance level management desires.

Individuality of salespeople- Sales people have their own personal goals, problems, strengths, and weaknesses. Each sales person may respond differently to a given motivating force. Ideally, the company should develop a separate motivational package for each sales person; but a totally tailor-made approach poses major practical problems. In reality, management must develop a motivational mix that appeals to a

whole group but also has the flexibility to appeal to the varying individual needs.

A related point is that the sales people themselves may not know why they react as they do to a given motivator, or they may be unwilling to admit what these reasons are. For example, a salesperson may engage in a certain selling task because it satisfies his ego, rather than admit this, however, he will say that he is motivated by a desire to serve his customers.

Diversity in company goals- A company usually has many diverse sales goals, and these goals may even conflict with each other. One goal may be to correct an imbalanced inventory and another may be to have the sales force to missionary selling to strengthen long-term customer relations. These two goals conflict somewhat and require different motivating forces. With diverse goals such as these, developing an effective combination of motivators is difficult.

Changes in market environment- Changes in the market environment can make it difficult for management to develop the right mix of sales force motivational methods. What motivates sales people today may not work next month because of changes in market conditions. Conversely, sales executives can face motivational problems when market conditions remain stable for an extended period of time. In this situation, the same motivators may lose their effectiveness.

5.8 MOTIVATION THEORIES

Researchers in the behavioural sciences have shown that all human activity is directed toward satisfying certain needs and reaching

certain goals. How sales-people behave on the job is directly related to their individual needs and goals. Thus, some individuals will behave differently and will be more successful because of different motivational patterns. Many people feel that individual motivation is dependent upon whether or not salespersons find something in the job that is personally motivating for them. Therefore, the job of the sales manager must be redefined, with greater emphasis placed upon understanding and accepting the idea of how motivation works. The sales manager is responsible not only for motivating the sales force per se but also for counseling each salesperson individually to find the source of that person's self-motivation.

Maslow's Need Theory

Maslow's well-known theory contends that people are motivated by a "hierarchy" of psychological growth needs. Relative gratification of the needs at one level activates the next-higher order of needs. The hierarchy-of-needs theory implies that salespeople come to their jobs already motivated and that they only need the opportunity to respond to the challenges of higher-order needs. The following Exhibit presents the order of priority of the needs individuals seek to fulfill and the needs sales managers must consider.

EXHIBIT: HIERARCHY OF HUMAN NEEDS AND THEIR IMPLICATIONS FOR SALES MANAGERS

<i>Maslow's Hierarchy</i>	<i>Salesperson's Needs</i>	<i>Sales Manager's Task</i>
Self-actualization needs	Self-development Creativity Self-fulfillment	Provide greater freedom, self-development workshop



Esteem needs ↑ Social needs ↑ Safety needs ↑ Physiological needs	Recognition Status Social interaction Friendship Acceptance among peers and superiors Freedom from worry about security of jobs, incomes, medical expenses, etc. Food, shelter, overall health, etc.	Provide greater job responsibilities, promotion opportunities, public recognition for achievements Maintain close relationships with sales force Sales meetings Newsletters, memoranda, etc. Provide a balanced package of fringe benefits Be aware of general health and living conditions of sales force
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Sales managers applying need theory should keep in mind its two major premises:

- The greater the deprivation of a given need, the greater its importance and strength.
- Gratification of needs at one level in the hierarchy activates needs at the next-higher level.

Sales managers must keep track of the level of needs most important to each salesperson, from the beginning trainee to the senior sales representative. Before salespeople become stagnated at one level, they must be given opportunities to activate and satisfy higher-level needs if they are to be successfully motivated toward superior performances. Since various salespeople are at different need levels at any one time, sales managers have to retain their sensitivity to the evolving needs of individual sales person through close personal contact with each member of the sales force.

Motivator-Hygiene Theory: Herzberg's classic research studies found two types of factors associated with the satisfaction or dissatisfaction of employees. Sources of satisfaction are called motivators because they are necessary to stimulate individuals to superior efforts. They relate to the nature or content of the job itself and include responsibility, achievement, recognition, and opportunities for growth and advancement. Sources of dissatisfaction are called *hygiene factors* because they are necessary to keep employee performance from dropping or becoming unhealthy. They comprise the environment, include salary, company policies and administration, supervision, and working conditions.

According to Herzberg's theories, to improve productivity, sales managers must maintain hygiene factors (pleasant work environment) while providing motivators (job enrichment) for the sales force. Here are some examples of job enrichment:

Give salespeople a *complete natural unit of work responsibility and accountability* (e.g. specific customer category assignments in a designated area).

Grant *greater authority and job freedom* to the salespeople in accomplishing assignments (e.g., let salespeople schedule their time in their own unique way as long as organizational goals are met).

Introduce salespeople to *new and more difficult tasks and to challenges not previously handled* (e.g., opening new accounts, selling a new product category, or being assigned a large national account).

Assign salespeople specific or specialized *tasks enabling them to become experts* (e.g., training new salespeople on “how to close a sale”).

Send *periodic reports and communications directly to the salesperson* instead of forwarding everything via the sales supervisor. (Of course, the supervisor must be informed about what information the salespeople are receiving).

Achievement Theory: Research by McClelland and his associates confirmed that some people have higher achievement needs than others; they labeled such persons “achievement oriented”. Children who are given greater responsibilities and trusted from youth to do things on their own are more likely to have achievement-oriented profiles. *Achievement-oriented* people readily accept individual responsibility, seek challenging tasks, and are willing to take risks doing asks that may serve as stepping stones to future rewards. These individuals receive more satisfaction from accomplishing goals and more frustration from failure or unfinished tasks than the average person. Any achievement-related step on the “success path” may include rewards (positive incentives) or threats (negative incentives). A path is *contingent* if the individual feels that immediate success is required in order to have the opportunity to continue toward further successes and that immediate failure causes loss of the opportunity to continue on the path. If immediate success or failure has no effect on the opportunity to continue on the path toward future success or failure, the path is *noncontingent*.

Sales managers need to identify the achievement-motivated salespeople and then give them personal responsibility for solving definable problems or achieving certain goals. Frequent, specific feedback

is also essential so that these sales-people can know whether they are successful or not. Managers may have to temper negative feedback because achievement-motivated people may resign if they feel that they are going to be unsuccessful. Finally, competition among such salespeople can become cut-throat and damaging to the organization unless carefully monitored and controlled.

Contrasted with these achievement-oriented individuals, *affiliative* people are not as competitive nor are they as anxious about uncompleted tasks; they require only general feedback regarding goal achievement. Affiliative types like to work in groups and want to be accepted by others. They are less self-centered, usually help bind the group together, and are less able to tolerate traveling jobs involving long periods of solitude.

Although salespeople generally exhibit traits of both task achievement and group affiliation, it is up to the sales manager to learn the dominant needs of individual salespeople in order to devise specific strategies for motivating them.

Inequity theory: According to the inequity theory of motivation, people compare their relative work contributions and rewards with those of other individuals in similar situations. As “positive-thinking” minister and author Robert Schuller says: “Many people hear through their peers, not their ears”. Inequity is experienced when a person feels either underrewarded or overrewarded for his or her contribution relative to that of others. The stronger the feeling of inequity, the stronger the drive to reduce tension. Although individuals may respond in unique ways to inequity, most people who feel underpaid or underrewarded, relative to others making similar contributions, tend to decrease their work efforts:

people who feel overpaid tend to increase their efforts. People may also reduce their inequity tensions by distorting their perceptions of their rewards and contributions versus those of others. Finally, individuals may leave a perceived inequitable situation by quitting the job or changing the comparison group.

According to inequity theory, it is important that sales managers learn how individual sales representatives feel about the equity of their contributions and rewards compared with those of others. If inequity is perceived by some of the salespeople, the sales manager needs to correct the situation if inequity really does exist or help the salespeople reduce tensions by altering their perceptions of the comparison group's relative contributions and rewards.

Role clarity: Donnelly and Ivancevich contend that one of the most important needs of salespeople is *role clarity*, or a concept of exactly what their job entails. Because salespeople often lack sufficient job knowledge, must deal across departmental boundaries, and are challenged by complex problems requiring innovative solutions, precisely defined goals and clear role expectations can be motivational. Empirical research with salespeople correlates increased role clarity with greater job interest, more opportunity for job innovation, less work tension, more job satisfaction, and a lower propensity to leave. Salespeople usually want and need more information about what is expected of them and how they will be evaluated.

Clearly written job descriptions and management-by-objectives (MBO) conferences that set precise goals (mutually agreed upon by the salesperson and sales manager) can have important motivational effects

and stimulate job satisfaction. Clarifying the role expectations for salespeople by individualizing achievement plans and providing a continuous flow of helpful information will consume significant amounts of sales management time. But this seems to be one of the least complicated, least expensive, and surest ways of obtaining higher sales force productivity.

5.9 MOTIVATIONAL TOOLS

The simple motivational tools of early years such as only financial benefits prove to be a poor method of motivation beyond physiological and safety needs satisfaction on account of the unique aspects of a salesperson's job. The non-financial incentives, become an important component of motivation. Some of the factors that make a special mark on salesforce motivation are discussed below.

- 1. Meeting between manager and salesforce-** These are highly regarded by sales managers in the motivation of their sales teams. This provides opportunity to managers to meet their salesforce in the field, at head office and at the sales meetings/conventions. This provides a number of opportunities for improving motivation. These meetings allow the sales manager to understand the personality, needs and problems of each salesperson.
- 2. Clarity of job-** Clarity of job and what is expected from the salesperson is a great motivator. The objectives when duly quantified and well defined, properly connected and linked

with the reward and recognition serve as source of motivation to the salesperson.

- 3. Sales targets or quotas-** If a sales target or quota is to be effective in motivating a salesperson, it must be regarded as fair and attainable and yet offer a challenge to him. Because the salesperson should regard the quota as fair, it is usually sensible to allow him to participate in the setting of the quota.
- 4. Sales contest-** The sales contest is an important tool to motivate salesperson. The purpose of the sales contest varies widely. It may encourage a higher level of sales in general, to increase the sales of a slow-moving product or to reward the generation of new customers. It provides an incentive to show better performance and secure more satisfactory results.
- 5. Sales conventions and conferences-** These are the devices of group motivation. They provide opportunities for salesperson to participate, gain social satisfaction and express their views on matters directly affecting their work. They promote team work, dissolve social barriers, inspire and raise salesperson's morale. Most of the companies in India are now-a-days adopting this method to motivate their salesforce.
- 6. Positive affect-** The positive affect method is also an important techniques for motivating the salesforce to their best. The proper application of praise, positive feedback, and

human warmth and understanding can impel others to perform up to their capabilities. This must be done in a genuine way and not be perceived as overtly-self serving.

- 7. Leadership style of the manager-** Leadership style of the manager plays an important role in motivating the salesperson. Inspirational leadership, which refers to influence through referent power. Identification or charismatic charm is an important tool in the motivational strategy of the management.
- 8. Freedom to work-** In order to perform the onerous duties and responsibilities, the salesperson must be given a reasonable amount of freedom and discretion in performing their job. Discretion and freedom may be accomplished by allowing salesperson to develop their own call patterns, more control over the types of promotional packages that are offered to their customers etc. Freedom or autonomy satisfies the psychological needs and is like power pay (which is a reward), making the job of salesperson more important in the organization.
- 9. Reward and recognition-** Although sales quotas, sales contests, conventions and conferences have positive carry over effects, these are short lived techniques of motivating salesmen. On the other hand reward and recognition on salesperson accomplishments are more enduring and relatively economic methods of motivation. Some of the ways to extend recognition and honour to salesperson include

conferment upon the title of “salesman of the month/year”. Congratulation telegrams from members of top management, sales trophies, offering membership of social clubs, mention in company newsletter, certificate etc.

- 10. Persuasion-** One of the more common and recommended forms of inducing high levels of motivation is through persuasion. In this situation, managers use rational arguments to convince salesperson that it is in their own best interests to act in preferred way. Persuasion has the advantage of getting people to conclude that their actions were performed out of their own free will. This leads to higher levels of self direction than reward or coercive modes of influence where one perceives he or she acts more as a function of external compulsion than internal volition.

5.10 SUMMARY

The sales compensation plan is an essential part of the total program for motivating sales personnel. The basic sales compensation elements (salary, commissions or combination of both) should be in amount large enough to provide the living wage and sufficiently flexible to adjust for changes in job performance. Motivating sales people is an important aspect of sales force management. Sales personnel require additional motivation because of inherent nature of the sales job, role conflicts, the natural tendency towards apathy, and difficulties in building group identity. Implementing motivational efforts requires that sales executives be skilled leaders, rather than drivers, of sales personnel. Satisfactory job performance develop out of deep

understanding of motivational forces and processes, effective leadership, two way communications, and effective handling of relationships.

5.11 KEYWORDS

Compensation: It is sum total of financial and non-financial benefits provided to sales force in lieu of their services provided to organisation.

Motivation: It is goal directed behaviour of sales force in any organisation. It stimulates the movement and work of an individual.

PLC: Product Life Cycle is the journey of any product from the stage of its introduction to decline. It depicts the life span of a product.

5.12 SELF ASSESSMENT QUESTIONS

1. Discuss the importance of compensation plan for sales personnel and write the components of a compensation plan.
2. Elaborate the importance of motivation for sales force and discuss in brief the important tools of motivation.
3. Discuss the factors influencing compensation plan for sales force.

5.13 REFERENCES/SUGGESTED READINGS

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SALES MEETING AND CONTESTS

STRUCTURE

- 6.0 Objective
- 6.1 Introduction
- 6.2 Sales meetings
- 6.3 Sales meetings: planning and staging
 - 6.3.1 Aims
 - 6.3.2 Content
 - 6.3.3 Method
 - 6.3.4 Execution
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- 6.4 Types of sales meetings
 - 6.4.1 National sales meetings
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 - 6.4.5 Travelling and remote-control sales meetings
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6.7.4 Objections of sales contests

6.8 Summary

6.9 Keywords

6.10 Self assessment questions

6.11 References/Suggested readings

6.0 OBJECTIVE

After going through this lesson, you will be able to-

- Discuss the meaning, nature, types and features of sales meeting and sales contests.
- It also presents the process of conducting these meetings and contests.

6.1 INTRODUCTION

The sales personnel/salespeople strive for the better performance in the sales organisation beyond routine fair work. Some of them are the real self-starters, whose achievement is self-motivated and no extra push other than the challenge of the job itself is required. On the other hand, most of the sales personnel do not strive for performance beyond routine fair work without additional motivation. For the purpose of motivation among the salespeople; sales management uses two main mechanisms for stimulating them: sales meetings and sales contests.

6.2 SALES MEETINGS

Meeting is the session of sharing ideas, notion, facts and experiences from one to another colleagues. In the sale organisation, the meeting on sales and related matters are to be held. The sales meetings are important both for communication and motivational purposes among the sales people at the top or lower level in the management. When sales personnel are on the road without the day-to-day opportunity for employer communication and supervision, periodic group meetings are valuable for exchanging information and idea. They also provide occasions for motivating individual sales personnel through group pressures. Most important, they provide occasions for management to stimulate the group to raise its standards as to reasonable and acceptable performance.

6.3 SALES MEETINGS: PLANNING AND STAGING

For the purpose of planning for a sales meeting; the five major decisions: (i) defining the specific training aims; (ii) deciding meeting content; (iii) determining methods of conducting the meeting; (iv) deciding how to execute (hold) the meeting; and (v) deciding how to evaluate the results; are taken. Thus, once again, the A-C-M-E-E approach also assures that sales meetings, like sales training programs, are fully planned and effectively staged.

6.3.1 Aims

In planning any sales meeting it is important to have clearly defined objectives. The underlying purposes, of course, are to communicate and to motivate the sales personnels. But more specific

aims, light heartedly called excuses for holding a meeting, are required. A new product may be about ready for introduction or research may have uncovered new insights on customer attitudes and behavior, and either of these could lead to meetings of the sales training type to communicate these matters to sales personnel. It is hoped, to motivate them; or supervisory reports might have indicated that many sales personnel are no efficient in applying sales techniques. This could lead to a sales meeting, also of the training type, aimed to improve these skills; or there may be new company policies or sales goals requiring explanation, and the meeting may aim not only to communicate but also to use this important information to motivate the group. Running throughout all meeting purposes, of course, is the common aim of altering the attitudes of sales personnel so as to modify their behavioral patterns in ways leading to improved job performances addition, aims of meetings include (i) improving the quality of sales force reports; (ii) orienting sales personnel on the advertising program and showing how they can tie in their efforts with it; (iii) increasing the effectiveness with which sales personnel use their time' and (iv) introducing new services (such as inventory control assistance) for customers.

6.3.2 Content

The contents of a meeting mean to plan the agenda of meeting. All agenda, by definition, is a list or an outline of things to be considered or dis. cussed during the meeting. The content derives directly from the meeting's specific aims. For example, there is an industry rumor that a strong competitor is about to introduce a far-fetched new product and company sales personnel have high levels of apprehension. Thus, a

meeting may be planned with the specific aim of reducing apprehension through informing sales personnel on what the company knows about the competitor's forthcoming new product and the company's plans for neutralize it. In this situation, content might include (i) what we know about the far-fetched new product; (ii) what we think the trade's reactions will be and why; (iii) what your company is doing; and (iv) what you should do and how?

6.3.3 Method

The methods used in conducting a sales meeting depend upon the aim, content, time availability and meeting place. Most local sales meetings, held rather frequently, are short and participative in nature. Regional and national sales meetings, held less often, run for two or more days, have more ambitious aims and wider content, so they utilize a mix of methods.

6.3.4 Execution

The execution phase is of key importance to meeting success.

Decisions are reached on speakers, seminar leaders, meeting site, and time. Still other execution decisions, outwardly trivial, contribute significantly to a meeting's success or failure. Among these seemingly trivial decisions is room arrangement. Most sales meetings, because of their underlying purposes of communicating and motivating, require active participation by attendees. The conventional classroom, as found in most educational institutions, is setup for the lecture method; seats in rows and columns.

The workshop is appropriate when smaller groups are to hold buzz sessions on particular topics and report round tables are preferred, but rectangular ones are also used. The inverted V-shape and the seminar or “British square” are used where considerable participation by the attendees is important. Among other seemingly trivial execution decisions are those on audio visual equipment and supplies, provision of materials to attendees (including pads and pencils), timing of breaks and refreshments, and starting time and closing time. Inappropriate decisions on any of these detract from a meeting’s effectiveness.

6.3.5 Evaluation

The meeting planners often neglect the evaluation phase. If management desires to improve meeting effectiveness then it is very much important aspect. The basis for evaluation should be whether the meeting accomplished its aims. To determine this, participant feedback is necessary. For this purpose the meeting planners may develop a sales meeting evaluation form. The best practice is to design a new form to evaluate each sales meeting held.

6.4 TYPES OF SALES MEETINGS

The following are the types of sales meeting:

6.4.1 National sales meetings

To elaborate the burning issues in competitive market, the national sales meetings are to be held by the sales organisations. The costs of bringing the entire sales force to a central site are substantial, but national sales meetings are sometimes appropriate. If, for example,

comprehensive changes in marketing or sales policies are being made, a national meeting can introduce these changes rapidly and uniformly, providing standardized explanations and answers to questions. Moreover, major executives attend a national meeting but not a series of decentralized meetings-and their attendance provides more stimulation than written or recorded messages at decentralized meetings. There are other advantages in holding national sales meetings. Sales personnel meet informally with their counterparts from elsewhere and learn from the interchange of experience. On finding that others face and solve similar problems, sales personnel are encouraged to find their own solutions. Meeting home office personnel should result in better coordination between the office and the field. The size of the national meeting generates contagious enthusiasm. If the meeting is held at or near a factory, there is opportunity for product training and to acquaint sales personnel with technical manufacturing details. The national sales meeting has drawbacks, in addition to the expense. It is difficult to find a convenient time for all sales personnel to attend, unless the product line is seasonal. Company routine is disrupted and competitors may cut into market share while sales personnel are away. However, more aggressive selling resulting from the national meeting should more than compensate for any temporary lapse in sales coverage.

6.4.2 Regional sales meetings

In the present scenario, the sales organisations are not giving stress to hold the national and regional sales meetings. There are so many reasons: the conversion of sales force from field to centralised office; attending the decentralised meetings by headquarters' sales

executives and personnel; reducing the total travel cost and lowering the lost selling time. Headquarters' sales executives and personnel; brought into direct contact with field personnel; learn about the current problems at the firsthand. Each regional meeting may have a program designed to emphasize unique problems of that region. The smaller attendance should increase participation time per person attending. Regional sales meetings have some disadvantages. Demands on executive time may be excessive; consequently, top sales executives often rotate attendance among regional meetings. The smaller percentage of the top management in attendance depreciates the meeting's importance in the eyes of the sales staff and, because total attendance is smaller, developing a spirit of contagious enthusiasm is more difficult. The pressure to economize reduces the stimulating effect of the regional meeting further. The costs of conducting a series of meetings preclude using the top-flight speakers and entertainers featured at national meetings. Furthermore, the total costs of holding several meetings may equal or exceed those of one large national meeting, because much planning and organizational expense is not fixed but is incurred separately for each meeting.

6.4.3 National and regional sales meetings: executive resistance

In many cases, sales executives oppose both national and regional sales meetings. Some results do not justify expected costs, but they admit that many benefits, such as the effect on sales force morale cannot be measured in monetary terms. Other executives, especially those in industries without slack selling seasons, contend that they can ill afford to have sales personnel away from the field, even for a week. Still others object to the demands on their own time. In a few cases, sales executives

oppose national or regional meetings because of low sales force morale. They fear that sales personnel will use the meeting to compare complaints and to strengthen their convictions that the company is a bad place to work.

6.4.4 Local sales meetings

District sales managers conducted local sales meetings weekly or biweekly and from fifteen minutes to several hours. The strength of the local sales meeting is its informality, each salesperson having an opportunity to pose questions and to state personal views. Local sales meetings are occasions for sales personnel to get together, become better acquainted, and strengthen group identity.

6.4.5 Travelling and remote-control sales meetings

To reduce cost and time expenditure certain forms of sales meetings are conducted by closed-circuit television, sales meetings by telephone, sales meetings at home, and as the travelling sales meeting.

- 1. Closed-circuit television:** Closed-circuit television enables a company to hold several sales meetings. The program is live at one meeting site and is telecast to others, thus retaining much of the inspirational value of the live show without incurring costs and inordinate losses of selling time. Televised sales meetings are appropriate for companies with large sales forces or large dealer organizations. Many companies use televised sales meetings to introduce new products or to launch national sales campaigns.

2. Sales meetings by telephone: Telephone conference calls are used for small group meetings and discussions. Users say the group should be no larger than twenty. The meeting is conducted like other small-group meetings: the sales manager welcomes the group and opens the discussion, which is guided by two rules-only one individual talks at a time, and speakers identify themselves and their cities. At the end of the call, the sales executive gives a brief summary. The telephone sales meeting save time and money, and of course, sales personnel lose little, if any, time away from their jobs.

3. Sales meetings at home: Seeking to reduce the time and costs of sales meetings, some companies mail recordings or printed materials, to sales personnel at their homes. One format is to record an executive conference or meeting and to provide sales personnel with cassette copies. Another is to print an illustrated script of a home office meeting for distribution to sales personnel. Executives using these formats point to three advantages: (i) sales personnel receive the information at home, free from distractions; (ii) they can review the information many times; and (iii) there are savings in time and money.

4. Travelling sales meetings: Certain meetings require numerous physical props. For instance, a manufacturer introducing a new product line may want to display and demonstrate each new product. It is difficult in this situation to stage regional meetings because the displays must be transported to, moved in, and set up at each of

several sites. Some companies overcome this by outfitting motorized vans and trailers with product displays and conference rooms. Thus, the sales meeting moves from city to city, and at each stop sales personnel and/or dealers come aboard.

6.5 SALES CONTESTS

A special selling campaign offering incentives in the form of prizes or awards beyond the compensation plan called sales contest. The purpose of sales contests is to provide extra incentives to increase sales volume, to bring in more profitable sales volume, or to do both. Corresponding to Herzberg's motivation-hygiene theory; sales contests aim to fulfil individual needs for achievement and recognition-both motivational factors. In terms of Maslow's hierarchy of needs, sales contests aim to fulfil individual needs for esteem and self-actualization-both higher-order needs. In addition, sales contests develop team spirit, boost morale by making jobs more interesting, and make personal selling efforts more productive.

6.6 OBJECTIVES OF SALES CONTESTS

Sales contests are aimed to accomplish the following objectives:

- I. To obtain new customers.
- II. To secure larger orders per sales call.
- III. To push slow moving items, high-margin goods, or new products.
- IV. To overcome a seasonal sales slump.
- V. To sell a more profitable mix of products.
- VI. To improve the performance of distributors' sales personnel.

- VII. To promote seasonal merchandise.
- VIII. To obtain more product displays by dealers.
- IX. To get reorders.
- X To promote special deals to distributors, dealers, or both.

6.7 FORMATS OF CONTEST

Basically, the contest formats are classified into two groups: direct and novelty. A direct format has a contest theme describing the specific objective, such as obtaining new accounts, for example; Let's go after new customers. A novelty format uses a theme, which focuses upon a current event, sport, or the like, as in Let's hoot for hidden treasure (find new customers) or Let's start panning gold (sell more profitable orders). Some executives say a novelty format makes a sales contest more interesting and more fun for the participants. Others say that novelty formats are insults to mature people. A format should be timely, and its effectiveness is enhanced if it coincides with an activity in the news. The theme should bear an analogous relationship to the specific contest objective—for example, climbing successive steps on a ladder can be made analogous to different degrees of success, experienced at different times—in persuading dealers to permit the erection of product displays. Finally, the theme should lend itself to contest promotion.

6.7.1 Contest prizes

There are four kinds of contest prizes: cash, merchandise, travel, and special honors or privileges. Cash and merchandise are the most common prizes. Many sales contests feature more than one kind of prize, for example, travel for large awards and merchandise for lesser awards.

Some contests give participants the option of accepting one prize rather than another.

1. Cash: The cash as an incentive weakens as an individual's unfulfilled needs; which are pushed farther up in the need of hierarchy. Once basic physiological needs and safety and security needs are satisfied whatever potency money retains as an incentive relates to unfulfilled esteem and achievement needs. Non-cash prizes fill these needs better than cash. If the compensation plan provides sales personnel with sufficient income to meet basic physiological needs and safety and security needs, a cash prize is a weak incentive unless it is a substantial sum-say, 10 to 25 percent of an individual's regular annual income. A cash prize of Rs. 100 means little to most sales personnel, and they exert token efforts to win it. .Another objection to cash prizes is that winners mix them with other income, and thus have no permanent evidence of their achievements.

2. Merchandise: Merchandise is superior to cash in respects. Winners have permanent evidence of their .achievement. The merchandise prize is obtained at wholesale, so it represents a value larger than the equivalent cash. For the same total outlay, too, more merchandise prizes than cash awards can be offered; hence, the contest can have more winners. Merchandise prizes should be those items; which salespersons and their families desire. One way to sidestep this problem is to let winners select from a variety of offerings. From the psychological standpoint, people feel good when they are permitted to assert their individuality and take their choice. A number of merchandise incentive agencies, some of them providing a. complete sales contest planning

service, specialize in finishing prizes. Agencies issue catalogs with prices stated in points rather than in money.

3. Travel: Travel awards are popular. Few things can be glamorized more effectively than a trip to a luxury resort or an exotic land. The lure of a trip of a lifetime is a strong incentive, especially for the person to escape the job's routine. Travel awards generally provide trips for winners and their spouses, this being advisable both to obtain the spouse's motivational support and to avoid the spouse's opposition to solo vacation trips by the salesperson.

4. Special honours or privileges: This award has many forms: a letter from a top executive recognizing the winner's superior performance, a loving cup, a special trip to a home office meeting, or membership in a special group or club has certain privileges. Winners, in addition, receive publicity through house organs and in home town newspapers. These awards provide strong incentives, as, for example, they do with life insurance salespersons that push to gain membership in the million-dollar club. Mainly firms employing sales personnel who are almost independent entrepreneurs use the special honor or privilege award. Such awards, however, are appropriate wherever management desires to strengthen group identity and build team spirit. This type of award appeals to the salesperson's belongingness and social relations needs, which, according to Maslow, an individual strives to satisfy after fulfilling basic physiological needs and safety and security needs. It also appeals to esteem and self-actualization needs.

6.7.2 Awarding the prizes for sales contests

It is a good idea to make it possible for everyone to win to stimulate widespread interest in the contest. This means that the basis for awards should be chosen with care. Contest planners recommend that present performance levels be taken into account-to motivate the average or inexperienced salesperson along with the star performer-and the basis of award be for improvement rather than total performance. Hence, total sales volume is less effective as an award basis than, for example, percent of quota achieved or percent of improvement in quota achievement. Many contests offer awards to all showing improvement, but the value of individual awards varies with the amount of improvement. The danger in offering only a few large prizes is that the motivational force will be restricted to the few who have a real chance of winning-the rest, knowing they have no chance to win, give up before they start.

1. Contest Duration: Contest duration is important in maintaining the interest of sales personnel. Contests run for periods as short as a week and as long as a year: but most run from one to four months. One executive claims that thirteen weeks (a calendar quarter) is ideal; another states that no contest should last longer than a month; still another points to a successful contest lasting six months. There are no set guides. Contest duration should be decided after considering the length of time interest and enthusiasm can be maintained, the period over which the theme can be kept timely, and the interval needed to accomplish the contest objective.

2. Contest Promotion: Effective contest promotion is important. To most sales personnel a contest is nothing new. A clever theme and attractive prizes may arouse interest, but a planned barrage of promotional material develops enthusiasm. A teaser campaign sometimes precedes the formal contest announcement; at other times, the announcement comes as a dramatic surprise. As the contest progresses, other techniques hold and intensify interest. Results and standings are reported at sales meetings or by daily or weekly bulletins. The sales manager dispatches telegrams carrying news of important developments or changes in relative standings. At intervals, new or special prizes are announced. Management encourages individuals or groups to compete against each other. Reports of standings are addressed to spouses. If the prizes selected arouse the spouses' interest, continuing enthusiasm is generated in the home, the contest administrator should from time to time inject new life into the contest. From the start regular news flashes on comparative standings should be sent out, and, if initial contest incentives are not producing the desired results, the administrator adds the stimuli needed.

6.7.3 Evaluation of contests

There are two times when management should evaluate a sales contest-before and after. Reevaluation aims to detect and correct weaknesses, Post-evaluation seeks insights helpful in improving future contests. Both pre- and post evaluations cover alternatives, short- and long-term effects, design, fairness, and impact upon sales force morale.

1. The contest versus alternatives: If serious defects exist in key aspects of sales force management, a sales contest is not likely to

provide more than a temporary improvement. Deficiencies caused by bad recruiting, ineffective training, incompetent supervision, or an inappropriate compensation plans are not counterbalanced, extemporarily let alone permanently, by a sales contest. The underlying purpose of all sales contests is to provide extra incentives to increase sales volume, to bring in more profitable volume, or to do both-this purpose is 'not accomplished if sales force management has basic weaknesses. Other avenues to improvement of selling efficiency need exploring and evaluating at the time that a sales contest is being considered. Probable results of pursuing these other avenues are taken into account in contest planning and in the post mortem evaluation.

2. Short and long term effects: A sales contest accomplishes its pose if it increases sales volume, brings in more profitable volume, or does both in the short and the long nm. No contest is a real success if it borrows sales from preceding months, succeeding months, or both. Successful contests increase both contest period sales and long-run sales (although there may be a temporary sales decline after the contest is over) because they inculcate desirable selling patterns those personnel retain. Furthermore, successful contests so boost the spirits of sales personnel that there is a beneficial carryover effect.

3. Design: A well-designed contest provides motivation to achieve the underlying purpose, while increasing the gross margin earned on sales volume by at least enough to pay contest costs. The contest format, whether direct or novel, should tie in directly with the specific objectives, include easy-to-understand and fail' contest rules, and lend itself readily to promotion.

4. Fairness: All sales personnel should feel that the contest format and roles give everyone a fair chance of winning the more attractive awards. While the contest is on, all sales personnel should continue to feel that they have real chances of winning something. A sales contest is unfair if its format causes some to give up before it starts and others to stop trying before it is over.

5. Impact upon sales force morale: Successful sales contests result in permanently higher levels of sales force morale. If the contest format causes personal rivalries, it may have the counterproductive effect of creating jealousy and antagonism among the sales force. Even if sales personnel compete for individual awards, it is often advisable to organize teams and place the emphasis on competition among teams for recognition rather than among individuals for personal gain.

6.7.4 Objections of sales contests

Only one-fourth departments use sales contests. The remaining give the standard objections:

1. Salespeople are paid for their services under provisions of the basic compensation plan, and there is no reason to reward them further for performing regular duties.
2. High-caliber and more experienced sales personnel consider sales contests infantile and silly.
3. Contests lead to unanticipated and undesirable results, such as increased returns and adjustments, higher credit loss, and overstocking of dealers.

4. Contests cause salespeople to bunch sales during the competition, sales slumps occur both before and after the contest.
5. The disappointment suffered by contest losers cause a general decline in and sales force morale.
6. Contests are temporary motivating devices and, if used too frequently, have a narcotic effect. No greater results in the aggregate are obtained with contests than without them.
7. The competitive atmosphere generated by a sales contest weakens team spirit.

The foremost objection indicates misunderstanding of both personnel motivation and contest design, and the second may not be true in individual situations. All the other objections are overcome through good contest design, intelligent contest administration, and proper handling of other aspects of sales force management. Assuming that sales management is competent, thorough planning and effective administration of a contest can produce lasting benefit for both sales personnel and company. If a contest is used as a substitute for management, it is likely to have bad results. Under some circumstances, nevertheless, sales contests are ill advised. When a firm's products are in short supply, for instance, it is ridiculous to use a contest to stimulate orders, but the same firm might find a contest appropriate to lower selling expense or improve sales reports. Companies distributing industrial goods (that is, raw materials, fabricating materials and parts, installations, accessory equipment, and operating supplies) do not find sales contests effective for stimulating sales except, of course, where it is possible to take sales away from competitors. But, again, industrial

goods-companies use contests to reduce selling costs, improve salespeople's reports, and improve customer service. Similarly, where the product is highly technical and is sold only after long negotiation, as with many industrial goods, sales contests for stimulating sales volume are inappropriate.

6.8 SUMMARY

To stimulate sales personnel sales meetings and sales contests are two main means in the sales organisations. Sales meetings provide opportunities for motivating and communicating with individual sales personnel and for strengthening group identification. Sales contests provide incentives to increase profitable sales volume and achieve more specific objectives. Sales meetings and sales contests require thorough planning and effective implementation. The judicious use of meetings and contests builds individual and sales force morale and helps to accomplish company goals.

6.9 KEYWORDS

Sales Contests: It is an important tool to motivate sale force by comparing their performance.

Sales Meeting: Sales meeting is the session of sharing ideas, notions, facts, and experience from one to another colleagues to improve performance of sales force.

ACMEE: It is a tool for planning sales meeting, based on Aim, Contents, Methods, Execution, and Evaluation.

6.10 SELF ASSESSMENT QUESTIONS

1. What do you mean by Sales-meeting? What steps may be followed to conduct a meeting.
2. Why the sales meetings have become so important in success of firm?
3. What are the objectives of a sales meeting and sales contests?
4. Explain the types of sales meeting and sales contests.
5. Explain the role of sales meeting and sales contests to improve Sales-Force's Productivity and performance?

6.11 REFERENCES/SUGGESTED READINGS

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SALES TERRITORIES

STRUCTURE

- 7.0 Objective
- 7.1 Introduction
- 7.2 Reasons for establishing territories
- 7.3 Bases for territory development
- 7.4 Approaches of Designing Territories
- 7.5 Procedure for Setting up sales territories
- 7.6 Revising Sales Territories
- 7.7 Why sales territories may not be developed
- 7.8 Summary
- 7.9 Keywords
- 7.10 Self Assessment Questions
- 7.11 References/Suggested readings

7.0 OBJECTIVE

After going through this lesson, you will be able to-

- Understand the concept of sales territories
- Know the basic reasons for establishing sales territories
- Know the benefits of sales territories
- Understand the procedure of setting up sales territories
- Know the types of sales territories

- Examine the reasons of revising sales territories
- Find out the reasons of not establishing sales territories

7.1 INTRODUCTION

No sales manager can afford to ignore the planning and organisation of the territorial coverage. Although much has been done to improve the efficiency of individual salesman, there is still much room left for the improvement in territorial management. There are still some sales organisations that believe that planning and organisation of sales territories would be too difficult to attempt, and there is nothing wrong if salesmen just go out and make calls”. However, the sensible thing to do is to guide the salesman’s field activities properly, control them, and plan them so as to achieve the sales objectives. No doubt, the establishment and maintenance of the sales territories involves a substantial expenditure of time and effort; but wherever sales manager have paid attention to its organisation and planning, they have reaped substantial rewards by way of decreased selling cost and increased sales. In this way, they have also helped individual salesman to achieve greater earnings for himself and greater profits for the company.

A sales territory comprises a group of customers or a geographical area assigned to a salesperson. The territory may or may not have geographical boundaries. Typically, however, a salesperson is assigned to a geographical area containing present and potential customers. Assigning sales territories helps the sales manager achieve a match between sales efforts and sales opportunities. The total market of most companies is usually too large to manage efficiently, so territories are

established to facilitate the sales manager's task of directing, evaluating, and controlling the sales force.

The emphasis in sales territory concept is upon customers and prospects rather than only upon the area in which an individual salesperson works. Customers and prospects are grouped in such a way that the salesperson serving these accounts can call on them as conveniently and economically as possible.

Operationally defined, a sales territory is a grouping of customers and prospects assigned to an individual salesperson. Many sales executives refer to sales territories as geographical areas. But, in contrast, in some companies particularly in which technical selling style is predominant, geographical considerations are ignored and sales personnel are assigned entire classes of customers, regardless of their locations. When sales personnel sell mainly to personal acquaintances, as in selling property, insurance, and investment securities; little logical base exists for dividing the market geographically.

Small companies, and companies introducing new products requiring the use of different marketing channels, often do not use geographically defined territories at all, or if they do, use rough divisions such as entire states or census regions: In these instances, there is no reason to assign territories, since existing sales coverage capabilities are inadequate relative to sales potentials.

7.2 REASONS FOR ESTABLISHING TERRITORIES

The primary reason for establishing sales territories is to facilitate the planning and controlling of the selling function. Well-designed sales

territories, however, may result in increased motivation, morale, and interest of the sales force, improving the total sales performance. But sales managers typically have more specific reasons for establishing territories.

(i) *To obtain thorough coverage of the market:* Sales territories help in proper market coverage. A salesperson's calling time is planned as efficiently as possible in order to ensure proper coverage of present as well as potential customers. Coverage is likely to be more thorough when each sales person is assigned to a properly designed sales territory rather than when all sales personnel are allowed to sell anywhere. With proper coverage of the territories, the company can more closely reach the sales potential of its markets.

(ii) *To Establish Salesperson's Job and Responsibilities:* Sales territories help in setting the tasks and responsibilities for the sales force. Salespeople have to act as business managers for their territories. They have the responsibility of maintaining and generating sales volume in their territories. Once all call frequencies are calculated and assigned, it is easier to determine the total workload and then to break it down into equal assignments among salesmen. When an equitable workload is assigned on the basis of call frequencies, better results are obtained. An equitable workload assignment creates greater interest and enthusiasm among the salesmen.

(iii) *To evaluate sales performance:* Sales territories help in the evaluation of sales performance of a company. Actual performance data can be collected, analyzed, and compared with expected performance goals. Even present sales figures can be compared with past figures to

judge the performance over the years. Individual territory performance can also be compared to district performance, district performance compared to regional performance; and regional performance compared to the performance of the entire sales force.

(iv) To Improve Customer Relations: Properly designed sales territories allow sales people to spend more time with present and potential customers and less time on the road. Customer goodwill and increased sales can be expected when customers receive regular calls. Since the salesman's visits are decided under a call frequency schedule programme, he comes in contact with his customers on the basis of a regular schedule. Such regular contacts enable both the salesman and the customer to understand each other well and get their difficulties solved in respect of the supply of, and demand for, goods, and also raises the general reputation of the company which the salesman represent.

(v) To Reduce Sales Expenses: Sales territories are designed to avoid duplication of effort so that two or more salespersons are not travelling in the same geographical area. This lowers selling cost and increases company profits. Sales territories also result in such benefits as fewer travel miles and fewer overnight trips.

(vi) To Improve control of the sales forces: When customer calls frequencies, routes and schedules are determined, the performance of salesmen can be measured. It, then, becomes difficult for a salesman to neglect a "hard" territory and only go ahead with the easiest-to-sell accounts. Over and above this, no salesman can devote more time and get himself "lost" in one territory when he is supposed to follow a pre-established schedules and route. When all frequencies, routes and

schedules are predetermined, the work habits of salesmen, in general, are improved, resulting in better control of the sales force.

(vii) *To co-ordinate selling with other marketing, functions:* A well-designed sales territory can aid management in performing other marketing functions. Sales and cost analyses can be done more easily on a territory basis than for the entire market. Marketing research on a territory basis can be used more effectively for setting quotas and establishing sales and expense budgets. If salespeople are to aid customers in launching advertising campaigns, distributing point of purchase displays, or performing work related to sales promotions, the results are usually more satisfactory when the work is assigned and managed on a territory-by-territory basis rather than for the market as a whole.

7.3 BASES FOR TERRITORY DEVELOPMENT

The objectives & criteria for sales territory formation are directly related to the bases used in creating the territories. The actual division of a firm's customer base into individual territory can be achieved by means of several methods, depending on which of the three alternative types of bases used. The three important bases are- geography, potential and servicing requirements, & work load.

(a) *Geography:* For the establishment of territories, geographical considerations are the most frequently used base. This base is simple, as it tends to adopt existing geopolitical boundaries such as states, countries, or cities. The major advantage of the geographic approach is the ready availability of secondary data from different sources.

(b) *Potential and servicing requirements:* The potential approach refers to splitting up a firm's customer base according to sales potential. It would seem to provide equality of opportunity and thus bring out the best in sales people. The procedure is relatively simple. First management has to estimate the sales potential for the entire company and then try to divide this potential equally among salespersons. Assume that a firm has estimated its total sales potential at Rs. 10 million for a given year. Sales manager has further determined that each sales person can handle a personal sales potential of Rs. 500,000. This would mean that twenty territories would be formed, all of which would have identical sales potential of Rs. 500,000 each.

(c) *Workload:* The third sales territory base, workload, goes one step further. It not only considers individual account potential & servicing requirements in creating territories, but also reflects differences in coverage difficulty caused by topographical features, account locations, competitive activity & so forth. Some companies try to attain equity by assigning finite number of accounts and establishing average call frequencies. For instance, a firm may give every territory manager two hundred accounts to service and prescribe an average frequency often calls per day; This would mean that all accounts visited once during a month's twenty working days.

7.4 APPROACHES OF DESIGNING TERRITORIES

Three approaches may be used to design the sales territories.

The *building up approach* of designing territories involves combining enough pieces of a company's overall market to create units

presenting sufficient sales challenges. To use this approach, actual & potential customers have to be identified and their individual sales volumes assessed. After classifying them according to desirable call frequencies & determining how many calls a salesperson can reasonably be expected to make, account mixes can be created to satisfy the dual goals of adequate consumer coverage. This method is favored by many consumer goods manufacturers looking for intensive distribution.

The breakdown approach proceeds in the opposite direction. It starts with the overall sales forecast for the entire company, which is in turn derived from a projection of the total market potential and an estimate of the company's likely share of it. The method then sets an average sales figure per salesperson to reach at the number of territories to be formed using this as divisor to total market potential. Such an approach may prove satisfactory for industrial goods producer that desire selective distribution. The method, however, suffers from a severe conceptual paradox: Instead of viewing sales as a result of sales force effort and then forecasting sales accordingly, the number of members in the sales organization is determined by the expected overall sales. This can lead to a self-fulfilling prophecy.

The incremental approach is conceptually the most appealing. With this approach, additional territories are created as long as the marginal profit generated exceeds the cost of servicing them. Administrative difficulties, however, hamper the method's applicability since it requires a cost accounting system capable of determining sales, costs, and profits associated with various levels of input. If a company can determine this kind of information, profits can be maximized by increasing the number of territories up to the point of negative returns.

7.5 PROCEDURE FOR SETTING UP SALES TERRITORIES

A sales territory should not be so large that the sales person either spends an extreme amount of time travelling or has time to call on only a few of the scattered customers. On the other hand, a sales territory should not be so small that a sales person is calling on customers too often. The sales territory should be big enough to represent a reasonable workload for the sales force but small enough to ensure that all potential customers can be visited as often as needed.

Whether a company is setting up sales territories for the first time or revising ones that are already in existence, the same general procedure applies: (1) select a geographic control unit, (2) make an account analysis, (3) develop a salesperson workload analysis, (4) combine geographic control units into territories, and (5) assign sales personnel to territories.

1. Selecting a basic geographical control unit

The starting point in territorial planning is the selection of a basic geographical control unit. The most commonly used control units are districts, pin code numbers, trading areas, cities, and states. Sales territories are put together as consolidations of basic geographical control units.

Management should strive for as small a control unit as possible. There are two reasons for selecting a small control unit. One reason is to realize an important benefit of using territories, precise geographical identification of sales potential. If the control unit is too large, areas with low sales potential are hidden by inclusion with areas having high sales

potentials, and areas with high sales potentials are obscured by inclusion with those having low sales potentials. The second reason is that these units remain relatively stable and unchanging, making it possible to redraw territorial boundaries easily by redistributing control units among territories. If, for example, a company wants to add to Ram 's territory and reduce Sham's territory, it is easier to transfer city-sized rather than state- sized control units.

Political units (state, district, or city) are presently used quite often as geographic control units. These are commonly used because they are the basis of a great deal of government census data and other market information.

Counties: In the United States and U.K., the county is the most widely used geographical control unit. County, in these countries, typically is the smallest unit for which government sources report statistical data. Districts may be used on: similar lines in India.

Zip code areas: It is also used in USA. Typical Zip code area is smaller than the typical county. In India **Pin code areas** may be used on similar lines.

Cities: When a company's sales potential is located entirely or almost entirely, in urbanized areas, the city is used as the control unit. The city rarely is fully satisfactory as a control unit, suburbs adjacent to cities possess sales potentials at least as great as those in the cities them-selves and, in addition, they can often be covered by the same sales personnel at little additional cost.

Trading areas: Another control unit used for establishing sales territories is the trading area. The trading area is perhaps the most logical control unit, since it is based mainly on the natural flow of goods and services rather than on political or economic boundaries. Firms that sell through Wholesalers or retailers often use the trading area as a control unit. The trading area is a geographical region that consists of a city and the surrounding areas that serve as the dominant retail or wholesale center for the region. Usually, customers in one trading area will not go outside its boundaries to buy merchandise; nor will a customer from outside enter the trading area to purchase a product. The trading area as a geographic control unit has several advantages. Since trading areas are based on economic considerations, they are representative of customer buying habits and patterns of trade. Also, the use of trading areas aids management in planning and control.

States: Many companies have used state boundaries in establishing territory boundaries. A state may be an adequate control unit if used by a company with a small sales force that is covering the market selectively rather than intensively. The use of states as territory boundaries may also work well for a company that is seeking nationwide distribution for the first time. In fact, in these situations salespeople may be assigned to territories that consist of more than one state. This may be done on a temporary basis until the market develops, at which time a change can be made to a smaller control unit. State sales territories are simple, convenient, and fairly inexpensive.

2. *Making an Account Analysis*

After a company selects the geographic control unit, the next step is to conduct an audit of each geographic unit. The purpose of this audit is to identify customers and prospects and determine how much sales potential exists for each account.

First, accounts must be identified by name. Many sources containing this information are available. For example, the yellow Pages have become computerized, and they represent one of the most effective sources for identifying customers quickly. Other sources include company records of past sales; trade directories; professional association membership lists; directories of corporations; publishers of mailing lists; trade books and periodicals; chambers of commerce; central, state, and local governments; and personal observation by the salesperson.

After potential accounts are identified, the next step is to estimate the total sales potential for all accounts in each geographic control unit. The sales manager estimates the total market potential and then determine how much of this total the company can expect to get. The estimated sales potential for a company in a particular territory is often a judgmental decision. It is based on the company's existing sales in that territory, the level of competition, any differential advantages enjoyed by the company and the relationships with the existing accounts. The Personal Computer has become a tremendous management aid in analyzing the sales potential in a territory. The PC can also calculate the estimated sales potential based on the pre-determined criteria much faster than the sales manager can.

Once the sales potential estimates have been made, the PC can classify each account according to its annual buying potential. One

commonly used approach is to employ an ABC classification. The computer identifies all those accounts whose sales potential is greater than a predetermined amount, and classifies them as an account. Next, the accounts that are considered to be of average potential are classified as C accounts. Finally, accounts whose potential is less than a certain amount are classified as C accounts.

3. *Developing a Salesperson Workload Analysis*

A salesperson workload analysis is an estimate of the time and effort required to cover each geographic control unit. This estimate is based on an analysis of the number of accounts to be called on, the frequency of the calls, the length of each call, the travel time required, and the non-setting time. The result of the workload analysis estimate is the establishment of a sales call pattern for each geographic control unit.

Several factors affect the number of accounts that can be called on in each geographic control unit. The most basic factor is the length of time required to call on each account. This is influenced by the number of people to be seen during each call, the amount of account servicing needed, and the length of the waiting time. Information about these factors can be determined by examining company records or by talking with sales people.

One factor that affects the number of accounts that can be called on is the travel time between accounts. Travel time will vary considerably from one region to another, depending on factors such as available transportation, conditions of highways, and the weather. The sales

manager seeks ways to minimize travel time and thereby to increase the number of accounts that can be called on.

The frequency of sales calls is influenced by a number of factors. Accounts are generally grouped into several categories according to sales potential. Group A accounts are called on most frequently, group B accounts less frequently, and group C accounts the least of all. Other factors that influence the call frequency are the nature of the product and the level of competition. The level of non-selling activities influences the time and effort required to cover a geographic control unit.

4. *Combining Geographical Control Units into Sales Territories*

Up to this point the sales manager has been working with the geographic control unit selected in the first phase of the procedure for setting up sales territories. The unit may be a state, county, city or some other geographical area. The sales manager is now ready to group adjacent control units into territories of roughly equal sales potential.

In the past the sales manager used to develop a list of tentative territories by manually combining adjacent control units. However, this was a long procedure that, in most cases, resulted in split control units and territories with uneven sales potential. Today, computers are handling this task in a much shorter time period.

Territories with unequal sales potential are not necessarily bad. Salespeople vary in ability and experience as well as initiative, and some can be assigned heavier workloads than others. The sales manager should assign the best salespeople to territories with a high sales

potential and newer less effective salespeople to the second and third-rate territories, Of course, some adjustment in sales quotas and commission levels may be necessary; depending on the relative sales potential of a specific area and the types of selling or non-selling tasks assigned to the sales representatives.

Territory Shape

The planner now considers territory shape. The shape of a territory affects both selling expenses and ease of sales coverage. In addition, if the shape of a territory permits the salesperson to minimize time on the road, shape contributes to sales force morale. Three shapes are in wide use; the wedge, the circle, hopscotch, and the cloverleaf.

The wedge is appropriate for territories containing both urban and non-urban areas. It radiates out from densely populated urban centre. Wedges, of course, can be in many sizes. Travel time among adjoining wedges can be equalized by balancing urban and non-urban calls.

The circle is appropriate when accounts and prospects are evenly distributed throughout the area. Circular territory involves starting at the office and moving in a circle of stops until the salesperson ends up back at the office. The salesperson assigned to the circular M shaped territory is based at some point near the center, making for greater uniformity in frequency of calls on customers and prospects. This also makes the salesperson nearer to more of the customers than is possible with a wedge- shaped territory.

The cloverleaf is desirable when accounts are located randomly through a territory. Careful planning of call schedules results in each

cloverleaf being a week's work, making it possible for the salesperson to be home weekends. Home base for the salesperson assigned to the territory is near the centre. Cloverleaf territories are more common among industrial marketers than they are among consumer marketers and among companies cultivating the market extensively rather than intensively.

In the case of hopscotch territory, the salesperson starts at the farthest point from the office and makes calls on the way back to the Office. The salesperson would typically go non-stop to the farthest point in one direction and on the way back stops at many places. On the next trip the salesperson will go in the next direction.

5. *Assigning Sales Personnel to Territories*

When an optimal territory alignment has been devised the sales manager is ready to assign salespeople to territories. Salespeople vary in physical condition, as well as ability, initiative and effectiveness. A reasonable and desirable workload for one salesperson may overload another and cause frustration.

In assigning sales personnel to territories, the sales manager must first rank the salespeople according to relative ability. When assessing a salesperson relative ability, the sales manager should look at such factors as product and industry knowledge, persuasiveness and verbal ability. In order to judge a salesperson's effectiveness within a territory, the sales manager must look at the salesperson's physical, social and cultural characteristics and compare them to those of the territory. For instance, the salesperson born and brought up in a village is likely to be

more effective with rural clients than with urban customers because he or she speaks the same language and shares the same value as the rural clients. The goal of the sales manager in matching salespeople to territories in this manner is to maximize the territory's sales potential by making the salesperson comfortable with the territory and the customer comfortable with the salesperson.

7.6 REVISING SALES TERRITORIES

Two major factors may cause a firm to consider revising established territories. First, a firm just starting in business usually does not design territories very carefully. Often, it is unaware of the problems inherent in covering a certain territory, and sometimes it overestimates or under-estimates the territory's sales potential and required workload. But as the company grows and gains in experience, the sales manager recognizes that some territory revision is needed. In other situations, a well- designed territory structure may become outdated because of changing market conditions or other factors beyond the control of management.

With the aid of a PC, the sales manager can produce several revised territory alignments in minutes. Without a computer this task would consume days. Before embarking on the revision, the sales manager should determine whether the problems with the original alignment are due to poor territory design, market changes, or faulty management in other areas. For example, it would be a serious mistake for management to revise sales territories if the problems are really due to a poor compensation plan.

Signs that justify territory revision

As a company grows, it usually needs a larger sales force to cover the market adequately. If the company does not hire additional sales personnel, the sales force will probably only skim the territory instead of covering it intensely. If sales potential have been estimated in an inadequate manner, the performance of the sales force may be very misleading.

Territories may also need revision because of an overestimation of sales potential. For instance, a territory may be too small for a good salesperson to earn an adequate income. Certain environment changes could also warrant the revision of a sales territory.

Overlapping territories are another reason for revision. This problem usually occurs when territories are split, and it can cause a tremendous amount of friction in the salesforce. Sales people are very reluctant to have their territories divided because that means handing over accounts they have built up and nurtured. The mere thought that another salesperson is reaping the benefits of their hard work can lead to much bitterness. The organization should immediately correct this problem in a way that will benefit the existing representatives, the new representatives, and the company.

Territory revisions may be necessary when one salesperson jump into another salesperson's territory in search of business. This is an unethical practice, and it will cause problems with in the sales force. If territories have been designed properly, there should be no need for jumping. Territory jumping is usually a sign that a salesperson is not

developing his or her territory satisfactorily. However, it can also indicate that the sales potential due territory is greater than that in another. If a salesperson is doing a good job covering his or her market but the contiguous market has more potential, the representative may be forced to enter the adjacent market.

The effects of territory revision

Salespersons, like most others, dislike change. Management, therefore, must make a decision either to avoid territory revisions for fear of damaging sales force morale or to revise the territories in order to eliminate problems. When a territory is reduced, a salesperson might face a reduction in potential income and the loss of key accounts that he or she has developed over years. Both of these can result in low morale. Therefore, before revisions are made, sales manager should ask the sales force for ideas and suggestions that might alleviate such problems.

Compensation adjustments sometimes must be made to avoid low morale. The salesperson whose territory is being reduced should be taken into confidence and told that a smaller territory can be covered more intensively, thereby offering a higher volume for the same travel time. One approach to compensating the salesperson is to guarantee the previous level of income.

7.7 WHY SALES TERRITORIES MAY NOT BE DEVELOPED

In spite of the stated advantages, there are disadvantages to developing sales territories:

- Sales people may be more motivated if they are not restricted by a particular territory and can develop customers wherever

and whenever they find them. For example, in the case of industrial products, organisations/customers are scattered geographically and not concentrated at one place, sales people, therefore, may be allowed to sell to any potential customer.

- The company may be too small to be concerned with segmenting the market into sales areas.
- Management may not want to take the time, or may not have the know-how for territory development.
- Personal friendship may be the basis for attracting customers. For Example, Life insurance salespeople may first sell policies to their family and friends and then use their contacts.

Territory Management problems & Remedies

The table given below summarises some of the problems of territory management and also the remedial actions that may be taken to overcome these problems:

Problems	Remedies
Inadequate coverage	Split territories
Inadequate size	Enlarge territories
Revision	Prepare salespeople
Shifting accounts	Revise territories
Inadequate support	Assist sales persons
Territory jumping	Eliminate practice
Overlapping territories	Minimize crossovers
Selling cost variations	Review cost figures

Problems	Remedies
High turnover	Rectify casual factor

7.8 SUMMARY

The establishing cost of making a personal sales visit has caused sales managers to seek more efficient and less expensive means of reaching customers. This is done through effective time and territory management with the aid of innovative ideas and new technology.

Setting up sales territories facilitates the planning and control of sales operations. Well-designed territory assist in attempts to improve market coverage and customer service, reduce selling expense ratio, secure coordination of personal- selling and advertising efforts, and improve the evaluation of personnel performance.

Territory management implies responsibility. Sales representatives in charge of there own territories are responsible for making things happen. A territory can be thought of as a scaled-down version of a firm's total market, and so a sales representative in charge of a territory has many sales management duties.

Managing sales territories includes establishing the territories, analyzing accounts, analyzing each salesperson's workload, assigning personnel to territories and, if necessary, revising territories. Effective territory management is needed to provide salespeople with evenly divided sales territories, estimate a territory's potential correctly, formulate a strategy for achieving that potential, and properly consider each individual salesperson's strengths and weaknesses.

7.9 KEYWORDS

Sales Territory: It comprises a group of customers or a geographical area assigned to a sales person.

Building up approach: To use this approach of designing territory, actual and potential customers have to be identified and their sales volumes assessed.

Break Down Approach: This approach sets an average sales figure per salesperson to reach at the number of territories to be formed.

Incremental approach: In this approach additional territories are created as long as the marginal profit generated exceeds the cost of servicing them.

7.10 SELF ASSESSMENT QUESTIONS

1. What do you understand by sales territory? Discuss the procedure of setting sales territories.
2. Clarify the concept of sales territory and discuss its advantages and significance.
3. Discuss the types of sales territories highlighting their utility and importance.
4. Why is it necessary to establish sales territories that are equal?

7.11 REFERENCES/SUGGESTED READINGS

1. Still, Cundiff, and Govoni, 'Sales Management', PHI.

2. Stanton and Spiro, 'Management of a Sales Force', McGraw Hill.
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SALES QUOTA

STRUCTURE

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Purpose of the Sales Quota
- 8.3 Types of quotas
- 8.4 Procedure for setting sales volume quota
- 8.5 Characteristics of a good quota system
- 8.6 Summary
- 8.7 Keywords
- 8.8 Self assessment questions
- 8.9 References/Suggested readings

8.0 OBJECTIVES

After going through this lesson, you will be able to-

- Describe purpose and importance of sales quota.
- Explain the types of sales quota and procedure for setting it.
- Discuss the characteristics of good quota system.

8.1 INTRODUCTION

A sales quota is a quantitative goal assigned to a sales unit for a specific period of time. A sales unit may be a sales person, territory,

branch office, region or distributor. Sales quotas are used to plan, control and evaluate selling activities of a firm. As standards for appraising selling effectiveness, quotas specify desired performance levels for sales volume, expenses, gross margin, net profit, selling and non-selling activities, or some combination of these items. Sales quotas provide a source of motivation, a basis for incentive, compensation, standards for performance evaluation of sales person and uncover the strengths and weaknesses in the selling structure of the firm.

Quotas are devices for directing and controlling sales operations. Their effectiveness depends upon the kind, amount, and accuracy of marketing information used in setting them, and upon management's skills in administering the quota system. For effective results, quotas are designed on the basis of information derived from sales forecasts, studies of market and sales potentials, and cost estimates. Accurate data are important to the effectiveness of a quota system, but, they are not sufficient; judgement and administrative skills are required of those with quota setting responsibilities. Soundly administered quotas based on thorough market knowledge are effective devices for directing and controlling sales operations.

8.2 PURPOSE OF THE SALES QUOTA

(i) To provide standards for evaluating performance:

Quotas provide a means for determining which sales personnel, territory, other units of sales organisation, or distributive outlets are doing average, below average, or above average job. They are yardsticks for measuring sales performance. Comparisons of quotas with sales performance

identify weak and strong points, but management must dig deeper to uncover reasons for variations.

(ii) To furnish goals and incentives for the sales force:

Quotas provide salespersons, distributive outlets and others engaged in selling activities, goals and incentives to achieve certain performance level. Many companies use quotas to provide their salesforce the incentives of increasing their compensation through commissions or bonus if the quota is surpassed and/or recognised for superior performance. Needless to say, to be true motivators, sales quota should be perceived as being realistic and attainable and to an extent surpassable.

(iii) To control salespeople's activities:

Quotas provide an opportunity to direct and control the selling activities of sales persons. Sales persons are responsible for certain activities e.g. customer calls per day, calling on new accounts, giving a minimum number of demonstrations and realisation of firm's account. If the sales people fail to attain these quotas, the company can take corrective action to rectify the mistake.

(iv) To evaluate the productivity of sales people:

Quotas provide a yard-stick for measuring the general effectiveness of sales representatives. By comparing salespersons' actual results with set quotas the areas of activities are determined where the salesforce need help for improving productivity.

(v) To control selling expenses:

Quotas are also designed to keep selling expenses within limits. Some companies

reimburse sales expenses only upto a certain percentage of sales quota. Others tie expenses to the salesperson's compensation in order to curb wasteful expenditure. Expense quota helps companies to set profit quotas.

(vi) To make effective compensation plan: Quotas play an important role in the company's sales compensation plan. Some Indian companies follow the practice that their salespersons will get commission only when they exceed their assigned quotas. Companies may also use attainment of the quotas in full or in part as the basis for calculating the bonus. If the salesperson does not reach the minimum desired quota, he will not be entitled for any bonus.

(vii) To evaluate sales contests results: Sales quotas are used frequently in conjunction with sales contests. Companies mostly use 'performance against quota' as the main basis for giving away awards in sales contests. Sales contests are more powerful incentives if all participants feel they have a more or less equal chance of winning by basing awards on percentage of quota fulfilment which is a common denominator. Hence, it causes average salesperson to turn into above average performers.

8.3 TYPES OF QUOTAS

Differences in forecasting and budgeting procedures, management philosophy, selling problems, and executive judgment, as well as variations in quota-setting procedures, cause each firm to have

somewhat unique quota. Ignoring small differences, however quotas fall into four categories:

(i) Sales volume quota: The most commonly used quotas are those based on sales volume. This type of quotas are set for an individual sales person, geographical areas, product lines or distributive outlet or for only one or more of these in combination. Sales volume quotas are also set to balance the sales of slow moving products and fast moving products or between various categories of customers per sales unit. The sales volume quota may be set in terms of units of product sales, or rupee sales or both on overall as well as product-wise basis.

Some companies combine these two and set quota on the point basis. Points are awarded on the attainment of a certain specific level of sales in units and rupee terms for each product/customer. For example: A company might consider Rs. 1000 equal to 1 point, Rs. 2000 equal to 2 points and so on. At the same time company may award 3 points for unit sales of product A and 5 points-for unit sales product B. Companies use this type of approach generally because of problems faced in implementing either rupee sales volume or unit sales volume quota. Unit sales volume quotas are found useful in market situations where the prices of the products fluctuate considerably or when the unit price of the product is rather high. Rupee sales volume quotas are found suitable in the case of sales force selling multiple products to one or different types of customers.

(ii) **Financial or budget quotas:** Financial or budget quotas are determined to attain desired net profit as well as to control the sales expenses incurred. In other words, it is set for various units in the sales organisation to control expenses, gross margin, or net profit. The intention in setting financial quota is to make it clear to sales personnel that this jobs consist something more than obtaining sales volume. It makes personnel more conscious that the company is in business to make a profit. Expense quotas emphasize keeping expenses in alignment with sales volume, thus indirectly controlling gross margin and net profit contribution. Gross margin or net profit quotas emphasize margin and profit contributions, thus indirectly controlling sales expenses.

Expense quotas: In order to make the salesforce conscious of the need to keep selling costs within reasonable limits, some companies set quota for expenses linked to different levels of sales attained by their salesforce. And to ensure its conformity they even link compensation incentives to keep expenses within prescribed limits. Since sales are the result of the selling tasks performed which vary across sales territories, it is not easy to determine expense quotas as percentage of sales in a uniform manner. Also very strict conformity to expense quota norms result in demotivation of salesforce. As such expense quota is generally used as a supplement to other types of quotas.

Net profit quotas: Net profit quotas are particularly useful in multiproduct companies where different products contribute varying level of profits. Its emphasis is on the salesforce to make right use of their time. It is important for the management to ensure that its sales force donot spend more time on less profitable products, because the salespersons are costing the company the opportunity of earning higher profits from their high margin products. In other words, it should ensure that its salespersons spend their maximum time on more profitable customers. The objective can be achieved by setting a quota on net profit for its salesforce, and thus, encouraging them to sell more of high margin products and less the low margin products.

(iii) Activity quotas: Good performance in competitive markets requires the salesforce to perform the sales as well as market development related activities. The latter activities have long term implications on the goodwill of the firm.

To ensure that such important activities get performed, some companies set quotas for the salesforce in terms of various selling activities to be performed by them within a given period. Finally the company must set a target level of performance for the sales persons. Some of the common type of activity quotas prevalent in Indian firms are as under:

- Number of prospects called on
- Number of new accounts opened
- Number of calls made for realising company's account

- Number of dealers called on
- Number of service calls made
- Number of demonstrations made

The chief merit of activity quota lies in its ability to direct the sales force to perform the urgent selling activities and important non-selling but market development related activities in a balanced and regular manner.

(iv) Combination Quotas: Depending upon the nature of product and market, selling tasks required to be performed as well as selling challenges facing the company, some companies find it useful to set quotas in combination of the two or three types discussed above. Rupee sales volume and net profit quotas or unit sales volume and activity quota in a combined manner are found in common use in a large number of consumer and industrial products companies in India.

8.4 PROCEDURE FOR SETTING SALES VOLUME QUOTA

(i) Quotas based on sales potential: One common practice in quota setting is to relate quotas directly to the territorial sales potentials. These potentials are the share of the estimated total industry sales that the company expects to realise in a given territory. A sales volume quota sums up the effort that a particular selling unit should expend. Sales potential represents the maximum sales opportunities open to the same selling unit. Many companies derive sales

volume quota from sales potentials, and this approach is appropriate when - territorial sales potentials are determined in conjunction with territorial design or bottom-up planning and forecasting procedures are used in obtaining the sales estimate in the sales forecast.

Thus, if the territorial sales potentials or forecasts have already been determined and the quotas are to be related to these measures, the job of quota setting is largely completed. For instance, let us assume that the sales potential in territory A is Rs. 300000 or 4 per cent of the total company potential. Then management may assign this amount as a quota for the salesperson who covers that territory. The total of all territorial quotas then would be equal the company sales potential.

In some cases, management chooses to use the estimate of potential as starting point in determining the quota. These potentials are then adjusted for one or more of the factors discussed below:

Human factors: A quota may have to be adjusted downwards because an older salesperson is covering the district. The salesperson may have done a fine job for the company for years but is now approaching retirement age and slowing down because of physical limitations. It would not be good on human relations - or ethical - to discharge or force the person into early retirement. Sometimes such persons are given smaller territories with corresponding

lower quotas. Likewise sometimes new sales people are given lower quotas for the first few years until they learn a greater level of competence.

Psychological factors: Management understands that it is human nature to relax after a goal has been reached. Therefore, sometimes sales managers set their quotas a little higher than the expected potential. On the other hand management must not set the goals unrealistically high. A quota too far above the sales potential can discourage the salesforce. The ideal psychological quota is one that is bit above the potential but can still be met and even exceeded by working efficiently.

Compensation factors: Sometimes companies relate their quotas basically to the sales potential, but adjust them to allow for the compensation plan. In such a case, the company is really using both the quota and compensation systems to stimulate the salesforce. For example, one company may set its quota at 90 percent of potential. It pays for one bonus if the quota is met and an additional bonus if the sales reach 100 per cent of the potential.

(ii) Quotas based on past sales alone: In some organisations, sales volume quotas are based strictly on the preceding year's sales or on an average of sales over a period of several years. Management sets each salesperson's quota at an arbitrary percentage increases over sales in some past period. The only merits in this method of quota setting are

computational simplicity and low-cost administration. If a firm follows this procedure, it should at least use an average figure for the past several years as a base, not just the previous year's sales. Random or irregular events would greatly affect a sales index based on only one year.

However, a quota setting method based on past performances alone is subject to severe limitations. This method ignores possible changes in a territory's sales potential. Generally business conditions this year may be depressed in a district, thus cutting the sales potential or promising new customers may have moved into the district, thus boosting the potential volume. Basing quotas on previous year's sales may not uncover poor performance in a given territory. A person may have had sales of Rs. 100000 last year, and the quota is increased by 5 per cent for this year. The salesperson may even reach the goal of Rs. 105000. However, the potential in the district may be Rs. 200000. This salesperson may perform poorly for years without letting the management realize that a problem exists. Quotas set on past sales also ignore the percentage of sales potential already achieved. Moreover, 'chase your tail' quotas- in which the more the salespeople sell, the more they are supposed to sell-destroy morale and ultimately cause top achievers to leave the company.

(iii) Quotas based on executive judgement: Sometimes sales volume quotas are based solely on the executive judgment, which is more precisely called guesswork. Executive

judgment is usually an indispensable ingredient in a sound procedure for quota setting, but to use it alone is certainly not recommended. Even though the manager may be very experienced, too many risks are involved in relying solely on this factor without referring to quantitative market measures. This method is justified when there is little information to use in setting quotas. There may be no sales forecast, no practical way to determine territorial sales potential. The product may be new and its probable rate of market acceptance is unknown, the territory may not yet have been opened, or a newly recruited salesperson may have been assigned to a new territory. In such situations, management may set sales volume quotas solely on a judgement basis.

(iv) Quotas based on total market estimates: In some companies management has neither statistics nor salesforce estimates of territorial sales potentials. These companies use top-down planning and forecasting to obtain the sales estimate for the whole company; hence, if management sets volume quotas, it uses similar procedures. Management may either (i) breakdown the total company sales estimate, using various indexes of relative sales opportunities in each territory and then make adjustments or (ii) convert the company sales estimate into a companywide sales quota and then breakdown the company volume quota, by using an index of relative sales opportunities in each territory. In the second procedure, another set of adjustment is made for

differences in territories and sales personnel before finally arriving at territorial quotas. Note that these choices are similar, the only difference being whether adjustments are made only at the territorial level, or also at the company level. The second alternative is a better choice.

- (v) **Quotas related only to compensation plan:** Companies sometimes base sales volume quotas solely upon the projected amounts of compensation that management believes sales personnel should receive. No consideration is given to territorial sales potentials, total market estimates, and past sales experiences, and quotas are tailored exclusively to fit the sales compensation plan. If for example, salesperson A is to receive Rs. 5000 monthly salary and a 5 per cent commission on all monthly sales over Rs. 50,000. A's monthly sales volume quota is set at Rs. 50,000. As long as A's monthly sales exceed Rs. 50,000, management holds A's compensation-to-sales ratio to 5 per cent. Note that A is really paid on a straight-commission plan, even though it is labelled "Salary and commission".

Such sales volume quotas are poor standards for appraising sales performance, they relate only indirectly, if at all, to territorial sales potentials. It is appropriate to tie in salesforce quota performance with the sales compensation plan, that is, as financial incentive to performers, but no sales volume quota should be based on the compensation plan alone.

(vi) Salesperson set their own quota: Some companies turn the setting of sales volume quotas over to the sales staff, who are placed in the position of determining their own performance standards. The reason for this is that sales personnel, being closest to the territories, know them best and therefore, should set the most realistic sales volume quotas. The real reason, however, is that management is transferring the quota setting responsibilities and turns the whole problem over to the sales staff, thinking, they will complain less if they set their own standards. There is, indeed, a certain ring of truth in the argument that having sales personnel set their own objectives may cause them to work harder to attain them and complain less. But sales personnel are seldom dispassionate in setting their own quotas. Some are reluctant to obligate themselves to achieve what they regard as 'too much'; and others far this is just as common-overestimate their capabilities and set unrealistically high quotas. Quotas set unrealistically high or low-by management or by the sales force cause dissatisfaction and results in low salesforce morale. Management should have better information, therefore, it should make final quota decisions. How, for instance, can sales personnel adjust for changes management makes in price, product, promotion, and other policies?

8.5 CHARACTERISTICS OF A GOOD QUOTA SYSTEM

- (i) **Realistic attainability:** If a quota is to spur the salesforce to maximum effort, the goal must be realistically attainable. If it is too far out of reach, the salespeople will lose their incentives.
- (ii) **Objective Accuracy:** Regardless of what type of quota management uses, it should be related to potentials. Executive judgement is also required, but it should not be the sole factor in the decision.
- (iii) **Ease of understanding and administering:** A quota must be easy for both management and the salesforce to understand. Also, the system should be economical to administer.
- (iv) **Flexibility:** All quota systems need adequate flexibility. Particularly, if the quota period is as long as a year, management may have to make adjustments because of changes in market conditions.
- (v) **Fairness:** A good quota system is perceived as fair to the people involved. The workload imposed by quotas should be the same for all sales people. However, this does not mean that quotas must be equal. Differences in potentials, competition, and ability of the salesforce do exist.

8.6 SUMMARY

Quotas are quantitative objectives assigned to sales personnel and other units of the selling organisation. They are intended both to stimulate performance and to evaluate it, through communicating management's expectations and serving as performance measures. In successful quota systems, special pains are taken to tie in quota setting procedures with sales potentials and planning data from the sales forecast and sales budget. Sound judgement is required for adjusting tentative quotas both for contemplated policy changes and for factors unique to each territorial environment. Continuous managerial review and appraisal and balanced flexibility in making changes in quotas and improvements in quota setting procedures characterise successful quota system. When based on relevant and accurate market information, and when intelligently administered, quotas are effective devices for directing and controlling sales operations.

8.7 KEYWORDS

Sales Quota: It is quantitative goal assigned to a sales person.

Sales Volume Quota: It is the number of products to be sold by an individual sales person.

Activity Quota: It is the various activities assigned to sales force to be performed regarding sales.

Budget/Financial Quota: It is determined to attain designed net profit as well as to control the sales expenses incurred.

8.8 SELF ASSESSMENT QUESTIONS

1. Define 'Sales Quota' and discuss in brief the different types of sales quota.
2. Discuss the purpose of sales quota. Also write the characteristics of a good quota system.

8.9 REFERENCES/SUGGESTED READINGS

1. Still, Cundiff, and Govoni, 'Sales Management', PHI.
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SUPERVISION AND EVALUATION OF SALES-FORCE

STRUCTURE

- 9.0 Objective
- 9.1 Introduction
- 9.2 Supervision of sales force
- 9.3 Evaluation of sales force
- 9.4 Time horizon for evaluation
- 9.5 Standards of performance
 - 9.5.1 Quantitative Performance Standards
 - 9.5.2 Qualitative performance criteria
- 9.6 Measuring actual performance
- 9.6 Comparing actual performances with standards
- 9.7 The dynamic phase of evaluation
- 9.8 Summary
- 9.9 Keywords
- 9.10 Self Assessment Questions
- 9.11 References/Suggested Readings

9.0 OBJECTIVE

After going through this lesson, you will be able to-

- Understand the concept of sales force supervision and evaluation.
- Understand the quantitative as well as qualitative standards of performance.
- Understand the method of supervision as well as evaluation.
- Know the types of sales reports

9.1 INTRODUCTION

Every member of an organization, either directly or indirectly, affects sales. The ultimate success, however, depends largely on the performance of individual salesperson. Primary job of every sales manager is to help every sales person achieve his or her full potential. Sales force supervision and evaluation, therefore, become very important.

Adoption and successful operation of appropriate control procedures results in greater effectiveness which ultimately shows up in greater sales volume at more profit and less cost. Supervision and evaluation of sales force are instruments of achieving sales control. They are concerned with monitoring the performance and striking balance between the standards and actual performance. Effective supervision and evaluation assure the attainment of objectives with minimum efforts.

9.2 SUPERVISION OF SALES FORCE

Management controls sales personnel through supervision. Regardless of who does the supervising, the objective is to improve the job performances of sales personnel. Executives supervise the sales personnel under them. The executive with supervisory responsibilities establishes working relations with sales personnel for purposes of

observing, evaluating, and reporting on performance; correcting deficiencies; clarifying duties and responsibilities; providing motivation; informing sales personnel of changes in company policies; and helping to solve business and personal problems. Clearly, sales supervision is concerned mainly with the action phase of control- action aimed at enhancing personnel contributions to the achievement of objectives.

How much supervision?

It is difficult to prescribe how much supervision is enough as too much is as bad as too little. However, there are some conditions under which supervision is needed:

- Excessive sales turnover rate.
- High turnover of clients/accounts.
- Increased complaints from customers.
- Increase in mail orders or orders over phone without any particular reason.
- Low ratio of orders to sales calls.
- Total number of calls very low or very high.
- Increasing ratio of selling expenses to total sales.

These conditions may point towards wrong kind of supervision as well as to too much or too little supervision. When management brings in highly trained and self reliant people to meet the new selling challenge, traditional supervision, and the attitude that underlines it, stifles those whom management seeks to encourage. The type of supervision, therefore, should be adjusted to the type of person in the selling job. When the type of person changes, the type of supervision must also change.

Who should supervise?

Depending upon the company and its organization, sales force may be supervised by branch or district managers, field sales executives, or field sales supervisors. Put another way, sales supervision may be either through executives as one of their job responsibilities, or through specialists whose jobs are mainly supervising. If the sales force is small and experienced, sales supervision is generally through the top sales executive. Companies having decentralised sales structure normally assign supervision responsibility to branch or district managers.

Sales supervisors generally are selected from among the sales force, but besides having the qualifications required for selling success, they need other qualifications. They must be good teachers. They must recognise training needs, know how to train, be patient with those who have less skill, and be tactful in pointing out better ways of doing things. Supervisors must be skilled in handling people and be equipped to deal with many complex situations. Beyond these supervisory duties, some companies expect sales supervisors to sell certain accounts personally, this being one way to motivate them to keep up to date on field selling techniques.

9.3 EVALUATION OF SALES FORCE

In general sense, the evaluation process consists of comparing actual performance with planned performance. Evaluation implies a process of systematically uncovering deviations between goals and accomplishments. When weaknesses are identified, the firm will devise and implement corrective methods through supervision and other control

devices. When strengths are indicated, by the discovery of deviations in a favourable direction, management will use this information as a valuable aid in the anticipating and dealing with problems in future periods. This may take the form of revising performance standards and generally reappraising present policies, procedures, marketing communication methods, and potential opportunities for the firm. Thus, the evaluation process aims at both prognosis and diagnosis and is considered to be a preventive and curative marketing device.

Evaluation system should do three essential things for the sale manager and sales-people:

- Provide feedback to each salesperson on individual job performance.
- Help salespeople modify or change their behavior toward effective work habits.
- Provide information to sales managers on which to base decisions on promotion, transfer and salespeople.

9.4 TIME HORIZON FOR EVALUATION

Sales evaluation normally is of three types:

- 1. Short run evaluation-** In this, performance is evaluated over one year and the focus is on the achievement of targets in terms of sales.
- 2. Intermediate run evaluation-** The performance is judged over 2 to 4 years time period and focus is on evaluation in terms of creating and identifying new opportunities while adapting to competitive and environmental threats.

- 3. Long run evaluation-** This is on long-term basis and focus on evaluation in terms of surviving in an uncertain and increasingly competitive world.

9.5 STANDARDS OF PERFORMANCE

Performance standards are designed to measure the performance of activities that the company considers most important. Setting standards of performance requires consideration of the nature of the selling job. In other words, sales job analysis is necessary to determine job objectives, duties and responsibilities, and the like. These, in turn, depend upon selling strategy. Setting performance standards for new-business sales personnel requires different measures from those for trade-selling sales personnel.

Setting sales performance standards requires considerable market knowledge. It is important to know the total sales potential and the portion that each sales territory is capable of producing. Management needs evaluations of customers and prospects from the standpoint of potential profitability for each class and size of account. Marketing intelligence must provide evaluations of competitors' strengths, weaknesses, practices and policies. These items all bear on the setting of performance standards, especially quantitative standards.

9.5.1 Quantitative Performance Standards

Most companies use quantitative performance standards. The particular combination of standards chosen varies with the company and its marketing situation. Quantitative standards, in effect, define both the nature and desired levels of performance. Quantitative standards provide

descriptions of what management expects. Each person on the sales force should have definitions of the performance aspects being measured and the measurement units. These definitions help sales personnel make their activities more purposeful. Sales personnel with well-defined objectives waste little time or effort in pursuing activities that was not contribute to reaching those objectives.

A single quantitative standard, such as one for sales volume attainment, provides an inadequate basis for appraising an individual's total performance. In the past the performances of individual sales personnel were measured solely in terms of sales volume. Today's sales managers realize that it is possible to make unprofitable sales, and to make sales at the expense of future sales. In some fields, for example, industrial goods of high unit price, sales result only after extended periods of preliminary work, and it is not only unfair but misleading to appraise performance over short intervals solely on the basis of sales volume.

Sales personnel have little control over many factors affecting sales volume. They should not be held accountable for "uncontrollable" such as differences in the strength of competition, the amount of promotional support given to the sales force, the potential territorial sales volume, the relative importance of sales to national or home accounts.

Each company selects the combination of quantitative performance standards that fits its marketing situation and selling objectives. If necessary, it develops its own unique standards designed best to serve its objectives. The standards discussed here are representative of the many types in use.

(i) Sales Quotas

A quota is a quantitative objective expressed in absolute terms and assigned to a specific marketing unit. The terms may be rupees or units of product; the marketing unit may be a salesperson or a territory. As the most widely used quantitative standards, quotas specify desired levels of accomplishment for sales volume, gross margin, net profit, expenses, performance of non-selling activities, or a combination of these and similar items. “When sales personnel are assigned quotas, management is answering the important question: How much and for what period? The assumption is that management knows which objectives, both general and specific, are realistic and attainable. The validity of this assumption depends upon the market knowledge management has and utilizes in setting quotas. When sales volume quotas are based upon sound sales forecasts, in which the probable strength of demand has been fully considered, they are valuable performance standards. But when sales volume quotas represent little more than guesses, or when they have been chosen chiefly for inspirational effect, their value as control device is dissipated.

(ii) Selling expense ratio

Sales manager uses this standard to control the relation of selling expenses to sales volume. Many factors, some controllable by sales personnel and some not, cause selling expenses to vary with the territory, so target selling expense ratios should be set individually for each person

on the sales force. Selling expense ratios are determined after analysis of expense conditions and sales volume potentials in each territory. An attractive feature of the selling expense ratio is that the salesperson can affect it both by controlling expenses and by making sales.

The selling expense ratio has several shortcomings. It does not take into account variations in the profitability of different products, so a salesperson who has a favorable selling expenses ratio may be responsible for disproportionately low profits. Then, too, this performance standard may cause the salesperson to over-economize on selling expenses to the point where sales volume suffers. Finally, in times of declining general business, selling expense ratios inhibit sales personnel from exerting efforts to bolster sales volume.

Selling expense ratio standards are used more by industrial product companies than by consumer product companies. The explanation traces to differences in the selling job. Industrial product firms place the greater emphasis on personal selling and entertainment of customers; consequently their sales personnel incur higher costs for travel and subsistence.

(iii) Territorial net profit or gross margin ratio

Target ratios of net profit or gross margin to sales for each territory focus sales personnel's attention on the needs for selling a balanced line and for considering relative profitability. Managements using either ratio as a quantitative performance standard, in effect, regard each sales territory as a separate organizational unit that should make a profit contribution. Sales personnel influence the net profit ratios by selling

more volume and by reducing selling expenses. They may emphasize more profitable products and devote more time and effort to the accounts and prospects that are potentially the most profitable. The net profit ratio controls sales volume and expenses as well as net profit. The gross margin ratio controls sales volume and the relative profitability of the sales mixture, but it does not control the expenses of obtaining and filling orders.

Net profit and gross margin ratios have shortcomings. When either is performance standard, sales personnel may neglect new accounts, and over-emphasize sales of high profit or high margin products while under-emphasizing new products that may be more profitable in the long run.

(iv) Territorial market share

This standard controls market share on a territory by territory basis. Management sets target market share percentages for each territory. Management later compares company sales to industry sales in each territory and measures the effectiveness of sales personnel in obtaining market share. Closer control over the individual salesperson's sales mixture is obtained by setting target market share percentages for each product and each class of customer or even for individual customers.

(v) Sales coverage effectiveness index

This standard controls the thoroughness with which a sales person works in the assigned territory. The index consists of the ratio of the number of customers to the total prospects in a territory. To apportion

the sales person's efforts more among different classifications of prospects, individual standards for sales coverage effectiveness are set up for each class and size of customer.

(vi) Call frequency ratio

A call frequency ratio is calculated by dividing the number of sales calls on a particular class of customers by the number of customers in that class. By establishing different call frequency ratios for different classes of customers, management directs selling effort to those accounts most likely to produce profitable orders. Management should assure that the interval between calls is proper, neither so short that unprofitably small orders are secured, nor so long that sales are lost to competitors. Sales personnel who plan their own route and call schedules find target call frequencies helpful, in as much as these standards provide information essential to this type of planning.

(vii) Calls per day

In consumer product fields, where sales personnel contact large numbers of customers, it is desirable to set a standard for the number of calls per day. Otherwise, some sales personnel make too few calls per day and need help in planning their routes, in setting up appointments before making calls or simply in starting their calls early enough in the morning and staying on the job late enough in the day. Other sales personnel make too many calls per day and need training in how to service accounts. Standards for calls per day are set individually for different territories taking into account territorial difference as to customer density, road and traffic conditions and competitors' practices.

(viii) Order call ratio

This ratio measures the effectiveness of sales personnel in securing orders. Sometimes called a “batting average”, it is calculated by dividing the number of orders secured by the number of calls made. Order call ratio standards are set for each class of account. When a salesperson’s order-call-ratio for particular class of account varies from the standard then the salespersons need helping in working with that class of accounts.

(ix) Average cost per call

To emphasize the importance of making profitable calls, a target for average cost per call is set. When considerable variation exists in cost of calling on different sizes or classes of accounts, standards are set for each category of account.

(x) Average order size

Average order size standards control the frequency of calls on different accounts. The usual practice is to set different standards for different sizes and classes of customers. Using average order size standards along with average cost per call standards, management controls the salesperson’s allocation of effort among different accounts and increases order size obtained.

(xi) Non-selling activities

Some companies establish quantitative performances standards for such non-selling activities as obtaining dealer displays and cooperative advertising contracts, training distributor’s personnel, and goodwill calls

on distributor's customers. Whenever, non-selling activities are critical features of sales job, appropriate standards should be set. Since quantitative standards for non-selling activities are expressed in absolute terms, they are, in reality, quotas.

9.5.2 Qualitative performance criteria

Qualitative criteria are used for appraising performance characteristics that affect sales results, especially over the long run, but whose degree of excellence can be evaluated only subjectively. Qualitative criteria defy exact definition. Many sales executives do not define the desired qualitative characteristics with any exactitude; instead they arrive at informal conclusion regarding the extend to which each sales person possesses them. Other executives consider the qualitative factors formally, one method being to rate sales personnel against a detailed checklist of subjective factors such as given below:

Job Factors

- Product knowledge
- Customers' knowledge
- Competitor's knowledge
- Handling sales presentations
- Customer satisfaction
- Time management

Personal Factors

- Punctuality
- General Attitude
- Dress and Appearance

- Co-operation
- Adaptability
- Reliability
- Communication skills
- Decision-making ability
- Initiative

Executive judgement plays the major role in the qualitative performance appraisal. Written job description, up to date and accurate, are the logical points of departure. Each firm develops its own set qualitative criteria, based upon the job description, but the manner in which these criteria are applied depends upon the needs of management.

9.6 MEASURING ACTUAL PERFORMANCE

Sales management's next task is to measure actual performance. There are two basic sources of performance information: sales and expense records and reports of various sorts. Almost every company has a wealth of data in its internal sales and expense records, but this purpose.

Field sales reports

The fundamental purpose of field sales reports is to provide control information. They provide a basis for discussion with sales personnel. They also indicate the matters on which sales personnel need assistance. The sales executive uses field sales reports to determine whether sales personnel are calling on and selling to the right people, and whether they are making the proper number of calls. Similarly, field sales reports assist in determining how to secure more and larger orders. Field sales

reports provide the raw materials that sales management processes to gain insights on giving needed direction to field sales personnel.

A good field sales reporting system assists sales personnel in their self-improvement programs. Recording accomplishments in written form forces individuals to check their own work. They become their own critics and self-criticism often is more valuable and more effective than that from headquarters.

Purposes of field sales reports

The general purpose of all field sales reports is to provide information for measuring performance; many reports, however, provide additional information. Consider the following list of purposes served by field sales reports:

1. To provide data for evaluating performance- for example, details concerning accounts and prospects called upon, number of calls made, orders obtained, days worked, miles travelled, selling expenses, displays erected, cooperative advertising arrangements made, training of distributor's personnel, missionary work, and calls made with distributors sales personnel.
2. To help the sales person plan the work- for example, planning itineraries, sales approaches to use with specific accounts and prospects.
3. To record customers' suggestions and complaints and their reactions to new products, service policies, price changes, advertising campaigns, and so forth.

4. To gather information on competitors' activities- for example, new products, market tests, changes in promotion, and changes in pricing and credit policy.
5. To provide information requested by marketing research- for example, data on dealers' sales and inventories of company and competitive products.
6. To report changes in local business and economic conditions.
7. To keep the mailing list updated for promotional and catalogue materials.

Types of sales force reports

Reports from sales personnel fall into six principle groups.

1. Progress or call report: Most companies have a progress or call report. It is prepared individually for each call or cumulatively, covering all calls made daily or weekly. Progress reports keep management informed of the salesperson's activities, provide source data on the company's relative standing with individual accounts and in different territories, and record information that assists the sales person on revisits. Usually the call report form records not only calls and sales, but more detailed data, such as the class of customer or prospect, competitive brands handled, the strength and activities of competitors, best time to call, and "future promises".

2. Expense report: The purpose is to control the nature and amount of salesperson expenses. This report also helps the salesperson exercise self-control over expenses. The expense report reminds salesperson that they are under moral obligation to keep expenses in line

with reported sales-some expense report forms require sales persons to correlate expenses with sales. The details of the report form vary with the plan for reimbursing expenses.

3. Sales work plan: The salesperson submits a work plan (giving such details as accounts and prospects to be called upon, products and other matters to be discussed, routes to be travelled, and hotels or motels) for a future period, usually a week or a month. The purposes are to assist the salesperson in planning and scheduling activities and to inform management of the salesperson's whereabouts. The work plan provides a basis for evaluating the salesperson's ability 'to plan the work and to work the plan'.

4. New-business or potential new-business report: This report informs management of accounts recently obtained and prospects who may become sources of new business. It provides data for evaluating the extent and effectiveness of development work by sales personnel. A subsidiary purpose is to remind sales personnel that management expects them to get sales reports point the way to needed sales training, changes in customer service policies, and product improvements. The salesperson reports the reasons for the loss of the business; but receipt of a lost-sales report also causes management to consider further investigation.

5. Report of complaint and/or adjustment: This report provides information for analysing complaints arising from a salesperson's work, complaints by class of customer, and cost of complaint adjustment. This assists management in detecting needed product improvements and changes in merchandising 'and service

practices and policies. These data also are helpful for decisions on sales training programs, selective selling, and product changes.

The optimum number of reports is the minimum necessary to produce the desired information. Holding down the number of reports is important, since they are generally made out after the selling day. Report preparation places demands on free time, and, unfortunately, the best people often have the least time. All reports are reviewed from time to time to determine whether the information is worthwhile. When a new report is proposed, the burden of proof of its need is upon its advocates. Information obtainable through other means at no higher cost should not be gathered through field sales reports.

The amount of detail required in sales reports varies from firm to firm. A company with many sales personnel covering a wide geographical area needs more detailed reports than does a company with a few salespeople covering a compact area. The more freedom that sales personnel have to plan and schedule their activities, the greater should be the detail required in their reports.

9.6 COMPARING ACTUAL PERFORMANCES WITH STANDARDS

The most difficult step in sales force control is the evaluation step—the comparing of actual performances with standards. This is more than a mechanical comparison; this step is difficult because evaluation requires judgement. The same standards cannot be applied to all sales personnel—there are differences in individual territories, their sales potentials, the impact of competition and the personalities of sales

personnel and their costumers. It is possible to take territorial differences into account by setting individual performance standards for each territory, but it is not possible to adjust fully for differences in the personalities of the salesperson and the clientele. Furthermore, complications often develop in relating individual performances to standards, for example, when two or more sales persons work on the same account or when an account deals both with the salesperson and the home office.

Evaluating sales personnel requires both a comparison of performance with quantitative standards and an appraisal against qualitative performance criteria. Sales personnel with poor performances, as gauged by quantitative standards, may be making offsetting qualitative contributions. Individual who do not reach sales quotas or keep to prescribed call schedules, for instance, may be building for the future by cementing relations with distributors and dealers. Evaluating performance of sales personnel requires judgement and deep understanding of market factors and conditions.

Judgement enters into the evaluation of sales personnel in still other ways. Performance trends, as well as the current record, are relevant- an individual showing improvement but with still substandard performance needs encouragement. There is always the chance, too, that something is wrong with a standard-when an individual continually fails to reach a standard, management should investigate whether the standard has been set too high.

In comparing actual results with projected results, the general procedure in scientific work is to set up tests that measure the variable

under observations while taking account of the effects of other variables. In the evaluation of sales personnel it is not possible to set up such tests. Each salesperson's performance results from complex interactions of many variables, some beyond the control of either the salesperson or of management. The time element changes and so do the sales personnel, the customers, general business conditions, competitors' activities and other variables. However, some companies measure the impact of particular variable on personnel performance through careful design of experimental and control groups.

9.7 THE DYNAMIC PHASE OF EVALUATION

The evaluations, or comparisons of actual performances with standards, and adjusted by executive judgement, point the way to needed action. If performance and standards are in alignment may no action needed. Otherwise the three alternatives are:

1. Adjust performance to the standards, thus increasing the degree of attainment of objectives;
2. Revise the policy and/or plan, or the strategies used for their implementation to better for the achievement of objects;
3. Lower or raise the objectives or the standards and/criteria used in measuring degree of attainment to make them more realistic.

Similarly actions to be taken depend on the performance in terms of quantitative as well as quantitative evaluation. Four such situations, as discussed below, may be anticipated:

1. *Good performance in both qualitative and quantitative evaluation-* The appropriate response would be praise, monetary rewards and may be promotion.
2. *Good performance in quantitative but poor in qualitative evaluation-* The good quantitative result suggest performance in terms of sales/profits and in front of customers is good. However, poor performance on qualitative criteria warrant advice and training on qualitative aspects.
3. *Poor performance in quantitative but good in qualitative evaluation-* Good qualitative input is failing to be reflected in quantitative success. The specific causes need to be identified and training and guidance should be provided.
4. *Poor performance in both quantitative and qualitative evaluation-* Critical and thorough discussion is required on problem areas. Training may be provided to improve the performance. In some situations, punishment including dismissal is required.

9.8 SUMMARY

Sales force supervision and evaluation help every salesperson achieve his or her full potential. Supervision and evaluation of sales force are instruments of achieving sales control. Its objective is to improve the job performance of sales personnel. There are two important facets of supervision i.e., how much supervision and who should supervise. The evaluation process consists of comparing actual performance with planned performance. It's a process of uncovering deviations between goals and accomplishments. The quantitative performance standards

include sales quota, selling expense ratio, call frequency ratio, order call ratio etc. the qualitative performance criterion are used for appraising performance characteristics that affect sales result, especially over the long run, but whose degree of excellence can be evaluated only subjectively. It includes product knowledge, handling sales presentations, customer satisfaction, communication skills, decision making ability etc. The sales reports are used for measuring performance and they also provide additional information. If performance and standards are in alignment the decision may be no action needed, but corrective actions are taken in case of deviation between the two.

9.9 KEYWORDS

Supervision: Management controls sales personnel through supervision in order to improve this job performances.

Evaluation: It consists of comparing actual performance with planned performance in a systematic manner.

Selling Expense Ratio: It is used to control the relation of selling expenses to sales volume.

Call frequency ratio: It is calculated by dividing the number of sales calls by the number of customers.

9.10 SELF ASSESSMENT QUESTIONS

1. How will you evaluate the performance of sales personnel?
What standards will you use for this purpose?
2. What is the need and significance of sales force supervision?

3. “Quantitative measures of the performance of sales representatives are more likely to mislead than guide evaluation.” Do you agree with this statement? Give reasons in support of your viewpoint.
4. Write short notes on the following:
 - (a) Quantitative standards of sales force evaluation
 - (b) Qualitative standards for sales force evaluation
5. Do you think the increasing use of computers in sales management will change the sales force performance measurement and evaluation process? If so, how?

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SALES CONTROL AND COST ANALYSIS

STRUCTURE

10.0 Objective

10.1 Introduction

10.2 Sales audit

10.3 Sales analysis

10.3.1 Allocation of Sales Efforts

10.3.2 Data for Sales Analysis

10.3.3 Purposes of Sales Analysis

10.4 Marketing cost analysis

10.4.1 Purpose of marketing cost analysis

10.4.2 Marketing cost analysis techniques

10.5 Summary

10.6 Keywords

10.7 Self assessment questions

10.8 References/Suggested readings

10.0 OBJECTIVE

After going through this lesson, you will be able to-

- Discuss the sales control and analysis.
- Explain the techniques of sales analysis and methods of improving the productivity of sales force.

10.1 INTRODUCTION

The sales executives/sales people play a crucial role in the sales organizations. They are responsible for many activities: they participate in setting selling and profit objectives; formulating sales-related marketing policies; and designing personal-selling strategies. Further, they build and develop a sales organization to carry the sales program into effect. They integrate the sales organization with the distributive network and other company marketing units; e.g. advertising, sales promotion, and physical distribution. Sometimes, for discharging these responsibilities, salespeople pay inadequate attention to selling and profit objectives. Resultantly, they neglect longer-term matters due to the overburden of every day's activities related to individual sales personnel and customer problems. This is exactly the type of setting in which the installation and operation of control techniques pays off substantially. A aptly designed and efficiently implemented control mechanism; increases the chances for the growth and expansion of the sales organisation. For the control mechanism; the sales budget is a very much fabulous medium. And quotas in terms of sales volume, profit, activity, properly set and administered, stimulate sales personnel to achieve sales and profit objectives. In setting up sales territories, management makes the control of sales operations more effective. In addition, other control mechanisms: sales audit, sales analysis, and cost analysis contribute to the effectiveness of the personal-selling effort.

10.2 SALES AUDIT

In sale organisations; the sales audit is a systematic and comprehensive appraisal of the total selling operations. It appraises

integration of the individual inputs to the personal selling effort and identifies and evaluates assumptions underlying the sales operation. Specifically, a sales audit is a systematic, critical, and unbiased review-field appraisal of the basic objectives and policies of the selling function and of the organization, methods, procedures, and personnel employed to implement those policies and achieve those objectives; which are predetermined by the sales organisation. Proponents of the sales audit stress the importance of focusing on overall selling strategy and methods for implementing it rather than examining individual components piecemeal. Sales executives, for example, may become so involved in programs to reduce sales personnel turnover or some new technique for motivating sales personnel that they lose sight of some key objective, which might be, for instance, to increase the profitability of small accounts. Existing sales personnel may do a poor job in working with small accounts, yet management focuses more on retaining these sales personnel than on making them more effective with small customers. In contrary, the new motivational technique maybe counterproductive; it may be encouraging sales personnel to concentrate upon getting the cream of the business from the largest customers. Sales audits detect situations of this type. A sales audit uncovers opportunities for improving the effectiveness of the sales organization. An audit identifies strengths and weaknesses: strengths have potential for exploitation; weaknesses have potential for improvements. While audit implies an after the fact evaluation or a backward approach (a carry-over from financial usage), a sales audit provides information useful for planning sales strategy.

Basically, sales audits have no standardized formats. Each company designs a sales audit to fit its needs. Generally, six main

aspects of selling operations come under the purview of sales audit examination:

1. **Objectives:** Each selling input should have clearly defined objectives, related to desired outputs. For example, a firm might have the objective of raising its market share from 10 to 15 percent without reducing per unit profit in the organisation.
2. **Policies:** In case of policies; both explicit and implicit are appraised for their consistency in achieving the selling objectives.
3. **Organization:** In this aspect, it is seen that does the organization possess the capabilities for achieving the objectives? Are the planning and the control systems appropriate for achieving the targets? If an organization is understaffed, or staffed with incompetent persons, there is a least probability of achieving predetermined objectives or ensuring proper control.
4. **Methods:** In this step; it is felt that the individual strategies for carrying out policies are appropriate or not. Because, it is vain to attempt upgrading quality and price if the company has already established a strong consumer image for low quality and price.
5. **Procedures:** The steps in implementing individual strategies should be logical, well designed, and chosen to fit the situation. The procedures should allocate responsibility for

implementation to particular individuals and explain how the goals are to be achieved.

- 6. Personnel:** All executives playing key roles in planning sales operations and strategy, as well as those responsible for implementation of sales programmes are evaluated as to their effectiveness relative to stated objectives, policies, and other aspects of sales operations. Too often an executive is evaluated in terms of ability to increase sales or profit rather than success in reaching pre-determined objectives, such as increased market share.

In total, it can be observed that a company examines both its markets and its products in sales audit.

10.3 SALES ANALYSIS

Always, it is treated that the sales analysis is a detailed study of sales volume performance to detect strengths and weaknesses. If sales management depends solely on summary sales data it has no way to evaluate its own activities and those of the sales force. The fact that sales increased by two percent over last year but profit decreased by one percent would be a cause for concern but of no help in determining how to reverse the profit decline. Sales analysis provides additional information, for example, that the increased sales volume came from products carrying a lower-than-average gross margin. Through sales analyses, management seeks insights on strong and weak territories, high-volume and low-volume products, and the types of customers providing satisfactory and unsatisfactory sales volume. Sales analysis

uncovers details that otherwise lie hidden in the sales records. It provides information that management needs to allocate sales efforts effectively. These aspects are discussed below considerably:

10.3.1 Allocation of Sales Efforts

A small percentage of the territories, customers, products, or orders bring in a high percentage of the sales in many businesses and vice-versa. For example, a sales executive for a carpet manufacturing firm found that eighty percent of the customers accounted for only fifteen percent of the sales. Comparable situations exist in most companies. These are examples of the 'iceberg principle'; only a small part of the total situation is above the surface and known while the submerged part is less than the surface and unknown. Sales analysis detects such situations, alerting management to opportunities for improving the operations in the organisation. Iceberg-type sales patterns do not always mean unprofitable operations; but they frequently result in profits lower than necessary. Because, sales efforts and selling expenses ordinarily are divided on the basis of customers, territories, orders, and so forth, rather than on the basis of sales potentials or actual sales. It usually costs as much to maintain sales personnel in poor territories as in good ones, almost as much to promote a slow-selling product as one that sells like hotcakes. It costs as much to have sales personnel call on customers who give small orders as on those who place large orders. Normally, a large proportion of the total spending for personal-selling efforts brings in a small proportion of the total sales and profits. Sales analysis detects these situations.

10.3.2 Data for Sales Analysis

Data availability for sales analysis varies in all companies. At one extreme, some have no data other than the accounting system records as sales are made, and, of course, copies of sales invoices. On the other hand, some maintain detailed sales records and have data readily available for use in making all types of analyses. The original sources of data for sales analysis are the sales invoices. In a company with a good information system, detailed data from sales invoices are transferred to computer tapes or data-processing cards. The information on each transaction identifies the customer in terms of name, geographical location, and so on; the salesperson in terms of name, territory, etc.; and includes such sales data as order date, products sold and quantities, price per unit, total dollar sales per product, and total order amount. With information stored by the sales organisation, sales analyses are performed quickly and at low cost.

10.3.3 Purposes of Sales Analysis

The sales analyses portray strengths and weaknesses of a sales organization in terms of sales, and each type of sales analysis glimpses different aspect. The sales territories analysis depicts about that the particular product where it can be sold. Analysis of sales by products answers how much of what is being sold. Analysis of sales by customers' answers who is buying how much: All sales analyses relate to how much is being sold, but each answers the question in a different way. Sales analyses identify different aspects of sales strengths and weaknesses, but they cannot explain why strengths and weaknesses exist.

In addition to above, sales analysis answered four questions of sales manager: (i) it revealed the sales territories with good and poor performances; (ii) it showed that whomsoever salespersons are above; at par and below the quota given to them; (iii) it indicated that Edwards' performance improved as accounts got smaller, but was unsatisfactory with all sizes of accounts; and (iv) where sales were weak and strong, which salespersons were performing above or below quota, which classes of accounts were buying, and which products were being sold.

10.4 MARKETING COST ANALYSIS

In the Marketing cost analysis; we analyze the sales volume and the selling expenses to determine the relative profitability of particular aspects of sales operations within a specified period of time. The first step in marketing cost analysis is sales analysis by territories, sales personnel, products, class of account, size of order, marketing channels, and other categories. For example, having broken down sales volume by sales territories, the next step is to break down and assign selling expenses by sales territories accordingly. The outcome indicates relative profitability of the sales territories. Marketing cost analysis searches for ways to improve profit performance through exposing relative strengths and weakness of the sales organization and its salespeople.

10.4.1 Purpose of marketing cost analysis

The analysis in terms marketing cost determines the relative profitability of particular aspects of sales operations. By this analysis, we became in position to reply the questions like: (i) which sales territories are profitable and which are unprofitable; (ii) what are the profit

contributions of individual sales personnel; (iii) what is the profitability of the different products; (iv) what is the minimum size of a profitable account; (v) how small can an order be and still be profitable; and (vi) which marketing channels provide the most profit for a given sales volume? Further, the marketing cost analyses indicate aspects possibly requiring managerial action, but not the nature of the action. Answers to more complex questions requiring cross-analysis of expense allocations, are also suggested. If the expenses of selling different products, for instance, are cross analyzed with the expenses incurred by individual sales personnel, insights are gained on how sales time should be allocated among products. But, the point related to improvement in sales time allocation among products requires consideration of other factors among them, sales potentials for each product in each sales territory. The marketing cost analysis also discusses about the price discrimination among the products. Especially, a marketing cost analysis performed for this purpose would aim to show that the difference in prices was no greater than the difference in selling expenses incurred in servicing the two customers.

10.4.2 MARKETING COST ANALYSIS TECHNIQUES

In the marketing cost analysis, the following techniques may be used:

- 1. Selling expenses classification:** Marketing cost analysis requires the classification of selling expenses as either separable (direct) or common (indirect). A separable expense is one traceable to individual sales personnel, sales territories, customers, marketing channels, products, or the

like. A common expense is one that is not traceable to specific sales personnel, sales territories, customers, marketing channels, products, or the like. Whether a given expense is a separable or common expense may depend on company policies or aspects of the operation under study. If sales personnel are paid salaries, for example, the outlay for salaries is a common expense as far as selling individual products is concerned. But if sales personnel are paid commissions, sales commissions are a separable expense of selling individual products and of selling particular categories of account or individual customers.

2. Alteration of accounting expense data and activity

expense groups: Conventional accounting systems record expenses according to their immediate purpose. For instance, typical account titles include salespeople' salaries, commissions, travel expense, branch sales office rent, advertising expense, general selling expense, general and administrative expenses, and bad-debt expense. In marketing cost analysis, accounting expense data are converted into activity expense groups all the expenses related to field sales operations are grouped together i.e. sales salaries, sales commissions, sales travel expense, and branch sales office rent to determine total expense for this activity.

3. Allocation bases for common expenses: Selection of bases for allocating common expenses is troublesome. In contrast to the analysis of production costs, where a single allocation

basis, such as number of machine hours, is used for allocating all manufacturing expenses, some forms of marketing cost analysis require the allocation of selling and marketing expenses on several bases. Allocation bases are factors that measure variability in the activities for which specific expenses are incurred. Allocation bases permit logical assignment of portions of common expense items to particular aspects of sales operations. Some expenses, such as credit and collection expenses, can be allocated according to a logical basis in any type of marketing cost analysis. But other expenses, such as sales salaries, can be allocated to sales territories or to customers but not usually to products, unless available data show the allocation of sales time among different products. For most marketing cost analyses, no attempt is made to allocate all common expenses, only those that can be allocated on logical bases. Marketing cost analyses determine relative profitability, not net profitability, of particular aspects of sales operations. Therefore, there is no need to allocate all common costs in the sales organization.

4. **Contribution:** As already discussed that marketing cost analyses focus upon separable expenses and those common expenses available for allocation on logical bases, relative profitability is measured as a contribution margin. As we know, $\text{Contribution} = \text{Net Sales} - \text{Cost of Goods Sold} - (\text{separable expenses} + \text{common expenses allocatable on logical bases})$.

10.5 SUMMARY

A control technique contributes to the effectiveness of sales management if it implemented properly. The periodic sales audits provide a widespread appraisal of the total personal selling operations, identifying areas of strength with a potential of further utilization and areas of weakness with potential for improvement. Marketing cost analysis goes beyond analysis of sales volume and look into selling expenses to determine relative profitability of particular aspects of sales operations in the specified period of time. In total, sales audits, sales analyses, and marketing cost analyses are not final ends in themselves-the results of each are enriched by combining them with other techniques, such as ratios and percentage calculations. Efficient and effective sales executives continually examine the personal-selling operation for opportunities to exploit strengths and overcome weaknesses through different control techniques to enhance their productivity or performance in their unit.

10.6 KEYWORDS

Sales Audit: It is systematic and comprehensive appraisal of the total selling operations.

Sales Analysis: It is a detailed study of sales volume performance to detect strength and weaknesses.

Cost Analysis: It is technique to analyse the sales volume and the selling expenses to determine the relative profitability of particular aspects of sales operations within a specified time period.

10.7 SELF ASSESSMENT QUESTIONS

1. What do you mean by Sales-analysis? Explain with suitable example.
2. How the sales analysis techniques have become so important in success of firm?
3. What are the objectives of a sales audit and sales analysis?
4. Explain the Marketing Cost Analysis in a sales organization.
5. How to improve Sales-Force's Productivity and performance? Explain.

10.8 REFERENCES/SUGGESTED READINGS

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