LOVELY PROFESSIONAL UNIVERSITY

SALES MANAGEMENT

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SYLLABUS

Sales Management

Objectives: The purpose of this course is to familiarise students with the principles, strategies and skills of selling and managing the selling function. This course also provides an understanding of the tools and techniques necessary to effectively manage the sales function, the sales organization and the sales individual.

Sr. No.	Description
1.	Introduction to Sales Management and Personal Selling, Personal Selling Career Opportunities
2.	**Personal Selling:** Preparation and Process
3.	**Setting Personal:** Selling Objectives, Determining Sales related Marketing Policies, Formulating Personal Selling Strategies
4.	Organising Sales Effort-role of Sales Executive, Sales Organization Structures: Sales Department Relations, Distributive-Network Relations, Sales Force Management – Sales Personnel Management, Recruiting and Selecting Sales Personnel planning
5.	Executing and Evaluating Sales Training Programme, Motivating Sales Personnel, Compensating Sales Personal
6.	**Managing Sales Personnel:** Managing Expenses, Sales Meeting and Sales Contest.
7.	**Controlling the Sales Effort:** The Sales Budget, Quotes, Sales Territories, Sales Control and Cost Analysis,
8.	Evaluating ad Supervising Sales Personnel Performance
9.	Building long-term Partnership through CRM
10.	International Sales Management

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Unit 1: Introduction to Sales Management

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1.7 Responsibilities of a Sales Manager

1.8 Summary

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1.11 Further Readings

Objectives

After studying this unit, you will be able to:

- Define exchange process;
- Discuss about decision areas in sales management;
- State the difference between marketing and sales management;
- Describe the evolution of sales department.

Introduction

Before the industrial revolution the marketing task was relatively simple because the economic scene was dominated by small scale enterprises. The only problem was to produce goods for consumers which were sold out without any difficulty. Selling the goods was no problem. In fact, all phases of the business operations, including manufacturing and selling, were generally supervised by one individual and more attention was paid to manufacturing problems rather than the marketing problems.

The importance of marketing problems was realised only after the industrial revolution which started in England in 1760 and immediately thereafter in United States. The American revolution, necessitated the need for finding out untapped markets because the nearby markets were unable to absorb the increased quantities of manufactured goods. This gave a lot of importance to marketing activities. With the increase in production more land, labour and capital was required which gave rise to corporate form of organisations. There were bigger organisations which required more delegation of powers in manufacturing and administration. Thus, the sales department was given importance and it became a separate functional department.

Notes

As the business activity became more complex and dynamic, the term "sales management" changed due to the changes in business operations. Earlier the sales management was solely concerned with the direction of the sales force personnel. However, at present the term "sales management" has a broader significance and includes all such marketing activities as advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

1.1 Marketing Sales Management

Marketing, sales management and marketing management are closely related to each other. Generally marketing denotes the process through which the goods/services are transferred to customers for monetary consideration. It is the performance of business activities that directs the flow of goods from the producer to the consumer and so it is viewed from the customers point of view. Every attempt is made under marketing to provide maximum satisfaction to customers. It starts with the needs of the consumers and ends with their satisfaction.

On the other hand, the term "sales management" is used by businessman to refer to the direction or supervision of salesmen. But in the present business scenario, it has included other aspects of management also, such as planning, direction, control of personnel selling, including recruiting, selecting, equipping, supervising, paying and motivating, etc., for they directly apply to sales force.

Marketing management is a broader concept and sales management is a part of marketing management. Whereas marketing is concerned with the product, price, promotion, distribution, target market, planning and implementation and control of these activities, the sales management is only a sub-function of marketing management and is mainly concerned with the planning, direction and control of the sales force.

Sales force are found in both profit and non-profit making organisations. Everyone lives by selling something. Selling is one of the oldest professions. Today's selling executives are professionals. They plan, build and maintain effective organisations and design and utilise efficient control procedures. This requires a thorough analysis of quantitative and qualitative personal selling objectives, formulation of sales policies and selling strategy. Top management holds them responsible for:

1. Achieving an adequate volume of sales.
2. Providing maximum contribution to profit.
3. Experiencing continuing growth.

Although these objectives are included under sales management, sales managers cannot be held solely responsible for accomplishing or achieving them. Although they make major contributions, the top management bears the final responsibility because it is accountable for the success or failure of the entire enterprise. In fact it is the responsibility of top management to ensure the supply of goods/services to the final buyers at satisfactory prices.

The above mentioned objectives are accomplished after following a pre decided sales strategy. The top management delegates the required authority to marketing management to execute these strategies, which in turn delegates it to sales management. During this process the objectives are broken down in goals which are more specific in nature. These goals are finalized while planning and then sales manager is given sufficient power and autonomy in guiding and leading the sales personnel and middlemen who play a vital role in implementing the sales plans.

As far as the contribution to profits is concerned, generally these two basic formulas are followed:

Sales – Cost of Sales = Gross margin

Notes

Gross Margin – Expense = Net Profit

Sales management ensures the success of this formula. Reduction in cost or expense and increase in sales or gross margin, both depend upon how efficient the sales department is. Unless its performance is satisfactory on grounds of efficiency and skills, the company cannot maximise its profits.

The third objective is experiencing continuing growth. This is very important from the viewpoint of top management because it formulates plans and strategies. As the sales management remains directly connected with consumers and markets, it keeps a hand on the market pulse. It can experience the pace of growth and informs the top management, so that top management can take corrective actions if necessary.

Example: Volvo has traditionally positioned its products in the automobile market in North America in order to be perceived as the leader in "safety", whereas BMW has traditionally positioned its brand to be perceived as the leader in "performance."

Caselet

Irregular Supplies

It was the early 1930s, when a physician-turned textile trader in rural Karnataka found his business getting interrupted for want of regular supplies of cloth from the weavers. When he enquired with the weavers about the reason for their irregularity, he was told that there was no working capital available to them. There were no banks in the area. The one located in the town was not interested in lending to small operators particularly in the rural area. Local moneylenders used to charge very high rates of interest; borrowing at those rates had ruined some weavers in the past. The weavers therefore have developed a habit of working intermittently as and when their own money from sales came in.

The trader, therefore, had to find a way to ensure uninterrupted supply of goods in his shop, without which his own business was not viable. He thought of bringing the goods from Bombay, but found that the process would be very expensive and time-consuming, as the area did not have any direct road/rail links with Bombay. Besides, the transporters were not at all reliable.

Question

Examine the courses of action available to the trader under the above circumstances. What are your recommendations?

Different Structures for Sales Management

The organizational structure for sales management varies depending on the firm's size and strategy. In field sales management, the structure consists of the unit manager, district manager, regional manager, general manager and vice president of sales. The unit manager is often referred to as the manager-in-training with interaction taking place at the customer level. Key responsibilities for the unit manager include training new salespeople, recruiting, selling to small accounts, and running district meetings. District managers, a step up from unit managers, have five to ten years of management experience and generally manage eight to ten salespeople. District managers typically report to the regional manager, who is responsible for managing multiple districts in a given geographic area. The general manager is sometimes referred to as the vice president of sales and marketing. This position

Notes

is traditionally at the top of the sales organizational chart, with the VP of Marketing and Sales driving the sales strategy of the firm.

There are distinct differences in bottom-and top-level managers. The main difference is the amount of time they spend on each of their tasks. Lower-level managers spend the majority of their time on staffing, directing and monitoring salespeople. Top-level managers generally focus on planning, organizing and coordinating their sales strategy with overall corporate objectives. They also forecast sales, set objectives, develop strategies and policies, and establish budgets.

Sales management jobs are found in both consumer and commercial industries, in positions ranging from district manager, to vice president of marketing and sales, to top sales management of the firm. Competition for sales management jobs can be intense. Sales managers typically start out as salespeople, working their way to the top with strong leadership and organizational abilities. The progression of salespeople into management positions is gradual, with representatives moving into more executive positions by taking on more responsibility with larger, national accounts. It is likely that a sales representative will spend a portion of their career as a district or regional sales trainer before moving into a senior sales management role. The progression of salespeople into management positions varies based on the size and organizational structure of the organization.

Did u know? The organizational structure for sales management varies depending on the firm's size and strategy. In field sales management, the structure consists of the unit manager, district manager, regional manager, general manager and vice president of sales.

Self Assessment

Fill in the blanks:

1. Marketing, ... management and marketing management are closely related to each other.
2. ..... are found in both profit and non-profit making organisations.
3. Marketing management is a ..... concept and sales management is a part of marketing management.
4. The ..... structure for sales management varies depending on the firm's size and strategy.
5. Lower-level managers spend the majority of their time on staffing, ... and monitoring salespeople.
6. Sales management jobs are found in both consumer and ..... industries.

1.2 Objectives of Sales Management

Quantitative Objectives (Short-term)

1. To retain and capture market share.
2. To determine sales volume in ways that contributes to profitability.
3. To obtain new accounts of given types.

Notes

4. To keep personal expenses within specified limits.
5. To secure targeted percentage of certain accounts of business.

Qualitative Objectives (Long-term)

1. To do the entire selling job.
2. To service existing accounts, (customers).
3. To search and maintain customer cooperation.
4. To assist the dealer in selling the product line.
5. To provide technical advice wherever necessary.
6. To assist in training of middleman's sales personnel.
7. To provide advice and assist the middlemen.
8. To collect and report market information of interest and use to the company management.

1.3 Exchange Process

"Customer is the boss—yesterday, today and tomorrow".

"Customer is profit—everyone else is overhead".

These thoughts reflect the marketing concept of today.

Sales and distribution management is the most important part of marketing management. Exchange is the core aspect of marketing and sales and distribution management facilitates it. Sales management is defined as the management of the firm's personal selling functions while distribution management is the indirect selling effort or selling through extra corporate organisations. Sales management tasks include analysis, planning, organising, directing and controlling of a company's sales efforts.

Ways by which Exchange can take Place

- Directly (through its own sales force)
- Indirectly (through middlemen, retailers, wholesalers)
- Jointly.

The nature of the exchange process will depend upon the nature of the product, target market, consumer density and dispersion and competition practices of the other companies. For example, if the consumer density is less in a particular area, we can't use personal selling. Mail order companies like Reader's Digest work on this principle only. However, companies dealing in industrial equipment, computers, machine tools (like lathes, presses) use personal selling as the goods they are dealing in are of high value.

In personal selling there is a two way communication. We also try to tell the customer how to use the product and remove his doubts. We see that there is a feedback from the customer. In selling we are only exchanging.

1. ***Contacting:*** To find and communicate with the prospective buyers.
2. ***Prospecting:*** To bring together the offering of the market and of the customer.
3. ***Negotiating and Transaction:*** There can be certain negotiations in prices. For example, lump-sum, installments, etc. Transactions also mean ownership transfer.

Notes

4. ***Promotion:*** This is to make the customer aware of the product. The promotion must show that the product can provide customer satisfaction, i.e., he should get good value for his money. Proper promotion should have customer generating potential.

5. ***Physical Distribution and Collection:*** Physical distribution means actual transfer of possession. It includes transportation, warehousing and inventory control. It also includes installation. For example, the food must reach the destination timely and safely. Exchange is never complete without the collection of money, i.e., revenue. Money is the backbone of any organisation and timely collection of money is also a very important criteria. Delayed payments lead to shortage of funds which affects the organisation adversely. In going through this exercise a lot of information is also imparted to the customer.

Most organisations perform exchanges through a combination of their own sales force and distribution network. Tasks are allocated between sales force and channel members. The factors considered for using the distribution network or the company's sales force are:

- Competitive practices;
- Product and market requirements;
- Preference of the customer and;
- Management philosophy towards control.

Task Discuss about the different structures in Sales Management.

1.4 Interdependence of Sales and Distribution

Sales and distribution are interdependent on each other. Although sales can be realised by direct marketing or through the channel members, both go hand in hand. The following points must be understood:

1. Both sales management and distribution are the responsibility of the sales manager. Most organisations use their own sales force to reach the customers. The practice is to use the sales force to reach the retailers through wholesalers. Brooke Bond is one company which reaches up to retail level. Activities of sales organisations are coordinated with channel operations to realise sales goals effectively.

2. The type of training to be given will depend upon the responsibility given to the sales force and to channel members.

3. The choice before an organisation to have direct, indirect or joint distribution depends upon the degree of control, flexibility and cost and financial requirements. For example, in indirect distribution, there is less of control but it is more economical. In this sort of distribution lesser funds are tied up and there is low fixed and variable cost of managing the channel. On the other hand in personal selling, there is better control but it is more expensive.

4. To implement the overall marketing strategy, the manufacturers need the cooperation of distribution outlets, store displays, local advertising and purchase promotions.

Sales management has the responsibility of structuring, maintaining and coordinating an organisational relationship within their own departments and with interacting organisational entities so that sales task can be performed and coordinated with the overall marketing goals.

Notes

Sales managers are entrusted with organising, planning and implementing the sales effort to achieve the corporate goals related to market share, sales volume and R.O.I.

Self Assessment

State whether True or False:

7. Most organisations use their own sales force to reach the customers.
8. The functional structure for sales management varies depending on the firm's size and strategy.
9. A Unit manager looks after and manages a firm's personal selling functions.
10. The unit manager is often referred to as the manager-in-training with interaction taking place at the customer level.
11. Tasks are allocated depending upon the capabilities and capacities of the sales personnel.

1.5 Key Decision Areas in Sales Management

Important decision areas in sales management are deciding upon:

1. ***The type and quality of sales personnel:*** By this we mean that whether the sales person is a product specialist or a market specialist or both. A product specialist is needed for technical or for pharmaceutical products. A market specialist must be aware of market characteristics and various markets.
2. ***The size of sales force:*** It is important because if we have more sales personnel, then we are incurring more expenditure. Therefore, the number of sales person should be optimal. To find the optimal size there are three methods:
   (a) Work Load Method
   (b) Incremental Method
   (c) Sales Potential Method.
3. ***The organisation and design of sales department:*** There are three types of organisations:
   (a) Functional Organisation
   (b) Management Organisation
   (c) Territorial Organisation.

   Which type of organisation to follow will depend on our choice.
4. ***The territory design:*** There are a number of ways to design a territory.
   (a) *Clover Leaf design of territory:* Here the territory is designed in the form of a clover leaf.
   (b) *Hop Scotch Method:* Here the territory is designed in the form of spokes which radiate form the hub (residence).
5. ***The recruitment and training procedure:*** This deals with recruitment and training of the people. The recruitment could be within or outside the organisation. Similarly, training could be on the job training, off the job training and classroom training.

Notes

6. ***The task allocation:*** Tasks are allocated depending upon the capabilities and capacities of the sales personnel.
7. ***The compensation of sales force:*** Compensation includes salary benefits, profits and perks. Demographic characteristics are taken into account for this. Then there are fringe benefits also.
8. ***The performance appraisal and control system:*** It is important to know how much work is being done by the sales personnel. To facilitate this, appraisal systems are devised.
9. ***The feedback mechanism to be adopted:*** Feedback is taken from sales personnel, dealers and consumers about product and sales. On the basis of this feedback, planning is done.
10. ***Managing channel relationship:*** We not only decide on selection of channels but also decide how it is going to be managed.
11. ***Coordinating with other marketing departments:*** A sales personnel can't work alone. He has to take help from all the other departments.

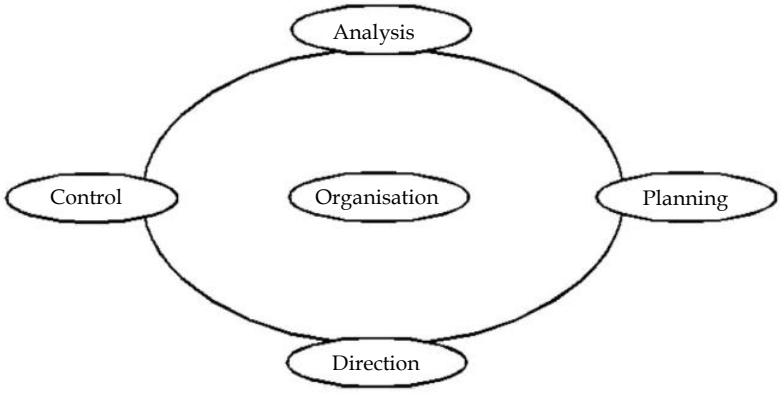
Task Design a sales and distribution program to promote a Fruit Juice.

Notes Point of sale (POS) also sometimes referred to as Point of purchase (POP) or checkout is the location where a transaction occurs. A "checkout" refers to a POS terminal or more generally to the hardware and software used for checkouts, the equivalent of an electronic cash register.

1.6 Sales Management Cycle

A sales manager looks after and manages a firm's personal selling functions. Sales management deals with analysis, planning, organising, direction and control of the company's selling activities. This constitutes a cycle shown below.

Figure 1.1: Sales Management Cycle



Notes

Analysis

This involves probing into the sales records of the company, analysing the reports of sales people, investigation of marketing trends and other environmental factors.

Planning

It involves setting objectives of the firm's sales efforts, formulation of sales strategies and policies in order to achieve those objectives.

Organisation

It involves determination of the structure of the sales force and delegation of authority which is supposed to be necessary to achieve the organisation's objectives.

Direction

It involves proper supervision and implementation of the plans with the help of proper communication, motivation and leadership.

Control

It involves comparison of the actual with the desired results, finding out reasons for deviation and taking corrective actions accordingly.

Task Using Internet search tools contact 50 customers of two sales organisations with different sales organisations and record how organisations provide different services to customers.

Caution Sales training may not provide lots of benefits in my industry.

Sales training can boost sales results in most industries provided the program is tailored to that industry and the client company. In particular, if you are experiencing any of the following, sales training can usually provide substantial benefits.

Self Assessment

Multiple Choice Questions:

12. This involves probing into the sales records of the company, analysing the reports of sales people, investigation of marketing trends and other environmental factors.

    (a) Analysis (b) Dialysis

    (c) Audit (d) Benefits

13. It involves determination of the structure of the sales force and delegation of authority which is supposed to be necessary to achieve the organisation's objectives.

    (a) Sales Management (b) Organization

    (c) Marketing (d) Personnel Selling

Notes

14. To bring together the offering of the market and of the customer

    (a) Suspecting (b) Offers

    (c) Collaborate (d) Prospecting

15. This is to make the customer aware of the product

    (a) Word of mouth (b) Promotion

    (c) Production (d) Awareness

1.7 Responsibilities of a Sales Manager

Sales management involves a number of responsibilities. It is the income producing division of a business. The sales manager is responsible for:

1. Providing profit contribution
2. Creating a proper image for the company and it's products/services
3. Achieving the sales targets of the organisation
4. Satisfying the customers and participating in marketing activities
5. He is responsible to the customer and society for continuing growth of the organisation.

He has multifarious activities, including setting goals and achieving them, building sales organisations and managing them.

These multifarious activities can be listed exhaustively as below:

1. Identification of sales strategy.
2. Defining the personal selling objectives of the firm.
3. Formulating the sales policies.
4. Deciding the type of the sales force.
5. Deciding the size of the sales force.
6. Designing the sales territories for effective coverage of the area.
7. Developing a sales organisation.
8. Fixing sales quotas and targets.
9. Creating the sales force – i.e., recruitment, selection and orientation of the sales force
10. Managing the sales force:
    (a) Compensation
    (b) Motivation
    (c) Supervision
    (d) Monitoring and performance evaluation
    (e) Training
    (f) Development
11. Sales budgeting and reporting.
12. Organising sales displays.

Notes

13. Coordination and Control:
    (a) Coordinating external and internal activities
    (b) Coordinating with distribution network
    (c) Coordinating and implementing overall marketing strategy.

Caselet

Distribution

A was a partnership firm which started with humble beginnings. The firm sold its goods in a restricted market which was situated about a thousand miles away from the manufacturing plant. The firm had a turnover of ₹ 2 crores and increased its sales through product development, proper distribution and greater market coverage. The company was operating in a niche.

The methodology of the firm was to send salesmen to the market and get orders from wholesalers of repute. Gradually the product gained partial monopoly in those areas the consumers accepted and demanded the product. The system of getting orders from dealers of any districts was paying off well.

However, sometimes there was a shortage of goods. It took more than 20 days for goods to reach their destination. The bill was sent through the bank and the entire transaction took more than a month to materialise. The dealers were keen to place orders and the number of dealers, the company dealt with directly was reaching enormous proportions because the dealers placed small orders which lasted for a small time. All this put a great load on the working of the head office of keeping records of individual dealers and sending reminders to them for payment and reorder. The firm proposed one of the dealers to take the entire agency of the area as an exclusive distributor. These exclusive distributors were appointed by the firm at a distance of 200 kms away from each other.

The system worked well, the burden of the firm was reduced and it could maintain greater control with lesser staff. Only a few salesmen were required for supervising and registering complaints and suggestions. Distribution cost also went down, but higher commission was given to dealers. The sales went up by about 30%. The exclusive dealers employed their own sales team to get a greater volume of business. These salesmen were local residents of the area and operated from their own cities where they resided.

1.8 Summary

- The importance of marketing problems was realised only after the industrial revolution which started in England in 1760 and immediately thereafter in United States.
- Marketing management is a broader concept and sales management is a part of marketing management.
- Sales Force are found in both profit and non-profit making organisations.
- The organizational structure for sales management varies depending on the firm's size and strategy.
- Sales managers typically start out as salespeople, working their way to the top with strong leadership and organizational abilities.

Notes

- Sales and distribution management is the most important part of marketing management.
- Feedback is taken from sales personnel, dealers and consumers about product and sales.
- Sales Management is the income producing division of a business.
- A sales manager looks after and manages a firm's personal selling functions.

1.9 Keywords

Contacting: To find and communicate with the prospective buyers.

Negotiating and Transaction: There can be certain negotiations in prices. For example, lump-sum, installments, etc. Transactions also mean ownership transfer.

Physical Distribution and Collection: Physical distribution means actual transfer of possession. It includes transportation, warehousing and inventory control. It also includes installation. For example, the food must reach the destination timely and safely.

Promotion: This is to make the customer aware of the product. The promotion must show that the product can provide customer satisfaction, i.e., he should get good value for his money. Proper promotion should have customer generating potential.

Prospecting: To bring together the offering of the market and of the customer.

Task Allocation: Tasks are allocated depending upon the capabilities and capacities of the sales personnel.

1.10 Review Questions

1. Why did the firm not succeed by dealing with individual dealers instead of exclusive ones?
2. The firm feels that by appointing exclusive distributors it is losing control over the market and foresees trouble in the future regarding the firm being forced to play in the hands of these exclusive dealers. Comment.
3. What are the objectives of Sales Management?
4. Describe about Exchange Process in Sales Management.
5. Explain about Interdependence of Sales and Distribution.
6. Describe about Sales Management Cycle.
7. Discuss about the ways by which Exchange can take place.
8. What do you mean by Marketing Sales Management?
9. What are the Key Decision areas in Sales Management?
10. Define Planning and Organization.

Answers: Self Assessment

1.	Sales	2.	Sales Force
3.	Broader	4.	Organizational
5.	Directing	6.	Commercial

Notes

7. True
8. False
9. False
10. True
11. True
12. (a)
13. (b)
14. (d)
15. (b)

1.11 Further Readings

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Unit 2: Personal Selling

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Objectives

After studying this unit, you will be able to:

- Define Personal Selling;
- Discuss the advantages of personal selling;
- State the diversity of selling situations;
- Describe the new approaches in selling.

Introduction

Personal selling is a part of communication mix (other elements of which are advertising, sales promotion, public relations, direct mail and exhibitions). It is concerned with persuasive communication. A sales person in personal selling tries to persuade the prospect so that he can take a decision to acquire the product/service which the sales person is talking about. It is a major factor in creating sales volume. It brings human element into marketing transactions and increases the customer's confidence in the supplier.

Notes

2.1 Definition

"The oral presentation of a company's products, or services to one or more prospective purchasers for the purpose of making a sale". It is the art of successfully persuading prospects or customers to buy products or services from which they can derive suitable benefit thereby increasing their total satisfaction, i.e., delight.

The terms personal selling and salesmanship have different meanings. Salesmanship is a seller initiated effort that provides prospective buyers with information and motivates them to make favourable decisions concerning the seller's product or services. Personal selling on the other hand is a two-way communication involving individual and social behaviour. It aims at bringing the right product to the right customer. It is used for creating product awareness, stimulating interest, developing brand preference, negotiating price, etc.

Personal selling is used extensively in complex and highly technical products like computers, electronic typewriters, digital phones, microwaves, aquaguard, remote controlled appliances, etc. It is used for selling to industrial consumers who may be having technical queries and want to purchase in bulk. The increase in competition from foreign and domestic sources has increased the importance of personal selling.

The salesman acts as a catalyst and consultant to the customer by providing information and benefits of the products. He also works out the details, manner and timing of giving physical possession to the customer. Personal selling is basically used during the product launching stage when a firm cannot afford a large expenditure for advertising. Thus, personal selling is an integral part of communication mix. It becomes important because it educates the consumer and makes him understand the special functions and attributes of the product.

Personal selling is a tool for building up buyer's preference, conviction and action. The reason is that personal selling when compared with advertising, has three distinct benefits.

Did u know? The main objectives of personal selling would be in any organisation to increase the sales volumes, increase of sales revenue, reduce the cost of sales, and increase the number of distribution channels to gain corporate clients, increase sales per person and number of sales points.

Self Assessment

Fill in the blanks:

1. Personal selling involves persuading ..... to buy the goods.
2. The ultimate objective of personal selling is ..... .
3. The most important element of personal selling is ..... interaction.
4. Supply of information to customers makes personal selling an ..... process.

Personal Confrontation

Personal selling involves an alive, immediate and interactive relationship building between two or more persons. Each party is able to observe the other's needs and characteristics at close hand and make immediate adjustment.

Notes

Cultivation

Personal selling permits plenty of relationships to spring up, ranging from a matter-of-fact selling relationship to deep personal friendship. Effective sales representatives will normally keep their customers best interest at heart if they want to maintain long term relationship.

Response

Personal selling puts the buyer under some obligation for having listened to the sales talk. The buyer has the greater need to attend and respond, even if the response is a polite "thank you".

These distinctive qualities come at a cost. A sales force represents a greater long term cost commitment than advertising. Advertising can be turned on and off, but the size of sales force is much difficult to alter.

Advantages

Following are the advantages of personal selling because of which it is the most commonly used promotion tool:

1. Ability to close sales.
2. Ability to hold customer attention.
3. Immediate feedback and two-way communication.
4. Presentation is tailored to individual needs.
5. Ability to target customer precisely.
6. Ability to cultivate relationship.
7. Ability to get immediate action.

Disadvantages

Despite all these advantages of personal selling, it is not without disadvantages because of which sometimes companies may hesitate to adopt personal selling as a promotion tool.

1. High cost per contact.
2. Inability to reach some customers effectively.

Example: A good example of personal selling is found in department stores on the perfume and cosmetic counters. A customer can get advice on how to apply the product and can try different products. Products with relatively high prices, or with complex features, are often sold using personal selling. Great examples include cars, office equipment (e.g. photocopiers) and many products that are sold by businesses to other industrial customers.

2.2 Situations Conducive to Personal Selling

Product Situation

1. When a product is of high unit value, e.g., refrigerator, TV, etc.
2. When a product is in the introductory stage of its PLC.

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3. When a product has to match specific consumer needs.
4. When product requires demonstration, e.g., industrial products.
5. When product requires after sales service.
6. When product has no brand loyalty or poor brand loyalty.

Marketing Situation

1. When a company is selling to a small number of buyers who are buying a product of high value.
2. When a company sells in small local markets or government or institutional markets.
3. When desired middlemen or agents are not available.
4. When an indirect channel of distribution is used for selling to merchant middleman.

Company Situation

Personal selling is more effective and economical when:

1. The company is not in a position to identify and make use of any communication media.
2. A company does not have a large advertising budget.

Consumer Behaviour Situation

Personal selling is more effective when:

1. Goods purchased are of high value and less frequently purchased.
2. Consumer needs instant answers to his questions.
3. Persuasion and follow up is required in the case of competition.

2.3 Strategies used by Salesman

With the increasing importance of personal selling in recent times the strategies of sales person have changed considerably - from being a fast talker to a consultant.

Caution Most forms of personal selling require the sales staff be extensively trained on product knowledge, industry information and selling skills. For companies that require their salespeople attend formal training programs, the cost of training can be quite high and include such expenses as travel, hotel, meals, and training equipment while also paying the trainees' salaries while they attend.

Communication Strategies

It is the lowest level of personal selling. Sales representatives communicate about the product or service offered. Strategy is walking more and talking more. This has little use as communication can be done by press, radio, television, etc.

Notes

Persuasion Strategies

Here the sales representative understands the needs of the customer and goes beyond the role of a communicator. The salesman tries to fill the customer about the existing product or service mix and skillfully overcomes objections.

Negotiation Strategies

Product and commercial terms are adjusted to meet customer's needs. At this stage the customer's needs are analysed and understood and how these needs can be met is worked out. At this point consultative selling begins.

Client Profit Planning Strategies

It is applicable in industrial product selling. The sales person is put to work with the client team to understand the profit planning system, product finance, marketing, R&D so that a product meeting the needs of the consumer could be developed.

Self Assessment

State Whether True or False:

5. Personal selling helps manufacturers to improve their products based on suggestions made by sellers.
6. Customers do not have immediate solution of their problems regarding a product from the salesman.
7. Personal selling leads to creation of new customers only for the existing products.
8. Better use of product is not the result of personal selling.
9. Customers can not make complaint to the salesman about a product.
10. Knowledge of product is not necessary to make one a good salesman.
11. A good salesman should have imagination, initiative and alertness.
12. It is not necessary for a good salesman that he must be accepted by the society.
13. A good salesman should be loyal to the consumer but not to the employer.
14. Impressive voice, good appearance and sound health has no place in qualities of a good salesman.

2.4 Business Management Strategies

At this stage the sales person manages the territory as a strategic business unit.

Territory representative along with sales manager and accounts manager develop business strategies to meet the objectives of the organisation. The salesman becomes a consultant and looks to the long term needs of the customer.

Relationship strategy: Besides selling goods to the consumer a relationship is built with the consumer over a period of time. A builder for instance may develop a relationship with the customer for mutual gain. The builder of flats may offer a new apartment to the customer in a desired area and also help the customer in disposing off his earlier assets to that the customer

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finds it easy to transact with the buyer. This may go on for years and the relationship lasts when both the seller and the buyer are satisfied. This then turns into a win strategy when both are gainers at the deal.

Instant service strategy: In this strategy the needs of the customers are satisfied instantly. E.g. fast food centers, service of cars, providing transportation till the car is under repair. Sending service engineers for immediate repairs. Reaching fast food (pizza) within a few minutes to your house for a party. Supplying custom made products instantly.

Creating customer: To create a customer a sales person must adopt an attitude towards the concern of the customer. He should listen more and talk less. He should present benefits of the product and provide buying opportunities. He should allow questions for discussions and remove objections if any. This helps in creating a customer.

Task While buying any goods and services, carefully notice the behaviour of the salespersons and note down the various qualities he/she posses.

2.5 Diversity of Selling Situations

There are a variety of selling situations. Different selling jobs require different tasks and activities. For example, Job of selling a soft drink is different from selling a computer.

Delivery Sales Person

The primary job of a delivery sales person is to deliver the goods to the customers. The selling responsibilities are secondary. Good service, pleasant personality and good behaviour adds to the service, e.g., Milkman, paper vendor.

Inside Order Taker

The person behind the counter is the inside order taker. The customer comes to him and is taken care of, e.g., the sales clerk behind the neckwear counter in a men's store.

Outside Order Taker

The seller of consumable products calling on the retailer is an outside order taker. He books the orders and gets them supplied to the shop.

Missionary Sales Person

They are not expected to take an order but build goodwill for the company. They educate the users as in the case of medical representatives.

Creative Sales Person of Tangible Products

In creative selling for tangible vacuum cleaners, automobiles, encyclopedias, consumer durables products and the like the job of sales person is different. He has to create an awareness about the product how can it serve the user's needs in a better manner. When the product is of a technical nature it may become technical selling.

Notes

Creative Sales Person of Intangible Products

Sales of insurance, advertising services, consultancy services, educational programmes, requires creativity of the sales person. It is more difficult to sell as the benefit's can't be seen tangibly.

Changing Role of a Salesman

To facilitate the various roles of sales persons, they can be categorised as:

1. Consultative sales
2. Technical sales
3. Commercial sales
4. Direct sales.

Caselet

Suzuki may use Idle MUL Line for Scooters

Suzuki is considering using Maruti Udyog's Gurgaon facility for its proposed two-wheeler venture in India by converting one of the idle car lines into a two-wheeler line. MUL may then lease out the facility or sell it to Suzuki Motor. MUL has a total of three car manufacturing lines at its Gurgaon facility. However, a recent reorganisation resulted in one of the lines becoming idle. According to sources, Suzuki has already started the trial run for the production of scooters on this idle line.

However, when contacted, the Maruti spokesperson denied any such move by its Japanese parent, though he added, "there is now no difference between Suzuki and MUL as far as major strategic decisions are concerned." According to industry observers, though, Suzuki has the option to invest in a brand new facility to manufacture two-wheelers, it makes commercial sense for the Japanese major to leverage its majority holding in MUL.

"It would save Suzuki a lot of money and time if it piggybacks its two-wheelers venture on Maruti's extensive infrastructure," says a senior officer of a domestic two-wheeler company. The two-wheelers which are to be sold under Suzuki brand would be launched in the domestic market only after March 2004 as specified in its separation agreement with the TVS group. Suzuki has been permitted to re-enter the two-and three-wheeler market.

Questions

1. Do you think it will be possible to sell Suzuki two-wheelers when there is stiff competition from other established brands?
2. Justify the action of the leading car unit to go for diversification.

Consultative Sales

This occurs at higher levels of organisation e.g., computer consultancy, etc., high capital is involves. The salesman adopts a low key, low pressure approach. He has strong knowledge of the product. Patience to discuss the product with several people in the organisation is required along with creative effort in slack times without appearing to exert pressure on the prospect.

Notes

Technical Sales

The technical sales compulsorily requires a good knowledge of the product by the sales person. It requires the approval of TECHNICAL people in the organisation. In the end it is one or two people with technical knowledge in the organisation who influence the decision. The sales persons have to identify and satisfy them with product characteristics, application, installation processes, etc. The sales person are trained to use traditional approach and know the utility and features of the product.

Commercial Sales

It includes non-technical sales to business industry, government and non-profit organisations, e.g., office equipments, wholesale goods, building products, etc. Commercial sales person makes the sales on first or second call.

Direct Sales

Sales of product to ultimate consumer, e.g., restaurants, door to door sales, insurance, encyclopedia, magazines, etc. There is emotional appeal in such type of selling. The sales persons must have persuasive ability. They are trained to close the sale on first visit. If given time they may buy from competitors or cool off and postpone buying.

2.6 Buyer Seller Dyads

Dyad is a situation where two people interact. The sales person and the prospect interacting with each other constitute a buyer-seller dyad. The seller seeks to motivate the buyer to behave favourably towards the seller. This interaction has a great impact over the buyer. This is even much greater when the salesman has product knowledge, honesty, follow up, good and proper presentation.

Franklin Evans researched buyer-seller dyads in the life insurance business. He found out that the prospects who bought insurance knew more about sales persons and their companies and felt more positively towards them. The more alike sales persons and their prospects were the greater was the probability that the sale would result.

Evans' findings have significance for sales management. He concluded that:

1. Prospects who know the sales persons and their companies were more positive about buying than those who did not know them.
2. If the sales person and buyer were alike in their physical appearance, objective factors (income, education, religion, etc.) and other personality factors, there were more chances that a sale would result.

Then Henri Tosi studied whole sale drugs sales people and retail pharmacists and concluded that besides the factors given by Evans, the behaviour of sales people was also an influencing factor in buyer-seller dyad relationship. Studies conducted on the attitude of buyers reveal that sales person's lack of product knowledge, failure to follow up, uninfluential presentations, flattery, bad manners, dishonesty are the major causes of failure of sales. According to Henry Tosi, behavioural factors of sales people are most influencing factors in buyer-seller dyad relationship. A conceptual model has been made in this regard.

The sales process is influenced both by the sales person and the buyer by their personal characteristics and role requirements. The personal characteristics include personality, values, attitudes and past experience. Formal authority and organisational autonomy interact with

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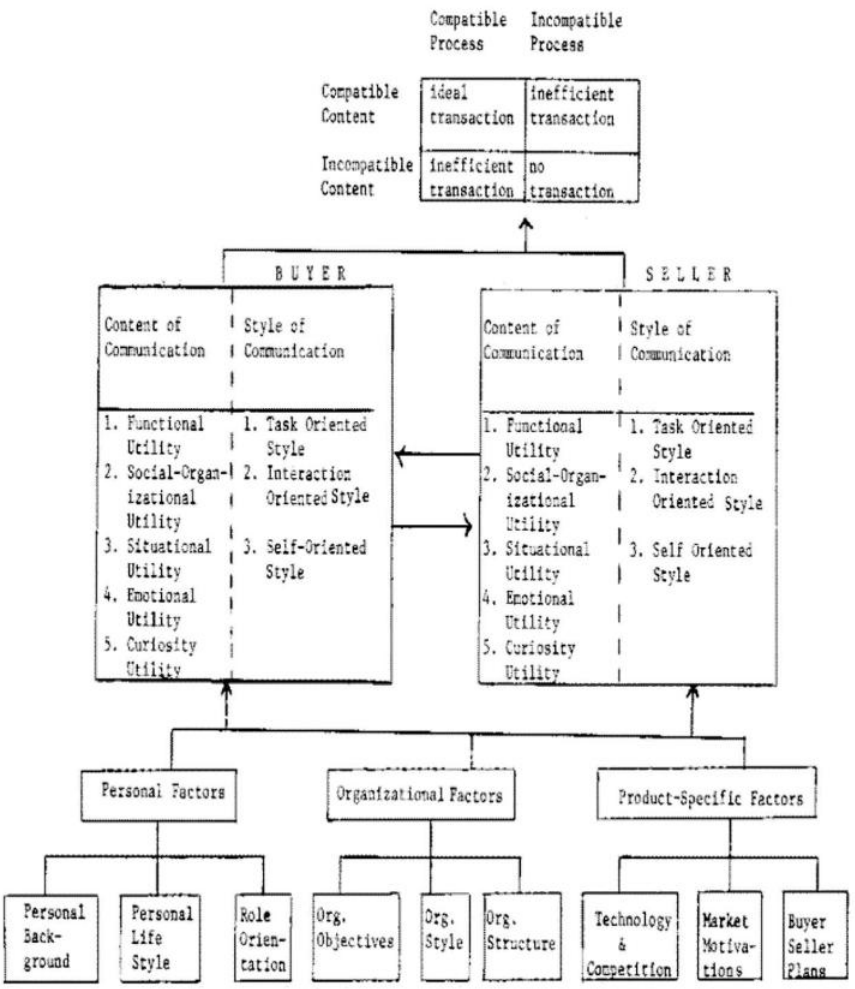
personal characteristics to shape needs and expectations. Based on needs and expectations, seller and buyer develop a strategy aimed at negotiating a favourable exchange. The strategy may be of persuasion, integration, communication of facts or offers, friendship and other elements. If strategies are compatible, exchange takes place, otherwise sales person and buyer stop interacting. They may even adapt themselves by adjusting needs and expectations, sometimes adjustment is not possible, i.e., in case of reduction of prices which may be against the company policy. When a negotiation is terminated whether as a success or a failure, it becomes an input into the future interaction of sales person and the customer.

Figure 2.1: Buyer Seller Dyads



Source: http://www.acrwebsite.org/volumes/v03/03383f01.gif

Notes Selling is only the tip of the iceberg "There will always be need for some selling. But the aim of marketing is to make selling superfluous. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed is to make the product or service available." Peter Drucker.

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2.6.1 Choice of Basic Selling Style

All sales people in some situations seek orders aggressively but in others they need only take orders coming their way, the relative emphasis on order taking and order getting varying in different selling environments. The driver sales person for a soft drink bottling company is primarily an order taker because the product has been strongly pre-sold to consumers and the orders come forth automatically. This depends on whether the manufacturer relies heavily on advertising and channels of distribution because then the role of the sales person is passive as he acts as an order taker and only incidentally as an order getter. On the other hand if advertising is used mainly to back up personal selling there are a minimum number of channels and the sales person's main job is to get orders and he has to be very active.

In industrial goods marketing, the "sales engineer" plays two major roles:

1. Advisor to middlemen and customers on technical product features and applications.
2. Design consultant to middlemen and industrial users on installations or processes incorporating the manufacturer's products.

Differences in marketing factors cause each company to have individualised requirements as to the kind of sales person it employs. However, sales job roles can be grouped into four basic styles that cut, to a large degree, across industry and company boundaries: trade selling, missionary selling, technical selling and new-business selling.

2.6.2 Trade Selling

The trade sales person develops and maintains long term relations with a stable group of customers. For the most part, this is low-key selling, with little or no pressure, and the job is dull and routine. This selling style applies primarily to products that have well established markets. Advertising and other forms of promotion are vital to overall marketing strategy than is personal selling.

Missionary Selling

The missionary sales person's main job objective is to increase the company's sales volume by assisting customers with their selling efforts. The missionary sales person is concerned only incidentally with securing orders, since orders result from his primary public relations and promotional efforts with customers of the customers (indirect customers). Missionary selling, like trade selling, is low-key and does not require high level technical training or ability.

Technical Selling

The technical sales person deals primarily with the company's established accounts and the main objective is to increase their volume of purchase by providing technical advice and assistance. The technical sales person performs advisory functions similar to those of the missionary sales person but, in addition, sells directly to industrial users and other buyers. In this selling style, the ability to identify, analyse and solve customers' problems is important.

New Business Selling

The new business salesman's job is to find and obtain new customers, i.e., to convert prospects into customers. These sales persons should be unusually creative and ingenious and possess a high degree of resourcefulness.

Notes

The acid test of the appropriateness of the personal selling strategy comes when particular sales people interact with particular customers. Management makes its first key decision on personal selling strategy when it determines the kind of sales person needed. It makes its second key decision when it determines the size of the company sales force. But after these decisions are implemented-after the desired number of the desired kind of sales personnel have been recruited, trained and assigned to the field - each sales person must individualise his own dealings with each customer.

Regardless of the fact that the sales person is an order getter or order taker and regardless of the basic selling style, the extent of the sales person's success depends on the outcome of interactions with the customers. Each time a particular sales person comes into contact with a customer, he says certain things, does certain things and behaves and reacts in certain ways to what the customer says and does. All this generally does vary from one sales call to the next.

The nature of variation in the sales person's approach to each customer is a matter of selling skill. This skill is a function of both how good the sales person's pre-planning of each sales call has been and performance on the call itself. In doing the pre-planning, the skilled sales person analyses a great deal of information about the customer and the nature of the business. What are the customer's key objectives and problems? Who in the customer's organisation makes and influences buying decisions and what are their aspirations, needs, motives, fears, anxieties, drives and the like?

After these and similar items of information, the skilled sales person sets definite goals to accomplish on each call. Next he plots the selling strategy to use on each successive call in an effort to achieve these definite goals, i.e. what the sales person plans to do and when. Then the sales person makes the scheduled sales calls. If all goes according to the plan, the sales person achieves the goals set for each call, and thus he contributes to the achievement of the company's overall personal selling objectives.

2.7 New Approaches in Selling

Changes are taking place rapidly in selling and sales management. In order to bring down the cost of personal selling, companies are tying to tele marketing and other direct selling methods.

Buyers are becoming more sophisticated, knowledgeable and demanding. They want to deal with those people who have product knowledge and experience.

The intermediaries want help in determining inventory levels' preparing trade advertising and planning, displays and layouts. Customers want presentations based on facts, products and services that help them to solve their problem.

The Sales person just doing the talking and smiling is out of date. Therefore, the emphasis is on developmental roles, team selling, selling through computer and Market Information System (MIS) as well as on tele marketing. Today the demand is for those sales persons who are qualified, trained, capable to sell and can make long term problem solving relationship with the prospects. It requires the recognition of their service and rewarding them adequately for their efforts.

Team Selling

It is done for large customers and in multinational firms because the intricacies involved in selling are so extensive that no individual sales person can satisfy them. To serve these customers known as national a/c or key accounts, companies train a team of service personnel, each of them has special experience and skills needed for specific account. The team is coordinated and

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supervised by a senior person known as national account manager. This is practiced by AT & T, Xerox and a number of the MNCs. Other changes are brought by the application of computers in selling. Computers are used to qualify prospects, to maintain customer records and place their sales call. Sales targets are fixed and performance is measured against these targets.

2.8 Market Information System

The field sales force is a valuable source of information. Sales people acquire data regarding the likes and dislikes of customers and their inventory levels. They also give advice on promotional activities, future purchasing plans of customers and company's image. The information is also sought regarding the competitors and their plans. This is also done by maintaining good relations with competitors' sales force. And in this context the sales manager becomes an essential link in a chain of communication that passes to and from the top management.

2.8.1 Direct Marketing

Direct marketing is an emerging form of distribution and promotion that combines elements of personal selling and advertising. It is an interactive communication. It is done by mail, telephone or by electronic media to establish direct relationship with customers. It can be done for specific and immediate action when desired. Currently communication and computer technology have come together to give birth to telemarketing – a very powerful cost effective tool for business to reach target customers and business markets. The rapid growth of telemarketing is the result of its cost advantage. It delivers individual selling message to specific prospects at an affordable cost.

Direct marketing is targeted marketing. There is a measurable response and a feedback is built into every direct marketing activity.

Direct Mail

The oldest form of direct marketing known as "mail order". It came into existence when rail, road and postal system developed. Of late, mail order has considerably improved and is appealing to more shoppers who are dissatisfied with traffic congestion, long lines and impersonal service. The direct mail is used extensively through catalogues, magazines and newspapers. The organisations using this method are insurance companies, credit cards, charitable agencies, book publishers, etc. Recently traditional department store chains have turned to direct mail to stimulate sales.

Telemarketing

It emerged during the 1980's as the second major direct marketing technique. Marketers encouraged consumers to use toll free telephone numbers to purchase products in the comfort of their homes. Catalogue marketers, departmental and specialist stores, airlines, hotels, rental car companies and other travel agencies urged the consumers to call toll free numbers. These applications are known as inbound telemarketing.

Outbound telemarketing is the second approach in telemarketing. This involves contacting buyers directly on phone for selling merchandise. Many banks use this approach to sell retirement accounts and financial products. Other major users of outbound tele marketing are colleges, medical research organisations and other non-profit groups for soliciting contributions.

Notes

Case Study

Personal Selling

Arun Lal, a sales representative of a progressive company was doing brisk business by cold calling. He would randomly pick any building and start chatting with secretaries collecting information which provided him with valuable names and designations which made his calls less cold.

Arun Lal would make around 30 calls per day which includes about 4 presentations. He has been a salesman for over 15 years and has made about 15000 calls in his career. His secret of success in cold calling was alertness and fast thinking. He would assure that every prospect was a decision maker and could give him business.

In contrast to this, Madan Mohan working for a telemarketing company would make unsolicited telephone calls with potential customers. He would use various marketing tactics to persuade these customers to buy or at least be interested in the product. If calls seemed interested they were transferred to another section of employees as qualifiers.

These qualifiers evaluated the prospect's investment objectives, willingness to accept following calls and financial ability.

A set of 20 telemarketers made about 9000 initial contacts and opened about 35 accounts in a 4 day period.

The Government has passed a regulation and put restrictions on unsolicited telephone calls to customers. This was done on the instance of many complaints received from customers who did not want to receive telemarketing calls and are critical about this procedure.

Auto dialing by computers to hospitals and other institutions were a great distraction as these organisations needed open lines. Some rule makers are also of the opinion that unsolicited sales calls be banned where the caller has to sort the bill in case of phones, others want to ban calls at homes.

Cold calling is often unpopular but it can be effective if there is some benefit to the customer in case of information about some schemes or discounts.

Arun Lal is trying to get sales by dynamic personal selling which requires positive bent of mind. In case of Madan Mohan the focus is organised modern technology. Both sales person are for the time being engaged in cold calling, showing that cold calling is very much alive at the moment.

Questions

1. Compare and contrast cold calling between the 2 salesmen.
2. Which of the two companies is going to be affected by new rules?
3. Which of the patterns of cold calling would you prefer?

2.9 Summary

- Personal selling is a part of communication mix.
- Personal selling involves an alive, immediate and interactive relationship building between two or more persons.
- Personal selling is a tool for building up buyer's preference, conviction and action.

Notes

- Territory representative along with sales manager and accounts manager develop business strategies to meet the objectives of the organisation.
- The primary job of a delivery sales person is to deliver the goods to the customers.
- The seller of consumable products calling on the retailer is an outside order taker.
- Buyers are becoming more sophisticated, knowledgeable and demanding.
- Personal selling permits plenty of relationships to spring up, ranging from a matter-of-fact selling relationship to deep personal friendship.
- The sales person and the prospect interacting with each other constitute a buyer-seller dyad.
- Direct marketing is an emerging form of distribution and promotion that combines elements of personal selling and advertising.

2.10 Keywords

Delivery Sales Person: The primary job of a delivery sales person is to deliver the goods to the customers. The selling responsibilities are secondary. Good service, pleasant personality and good behaviour adds to the service, e.g., Milkman, paper vendor.

Direct Marketing: Direct marketing is an emerging form of distribution and promotion that combines elements of personal selling and advertising. It is an interactive communication. It is done by mail, telephone or by electronic media to establish direct relationship with customers.

Inside Order Taker: The person behind the counter is the inside order taker. The customer comes to him and is taken care of, e.g., the sales clerk behind the neckwear counter in a men's store.

Missionary Selling: The missionary sales person's main job objective is to increase the company's sales volume by assisting customers with their selling efforts. The missionary sales person is concerned only incidentally with securing orders, since orders result from his primary public relations and promotional efforts with customers of the customers.

Team Selling: It is done for large customers and in multinational firms because the intricacies involved in selling are so extensive that no individual sales person can satisfy them. To serve these customers known as national a/c or key accounts, companies train a team of service personnel, each of them has special experience and skills needed for specific account.

Technical Selling: The technical sales person deals primarily with the company's established accounts and the main objective is to increase their volume of purchase by providing technical advice and assistance.

Trade Selling: The trade sales person develops and maintains long term relations with a stable group of customers. For the most part, this is low-key selling, with little or no pressure, and the job is dull and routine. This selling style applies primarily to products that have well established markets.

2.11 Review Questions

1. What is meant by personal selling?
2. State the essential elements of personal selling.
3. Describe the situations conducive to personal selling.
4. Describe the different qualities of sales person engaged in personal selling.
5. What are the occupational Qualities of Sales person engaged in personal selling?

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6. Explain the importance of personal selling from the point of view of manufacturers.
7. Describe the importance of personal selling from the view of customers.
8. Discuss the diversity of selling situations.
9. 'A salesman need not possess any quality if the product is good'. Do you agree with the statement? Give reason.
10. State the physical and mental qualities of sales persons engaged in personal selling.
11. Do you think that to be a successful salesperson only personal and mental qualities are sufficient? Give reasons in support of your answer.

Answers: Self Assessment

1.	Customers	2.	To promote sell of products.
3.	Face to face	4.	Educative
5.	True	6.	False
7.	False	8.	False
9.	False	10.	False
11.	True	12.	False
13.	False	14.	False

2.12 Further Readings

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Unit 3: Process of Personal Selling

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3.7 Summary

3.8 Keywords

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Objectives

After studying this unit, you will be able to:

- Describe the pre approach and call planning;
- Discuss the steps in Selling Process;
- Describe the handling of objection and closing the sales.

Introduction

Personal selling is all about locating a potential buyer, making an effective sales pitch and getting the order. But simple as it may seem, personal selling is, in fact, a complex communication and learning process for both the sales person and the prospective customer. While making a sales 'pitch' the sales person can have either a sales oriented approach which involves high pressure selling techniques (such a technique is used in selling encyclopedias or automobiles) or the customer oriented approach whose crux lies in consumer problem solving. Here the sales person tries to identify customer needs and comes up with sound product solution.

There are many different ways to go about making a sale, since every sales person has his unique manner of attaining the objectives.

3.1 Prospecting, Identifying and Qualifying

The planning work which is essential in eliminating non-buyers is called prospecting. The most important part of the entire selling process lies in locating the most promising prospects. The

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first step is to identify the prospects, while the second is to find the qualified potential customers and establish their validity. The removing of suspects from the list of prospects is also an important part of the job.

Identification of Prospects

Identification of prospects is a taxing job and every sales person should try to collect information about the potential customers from all available sources. Some of the sources and techniques employed for finding prospects are as follows:

Current Customers

The current satisfied customers act as one of the best source of prospective customers. Besides they are also easier to attract while selling additional goods and services.

Referrals of Satisfied Customers or Endless Chain

The satisfied customers act as a good source of referrals; sales persons ask the existing satisfied customers for names of relatives, friends or business associates who might need similar product or service. When the sales person contacts these prospects for sale they provide further information or referrals regarding more potential customers. Thus, the process continues and hence is called the 'Endless Chain'. Such a source has been employed for selling Reader's Digest.

Centre of Influence

This technique is based on referrals by a person, who has information about other people or an influence over them. Such a person can help a sales person to identify good prospects. Some of the categories of people to whom such persons belong are housewives, bankers, local politicians, etc.

Spotters/Sales Trainees

Sometimes a company employs sales trainees specifically for helping the sales persons identify the prospects. The sales trainees are referred to as 'spotters'. This greatly helps in reducing the time and effort required for qualifying a prospect by the sales person alone.

Cold Canvassing

This technique basically involves calling on a potential customer without any prior appointment. Here, the sales person just goes in and introduces himself to the prospect and inquires about the need of the product or service by the prospect. But this technique involves a lot of time and effort as a large number of calls do not materialize.

Directories

Directories are an abundant source of finding potential customers. Besides the regular telephone directories, membership directories of trade associations and professional societies or civic and social organisations are a good source for prospects.

Mailing List

Certain organisations compile lists of persons and organisations for direct mail advertisers, pamphlets, etc. Such lists can also be employed to identify sales prospects. One leading advantage

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of this source over the directories is that the mailing lists are often more current and more selective than directories.

Trade Shows, Exhibitions, etc.

More and more companies have started participating in trade shows, exhibitions, etc., since not only can they advertise and promote or sell their product but can also gain valuable market information about customers and prospective buyers. Thus, information from such trade shows and exhibitions can act as a good source of identifying prospects.

Did u know? Personal selling is the most expensive form of advertising and to be effective one should use a step by step process to gain the most benefit. Personal selling can adjust the manner in which facts are communicated and can consider factors such as culture and behaviour in the approach.

Self Assessment

Fill in the blanks:

1. ..... is all about locating a potential buyer, making an effective sales pitch and getting the order.
2. Pre approach is based on the principle of the marketing concept that stresses ..... .
3. The ..... should incorporate the information about the customer while planning for the presentation.
4. The current satisfied customers act as one of the best source of ..... customers.
5. Demonstration forms the core of the ..... process.
6. Prospects usually show resistance against buying products by pointing out real or ..... hurdles and by voicing objections.

Qualifying the Prospects

An excellent sales presentation will fail when it is delivered to a person or a company that has no real need for the product or the service, cannot afford to buy it, or is very satisfied with its present long term supplier.

Thus, for a successful sales presentation the following things regarding the prospect should be kept in mind:

1. He has clear and well defined need for the product or service
2. He has adequate financial resources to pay for it
3. He is in a position to buy large enough a quantity to result in a profitable sale
4. He has the authority to make a decision.

These factors which one has to consider in order to qualify a prospect can be summarised in the acronym MAN, i.e.:

Money: The ability to pay for a product or service

Authority: The authority to make a commitment on his own

Need: The need for the product or service exists.

Notes

3.2 Pre Approach and Call Planning

Once a prospect has been identified, the sales person should not show haste in making an appointment soon and delivering their sales pitch. It is important to understand that first of all as much information as possible about the prospective customer should be gathered and a lot of planning is required before a sales person should contact the prospect.

Pre Approach

Pre approach is based on the principle of the marketing concept that stresses customer orientation. The more the sales person knows about the prospect, the better the chances of making a sale.

The sales person should try and gather information like:

1. What is the financial position of the prospect?
2. What are his special needs or problems?
3. How might the company's products or services satisfy these special needs?
4. Who will get involved in making the buying decision?
5. What type of motivation or appeal is most likely to be effective?
6. What are the buyers personal characteristics and outside interests?

   The information gathered should help the sales person:

   (a) To ascertain the prospects needs and ability to buy the product or service.

   (b) To give a 'tailor-made' presentation.

   (c) To keep from making serious tactical errors.

   (d) To increase the sales person's confidence in handling the sales pitch.

Caution Personal selling is oral communication with potential buyers of a product with the intention of making a sale. The personal selling may focus initially on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale". Personal selling is the oldest form of promotion.

Call Planning

Call planning is basically a specific planning sequence. The sales person has to first of all define the objective of the call, secondly, devise a selling strategy to achieve this objective and lastly make the appointment. Besides the ultimate objective of getting the order there might be certain intermediate objectives, some of which may be:

1. To gain more information about the prospect.
2. To relate the prospect's needs and concerns to the attributes and benefits of the product or service.
3. To obtain permission for the demonstration of the product.
4. To introduce a new distributor.
5. To settle past collect disputes.

Notes

While forming a strategy to achieve his objectives the sales person should try to understand the prospects' real needs. For this he should also carefully examine the prospect's background. Also the best timing for the call should also be considered because many prospects are busy at a certain time. 'Cold calls' are mostly not welcome and should be avoided as far as possible.

Self Assessment

State Whether True or False:

7. The sales person provides an added incentive on immediately buying the product.
8. The salesman should with his intelligence and tact should be able to convince the manufacturer and persuade him to take a decision on the spot.
9. Direct Selling is a good way of communicating large amounts of technical or other complex product information.
10. Sales person should inform the prospect about the characteristics, capabilities and availability of goods and services.
11. If the cash payment is not available at the moment then after verifying the identity of the customer the product can be offered on credit or on installments.

3.3 Presentation

Sales presentation is done mainly to show that the sales person has a good understanding of the prospect's needs and the presentation is all about explaining to the consumer how the products meet their requirements. The sales person should inform the prospect about the characteristics, capabilities and availability of goods and services.

When the sales person arrives to deliver the pitch he should be well dressed and should have an understanding and helpful attribute towards the prospective consumer. He should also possess excellent communication skills.

Task Discuss about the process and preparation of personal selling now-a-days.

3.3.1 Categories of Presentation

Sales presentations can be classified into five different categories. They are:

Fully Automated

This is based on a highly structured approach and is usually done with the help of films or slide projections. It is mostly used to sell intangible services, like life insurance to rural or semi-urban prospects.

Semi Automated

In this approach the sales person takes help of brochures or literature and keeps on adding his comments where necessary. It is useful in selling pharmaceutical products.

Notes

Memorised

In this type of presentation, the company message is presented by the sales person with a few changes.

Organised

This is the most popular and effective sales presentation. Here, the sales person is given a complete flexibility of words but has to follow the company prepared outline or checklist. The prospect is taken through the four stages: 'attention', 'interest', 'desire' and 'action' (AIDA) to a purchase decision.

Unstructured

This is the problem solving approach of presentation. Here the prospects and the sales person get together to explore the problems and find solutions. Such presentations are not too well focused and much time is wasted. Therefore, there is a need for experienced sales persons who can quickly clear the doubts and complaints of the customers.

3.3.2 Requirements of a Presentation

The effectiveness of the presentation does not lie in how well it is delivered but in seeing how well it has helped the buyer to relate his needs to the product and his motivation to buy the product. A good presentation should satisfy six basic requirements:

Plan

Good presentations are always planned and do not just happen. The sales person should incorporate the information about the customer while planning for the presentation.

Pattern

There should be a step by step logical sequence that will guide the customer to accept the product.

Power

Behind every successful presentation there is enthusiasm, self confidence and the skill of persuading people.

Proof

While making any claims regarding the product or service, adequate proof should be supplied to the customer. They can be informed of letters from satisfied customers.

Pictures

Since we are a part of a visually oriented world and are constantly being bombarded by television, print advertising and other visual stimuli, therefore, a visual presentation always makes a greater impact than a verbal one. It has been found that we retain just 10% of verbal

Notes

communication while 50% of the visual messages are retained. This goes on to show that words can never equal the power of pictures.

Participation

The sales person should observe the reaction of the consumer. He should also welcome his remarks and watch for the buying signal. Some of the important signals are:

1. The consumer picking up a product.
2. Going back to an item you have already shown.
3. His eyes are dwelling constantly on a particular item.
4. He moves closer to get a better look at the product.
5. He suddenly sits up in the middle of the presentation.

Besides the buying signals the sales person should also try to assess the buying motives of the consumer. Some buying motives are:

1. Fear of being left behind.
2. Envy of other's achievement.
3. Vanity recognition from others for having made a wise decision.
4. Love and approval of family, friends and colleagues.
5. Entertainment, enjoyment or relaxation.
6. Sentiments like family tradition and patriotism.
7. Pride of being associated with a successful project.
8. Pleasure derived from the product or service.
9. Profit of increased efficiency.
10. Health consideration in acquiring a less hazardous or strenuous product.
11. Security derived from buying the product of a well known firm or a famous brand name.
12. Utility like increased ease of usage.
13. Cautiousness in buying a product that requires lesser amount of servicing or a durable product with a long life.

Thus, the sales person should try to sell the idea behind the product and not the product itself. Therefore, the sales person should for example be selling 'speed, accuracy and efficiency' in case he is associated with selling of calculators as also a woman who buys cosmetics is, in fact, buying a 'hope of looking good'.

So in a nutshell the objective of a presentation is to convince the buyer that:

1. The need for the product exists,
2. The product in question can satisfy that need,
3. The prospect can afford to purchase the product.

A sales presentation is made up of two activities: approach and demonstration.

Notes

Notes The main disadvantage of personal selling is the cost of employing a sales force. Sales people are expensive. In addition, a sales person can only call on one customer at a time. This is not a cost-effective way of reaching a large audience. So as a solution to these disadvantages, techniques like, sales promotion and public relations can be used to introduce the product or services to a larger crowd.

Approach

It is the approach that makes or breaks a presentation. If the approach fails, the sales person cannot proceed to give a presentation or demonstration. The sales person should try and dress similar to what the buyers wear and should be courteous and polite in manners.

A good approach should:

1. Attract the prospects attention
2. Arouse his interest in the conversation
3. Make it easy to have a transition into the demonstration phase.

There are four basic approaches:

Introductory Approach: Here the sales person introduces himself and his company to the prospect.

Product Approach: Here the sales person hands over the product to the prospect for examination after briefly explaining it to him.

Consumer Benefit Approach: In this approach the sales person starts the sale by informing the prospect about the benefits that can be derived from the product.

Referral Approach: The sales person can give the name of a present satisfied customer (with his prior permission) to the prospect as a reference during the meeting.

Demonstration

Demonstration forms the core of the selling process. There are two stages of demonstration, first involves a description of the features and benefits of the product and an explanation of how it works. The second stage is the actual demonstration itself. This process is mainly directed at converting the prospect into a customer.

An effective product demonstration should be:

1. Well prepared and referred.
2. Should be designed to give a 'hands on' experience with the product.

3.4 Handling of Objections

Prospects usually show resistance against buying products by pointing out real or imaginary hurdles and by voicing objections. Objections, even if insincere, should be met with utmost courtesy. The sales person should try and make the customer feel that he is sensitive and available whenever the customer needs. Problems may arise if the customer's needs are hidden. Thus, the sales person should try to understand what the customer's explicit needs are.

Notes

There are two major techniques of discovering hidden objectives. They are:

1. Keep the prospect talking.
2. Use the insight gained by experience, i.e., the sales person should have extensive knowledge of their own products as well as those of competitors.

The sales person should always adopt a low pressure approach or the customer may feel that he is pressurised into taking a decision.

Prospects can raise many kinds of objection related to price, quality, service, quantity, expectations, colour or a mix of all these related to the product. These can be handled deftly by comparing with other products or restructuring the advantages of the product to be sold. Sometimes the product to be sold has weaknesses which can be compensated with other desirable features and attributes of the product.

Objection Price: To tackle these kind of objections, cheaper variations of the same products can be shown. Cash memos of bills of previous customers can be shown or some discount can be offered as a last resort.

To tackle such objections reference of prominent customers may be given and the product be supplied in the right size, colour etc. If the product has a good brand name then such objections can easily be tackled and prominent features of the product may be compared and elaborated with other brands.

Objection on after sales service: The customer should be assured that the service staff of the company are paying regular visits to the customers and free service coupons given by the company along with the product should be presented as a proof of the same.

Objection on payment: If the cash payment is not available at the moment then after verifying the identity of the customer the product can be offered on credit or on installments. This may result in the sales of the product.

Objections on timings: Some customers want to postpone purchases to some future date. The salesman should with his intelligence and tact should be able to convince the customer and persuade him to take a decision on the spot.

However the handling of objections is a very difficult job. If the customer is bent on postponing his decision it is very difficult for a salesman to make an effective sales. A customer can walk out of the shop any time with many excuses. He may want to visit other stores or see many models before he is ready for a decision.

Caselet

Sales Planning

It is important for effective sales managers to respond to environmental threats and opportunities. Environmental influences consist of social, cultural, technological, economic, competitive political and legal factors. Pentium-III (Intel processor) is in great demand in the market because of its processing speed which gives greater and quicker access to information which can be both received and sent.

The sales people also have access to more accurate and current data which proves useful in selling.

Sales managers are motivated by incentives but the health of the economy also has many repercussions. In difficult times the company tries to reduce sales incentives as they are

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unable to cope with expenses. Some other companies also take an opposite approach and they increase their incentive programmes for maintaining the sales and morale of the sales people. The type of incentives also varies with the health of economy. Merchandise, travel and costs are more popular in tough times than the long-term value awards like recognition of good work or recognition awards which may be given to salesmen.

Sales managers must monitor change in legal environment. It effects the way the sales people sell and managers manage. The ability to adapt to changes is one of the most important skill-requirement for business people. This determines the success of the company.

Questions

1. Discuss whether the incentives be lowered or increased during tough times.
2. With the demand of Pentium-III and other high technology equipment the time spent by salesmen with customers gets reduced. Is this a problem or not?

Self Assessment

Multiple Choice Questions:

12. Personal selling is more effective than advertising when the customer base is:
    (a) Large, widely dispersed (b) Large, Local
    (c) Small, widely dispersed (d) Small, local
13. Which of the following is not a type of personal selling?
    (a) Order Takers (b) Order-supporters
    (c) Order-writers (d) Order-getters
14. Which of the following is not a task of personal Selling?
    (a) Shaping (b) Servicing
    (c) Prospecting (d) Measuring
15. Which of the following is not a category of personal selling?
    (a) Consumer (b) Systematic
    (c) Professional (d) Industrial

3.5 Closing the Sales

After having dealt with the customers' objections comes the stage when the sales person asks for the order. Unless the sale takes place the entire process is a wasted effort. Hence, it is important for the sale to materialise. A few of the effective closing techniques are being described hereunder.

Action Close

Here the sales person takes an action that will complete the sale like negotiating for supplying financial assistance to the prospects.

Gift Close

The sales person provides an added incentive on immediately buying the product.

Notes

Benefit Close

Here the sales person restates the benefits of the product in order to elicit a positive response from the prospect.

Direct Close

It is a simple technique and is most appropriate if the buyer is showing strong positive buying motives. The sales person gives a summary of the major points of the presentation and directly asks for the order.

Alternative Close

This technique provides the customer with alternatives with regard to the product like a black or red coloured one or payment on cash or credit basis.

Objection Close

If an objection is the major hurdle in the way of making sales, the sales person should try to gain a commitment from the buyer that if the objection is removed he will buy the product.

Thus the close is the most important part of the selling process since all the efforts and presentation comes down to this moment.

Caution Personal selling is a face-to-face activity; customers therefore obtain a relatively high degree of personal attention.

3.6 Follow Up

After a successful close there is still a great deal of work to be done. In order to make the customer satisfied the sales person has to ensure that the product is delivered at the desired location and at an appropriate time. Sometimes the customer may desire some minor modifications in the product or service to suit their particular need. The customer should also be trained how to operate the product properly and safely.

Even after all the formalities have been completed the delivery of effective after sale services are equally important. Such activities are important to convert the buyer into a loyal customer. Customer complaints should be taken seriously and handled with concern for as this shows that the sales person cares about maintaining good customer relations.

Sending letters, notes, phone calls, greetings, etc., are good ways of keeping in touch with customers. Some companies also send customers company newsletters, etc., to keep them well informed. The sales person should keep in touch with customers and keep them informed about the latest products or services.

3.7 Summary

- Personal selling is all about locating a potential buyer, making an effective sales pitch and getting the order.
- The most important part of the entire selling process lies in locating the most promising prospects.

Notes

- The current satisfied customers act as one of the best source of prospective customers.
- The satisfied customers act as a good source of referrals.
- Pre approach is based on the principle of the marketing concept that stresses customer orientation.
- Call planning is basically a specific planning sequence.
- Demonstration forms the core of the selling process.
- The salesman should with his intelligence and tact should be able to convince the customer.

3.8 Keywords

Benefit Close: Here the sales person restates the benefits of the product in order to elicit a positive response from the prospect.

Cold Canvassing: This technique basically involves calling on a potential customer without any prior appointment. Here, the sales person just goes in and introduces himself to the prospect and inquires about the need of the product or service by the prospect.

Direct Close: It is a simple technique and is most appropriate if the buyer is showing strong positive buying motives. The sales person gives a summary of the major points of the presentation and directly asks for the order.

Mailing List: Certain organisations compile lists of persons and organisations for direct mail advertisers, pamphlets, etc. Such lists can also be employed to identify sales prospects.

Objection Price: To tackle these kind of objections, cheaper variations of the same products can be shown. Cash memos of bills of previous customers can be shown or some discount can be offered as a last resort.

3.9 Review Questions

1. What is the importance of closing the sales in sales transactions?
2. Describe briefly the steps involved in personal selling.
3. What is the situation in which personal selling should be used? Give examples.
4. How would you remove the objection of a buyer in personal selling?
5. What are the various ways of demonstration and what are their effects in personal selling?
6. Discuss the categories of presentations.
7. Discuss Pre Approach and Call Planning.
8. What do you know about closing the sales?

Answers: Self Assessment

1.	Personal Selling	2.	Customer Orientation
3.	Sales Person	4.	Prospective
5.	Selling	6.	Imaginary
7.	True	8.	False

Notes

9. False
10. True
11. True
12. (c)
13. (c)
14. (d)
15. (b)

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Unit 4: Sales Strategy Formulation

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Objectives

After studying this unit, you will be able to:

- State the market analysis;
- Discuss the basis for territory design;
- Describe the setting sales objectives.

Introduction

Sales strategy is the game plan adopted to achieve the desired objectives. It helps a company to reach a desired position from the existing position.

Sales strategies are adopted to achieve the desired objectives in sales. The objectives may be many in number and these require elaborate and careful consideration of the strategies and game plans of other competitive organisations. Sales strategy is different from marketing strategy in that marketing strategy involves identifying the target segment and directing the marketing mix on the target segment to achieve the objectives and fight competition while sales strategy is involved with pushing the sales of products. It basically involves three steps:

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1. Market Analysis
2. Setting Objectives
3. Designing Sales Strategy.

4.1 Market Analysis (Step I)

Market analysis here means macro environmental analysis. This includes the analysis of social, political, cultural, economic and technological factors which have a significant bearing on the SWOT analysis of the firm.

The sales objectives are directly affected by corporate missions or goals. The macro environmental analysis and the competitive situation helps in market analysis which helps in setting the objectives of the firm.

Market analysis is a prerequisite to objective setting: The company would need to know:

1. The current size and growth rate of the market.
2. Consumer needs, attitudes and trends in purchasing behaviour.
3. ***Competitor analysis. It covers a whole lot of things and includes:***
   (a) Current strategy adopted by other firms. Some firms distinguish their product by variations in product attributes, packaging and effective promotional technologies.
   (b) Current performance including market share analysis.
   (c) Their strengths and weaknesses.
4. ***Expectations to their future actions:*** The role and scope of functions are related to the competitive situations facing its products in each of the markets it participates in. While analysing the market it is necessary to see what type of competition exists. There can be different types of competitions.
   (a) *Pure Competition:* In this each seller is too small to effect the prevailing market price. This competition exists in identical undifferentiated products. Sales effort is limited to maintaining adequate supplies. All sellers products are identical so buyers are indifferent as to which sellers they buy from. There are no artificial restraints on price like government, trade associations, etc. All buyers are always informed about all seller's prices.
   (b) *Monopolistic Competition:* In this type of competition, there are large number of sellers of a generic kind of product but each seller's brand is differentiated from every other brand. Nearly every seller's brand of product, e.g., nail polish remover, pet food, can be differentiated. Here sellers differentiate through unique packaging, unusual distribution methods or pricing gimmicks and through promotional strategy and through a blend of advertising and personal selling.
   (c) *Oligopolistic Competition:* This type of competition has the following characteristics:
      (i) Number of competitors are small but are individually identified and known to each other.
      (ii) Each competitor is large so that any change in his marketing strategy affects the other competitors.
      (iii) All the competitors are known to each other. In USA, oligopoly exists in automobiles, computers, machinery, shoes, textiles, etc.

Notes

(iv) Successful companies keep flourishing and keep coming up and vice versa.

(v) It produces the most aggressive competition and a close watch is to be kept on all the Four P's.

(vi) Personals selling plays an important part.

Did u know? Satisfaction strategies, which include ways to maintain or improve customer satisfaction levels such as reducing delivery time from three days to 24 hours.

4.2 Setting Sales Objectives (Step II)

Objectives are standards against which performance is measured. These are of two types – qualitative objectives and quantitative objectives. Qualitative objectives are long term whereas quantitative objectives are short term. The objectives are set keeping in mind the competitive situation of the company.

A company selling high value technical household products expects its salesmen to carry out entire sales functions and practical aspects also. The quality of sales force in this case will be different to those who only coordinate. Qualitative objectives are long term and are derived from the marketing and sales policies of the company.

Quantitative objectives on the other hand relate to operating results. These are also dependent on the competitive situation and the corporate goals and vary over time. Goals are set in terms of:

1. Sales volume
2. Sales cost
3. Accounts receivable
4. Inventory levels
5. Dealer support
6. Feedback input.

Caution The dynamics of strategy and performance concerns the 'content' of strategy-initiatives, choices, policies and decisions adopted in an attempt to improve performance, and the results that arise from these managerial behaviors.

4.3 Designing Sales Strategy (Step III)

After the market analysis has been carried out which involves the study of environmental factors, the SWOT analysis is done. The objectives are set and then the sales strategy is formulated by considering:

1. The type of sales force required.
2. The size of the sales force required.
3. Territory design.
4. Channel support and coordination.
5. Transaction cost analysis.

All the above topics are being dealt with separately.

Notes

Caselet

Size of the Sales Force

A company has 1,000 (one thousand) accounts in all the following types:

(a) 200

(b) 300

(c) 500

The salesman is required to call the A accounts 40 times a year for 60 minutes each B accounts 20 times a year for 30 minutes and C accounts for 15 times a year for 10 minutes each, in a year.

The salesman would be involved in selling task for 50% of the time, non-selling task 20% of his time and travelling task for 30% of the time.

Question

If the salesman works for 42 weeks in a year, 8 hrs a day. Find out the total no. of salesmen required.

4.4 Types of Sales Force Needed

It depends on the role the sales force has to play. The quality of sales force is defined as the quality of contribution required from the sales force and the work load on them. If pre-selling has been done by advertisements, then selling becomes easy. Some companies expect their salesmen to do the entire job, e.g. Instrumentation Ltd, at Kota takes care from commissioning and installation of equipment to after sales service.

There are two types of specialists – product specialists and market specialists.

Product Specialists are for highly technical products, e.g., marketing of banking services, service packages like agriculture financing, short and long term financial services. Complicated products like computers, cardiograms, etc.

Market Specialists know the different markets and can also adopt different sales approaches for different markets. They need to know more than one line of products.

There can be a combination of both product specialists and a market specialists in the sales force of a firm.

4.5 Basis for Territory Design

Geographical Basis: Sales persons are grouped according to the existing geographical boundaries.

Sales Potential Basis: Splitting the company's customer base according to dispersion of its sales potential.

Servicing Requirement Basis: A company splits its total market according to servicing requirement of its present and prospective customers. Service means the maintaining and developing of account.

Notes

Work Load Basis: This approach considers both account potential and servicing plus extra work load created by topographical locations and competitive forces.

Self Assessment

Fill in the blanks:

1. ..... strategy is the game plan adopted to achieve the desired objectives.
2. The sales objectives are directly affected by ..... missions or goals.
3. The ..... of sales force in this case will be different to those who only coordinate.
4. ..... are set in terms of Sales volume.
5. ..... Specialists know the different markets and can also adopt different sales approaches for different markets.

4.6 Channel Support and Coordination

This is also an important consideration for the formulation of sales strategy. If indirect distribution is adopted it is imperative that sales organisation indicates dealer cooperation programmes. Support is to be given for maintenance of adequate stocks, local promotion in the form of P.O.P. (point of purchase) displays and for local advertising. Feedback from the dealer is an important area of support and can't be ignored. In the dealer management programmes, for the success of channel support and coordination:

1. Adequate incentives for the dealers are a must;
2. Proper feedback and communication is important;
3. Measures have to be taken to promote dealer loyalty.

The degree of coverage and the support you want from the channel depends on how intensively or extensively you want to distribute the product.

Intensive Distribution

In this the distribution is made to all the outlets which are many in number and spread in a big area. Maximum exposure to the product is given. Such distribution is done by Hindustan Lever and Asian Paints Limited.

Extensive Distribution

It is the distribution in which we cover a great area but do not concentrate on all customers in the area. Extensive distribution covers a large area and distribution of goods is extensively done.

Elective Distribution

Here goods are distributed to selected outlets. These may be speciality stores or prominent stores in one area. The distribution is done through more than one outlet but less than all, e.g., designer shirts, cosmetics, TV, electrical equipment, etc.

Exclusive Distribution

This is done exclusively by one dealer who provides after sales service like in automobiles. This is done for the cultivation of an exclusive image. This requires greater motivation, greater

coordination and efficiency in operation. The selection of these exclusive agents is done with great care.

Vertical Integration

It is the process of requiring management membership rights at various levels of distribution channel. It is a costly affair for absolute channel control. Business balance has to be maintained between desire for market control, coordination and distribution costs and specialisation. A balance should be maintained between channel control and the cost incurred in it.

Task Discuss the steps involved in designing sales Strategy.

4.7 Transaction Cost Analysis

Transaction cost is the cost of transacting business. Here the rough channels are compared with costs through firms own distribution systems'. It includes cost of prospecting, bargaining and maintaining the distribution system.

Services expected from middlemen are definable as we move towards exclusive distribution.

1. Delineation of territory (exclusive domains) of the middleman and freedom in letting him cultivate the territory.
2. ***Inventory holding (to prevent stock-out):*** Agreements can be made for holding inventory. Price guarantee is given in case of fluctuating prices.
3. ***Installation and after sales service:*** After sales service is important and for after sales service training is also required.
4. ***Price maintenance in selling to ultimate consumer:*** Dealers must maintain price.
5. ***Promotional services:*** Sales displays, local advertising, catalogues and sales promotion. This can be provided more effectively by exclusive distribution.
6. ***Exclusive dealing (not carrying competitive brands):*** In case of competitive products dealers should not carry competitive brands.

4.8 Determining the Size of the Sales Force

There are three methods to determine the size of the sales force:

1. Incremental Method
2. Sales Potential Method
3. Work Load Method.

4.8.1 Incremental Method

It says that we can increase the size of the sales force till the incremental revenue exceeds incremental costs.

Assumptions: Profits will increase when additional sales person are employed.

Notes

Example: If we have 10 salesmen already, then on adding one extra salesman the sales volume, cost of goods (60% of sales) and gross margin (40% of sales) vary as depicted in the following table.

No. of salesmen	Sales volume in Rupees	Cost of goods Sold 60%	Gross margin 40%
11	250,000	150,000	100,000
12	200,000	120,000	80,000
13	150,000	90,000	60,000
14	100,000	60,000	40,000

Suppose all salesmen receive a salary and travelling expense of 20,000 + 15,000 and 6% commission on sales. The net profit will vary according to the following table.

No. of salesmen	Gross margin	Sal.+T.A.+Comm.	Net profit
11	100,000	35,000 + 15,000	50,000
12	80,000	35,000 + 12,000	33,000
13	60,000	35,000 + 9,000	16,000
14	40,000	35,000 + 6,000	–1,000

Thus we see that the 14th salesman is not feasible as there is a loss of 1000 if he is included in the sales force.

Limitations of Incremental Method

It fails to account for competitive reaction and long term investment of personal selling effort.

4.8.2 Sales Potential Method

Here the management considers what an average sales person with an average performance will accomplish. Thus the amount of sales that will be made by the salesman. We then find out the forecasted sales volume(s). We divide the total sales volumes by the work which one sales person can do. Then S/P will give the number of sales person required. In this method we also make allowances for the rate of turnover of sales person.

This is the easiest of all the methods. The formula for this method is

$$N = S/P$$

Where,

N = Number of sales persons

S = Forecasted sales volume

P = Estimated sales productivity of one person

If S = 100,000 and P = 10,000 then N = S / P = 10

Notes

Modified Formula

If rate of turnover is 10%, then there is a modified formula for the number of sales persons.

N = S / P + T (S / P) = (S / P) (1+T)

For the above set of values

N = (100,000/10,000) (1 + 10/100) = 10 + 1 = 11 sales persons.

4.8.3 Work Load Method

This is the most complex method. According to this method, the assumption is that all sales personnel will shoulder equal responsibilities. First the total work load is estimated and then it is divided equally among all the sales people. There are six steps involved in applying the Work load method.

Step 1

Customers should be classified into sales volume potential category A, B, C, etc. For example, suppose there are 800 A/c's of the following type

A (Large Accounts)		100 in number
B (Medium Accounts)		200 in number
C (Small Accounts)		500 in number
Total Accounts	=	800 in number

The break up of the accounts is done to facilitate planning, directing and control of the sales force.

Step 2

Decide on the length of time per sales call and desired call frequency on each class of customers. For example,

Class A = 60 min. × 52 calls/year = 52 hrs.

Class B = 30 min. × 24 calls/year = 12 hrs.

Class C = 15 min. × 12 calls/year = 3 hrs

Calling on A class customers would require one hour per customer and the call is to be made every week. Therefore, for one A class customer 52 weeks will be required. Similarly, each B class and C class customers would require 12 hrs and 3 hrs respectively per year.

Step 3

Calculate the total work load by multiplying the time taken by one customer into the no. of customers

52 hrs	× 100	= 5200 hrs
12 hrs	× 200	= 2400 hrs
3 hrs	× 500	= 1500 hrs
Total		= 9100 hrs

Total work load as shown would be 9100 hrs for 800 A/c's of different types.

Notes

Step 4

Determine total work time available per person by task. Let the work time available as per the task be

Selling task	50%
Non-selling task	30%
Travelling task	20%
Total	100%

Step 5

Determine total time available per sales person.

If the management decides 40 hrs/week + work for 48 hrs in a year,

then total hrs available in a year = 40 × 48 = 1920 hrs.

Step 6

Calculate total number of sales people needed.

N = Total Workload/Work one salesman can do

Or N = 9100/960 = 10 salesmen (more than nine salesman)

Advantages of Work Load Method

1. This method is easy to understand and apply.
2. It is attractive to practising managers.

Disadvantages of Work Load Method

1. It does not take profit into consideration.
2. It assumes that sales personnel have same work load and they work with same efficiency.
3. Some sales people accomplish more in a short period of time than others. Time given to each call is as important as the quality of time given per call.

Notes Harvard research shows that, across a range of industries, there is a direct and consistent correlation between the calibre of the sales force and organisational growth.

4.9 Determining the Kind of Sales Personnel

Making this decision requires consideration of qualitative personal selling objectives-what contributions toward the company's long term overall objectives should be expected from those performing selling jobs? What should be the duties and responsibilities of these individuals? How should their job performance be measured? Management must face up these questions when it decides the kind of sales personnel it requires.

Notes

Each company deals with a unique set of marketing factors, such as the strengths and weaknesses of its products (what it sells), the motivations and buying practices of its customers and prospects (whom to sell to), its pricing strategy and the competitive setting - the relative strengths and weaknesses of competitors. Also, different selling jobs require different levels of selling and non-selling abilities, training, technical and other knowledge.

Therefore, in determining the kind of sales personnel, we must understand what is expected of them: the job objectives, the duties and responsibilities and the performance measures. Knowing the sales person's job means knowing the particular job for the particular sales person. Knowing the particular job helps management to avoid "putting square pegs into round holes". It helps in fitting the job to the person and the person to the job.

Self Assessment

State whether True or False:

6. Sales Potential Basis is splitting the company's customer base according to dispersion of its sales potential.
7. Vertical Integration is the process of requiring management membership rights at various levels of distribution channel.
8. Manufacturing cost is the cost of transacting business.
9. Work Load Method assumes that sales personnel have same work load and they work with same efficiency.
10. Deduction Method says that we can increase the size of the sales force till the incremental revenue exceeds incremental costs.
11. Contracts can be made for holding inventory.

Case Study

Sales Forecast

A US Company comes out with a novel idea of introducing disposable cameras into the market. It was thought that their cameras have a great potential. A film was already loaded in the camera and after the whole film was used the camera was to be thrown away, as it cannot be further loaded or unloaded. In the introduction stage the cameras did not do very well and the sales remained low. This was due to the objection from a section of a society who was environmentally conscious and objected to the disposable cameras adding to pollution. Another reason was that the photography enthusiast did not believe that these cameras could produce good pictures. The management was disturbed and formulated the following strategy to face these problems.

1. It introduced recycling programme to do away the objection of the environment-conscious consumers.
2. It increased its promotion and advertising programme and emphasized that its cameras were capable of taking quality pictures.
3. It also stressed upon the factors that these throwaway cameras were available at all stores at a minimum price of about eight dollars ($ 8). Also promoting that these were ideal for people who forget to bring their cameras to important occasions.

Contd...

Notes

4. It also initiated another idea. The cameras can be given free to guests at weddings who love taking pictures. They can have fun with these cameras and leave them behind for the bride and the groom.
5. It tried to tap other niche like the students, the senior citizens, sports, fans and other sports enthusiasts. These strategies paid off and the company started making booming sales.

Questions

1. At what stage of PLC (Product life Cycle) is the disposable camera in? and What strategies should be adopted in this stage of PLC?
2. Comment on the strategies adopted by the company. What other methods would be maintain the sales of the camera?

4.10 Summary

- Sales strategy is the game plan adopted to achieve the desired objectives.
- Sales strategies are adopted to achieve the desired objectives in sales.
- The macro environmental analysis and the competitive situation helps in market analysis which helps in setting the objectives of the firm.
- Market analysis here means macro environmental analysis.
- A company selling high value technical household products expects its salesmen to carry out entire sales functions and practical aspects also.
- Transaction cost is the cost of transacting business.
- Market Specialists know the different markets and can also adopt different sales approaches for different markets.
- A company selling high value technical household products expects its salesmen to carry out entire sales functions and practical aspects also.
- It is the process of requiring management membership rights at various levels of distribution channel.
- Management must face up these questions when it decides the kind of sales personnel it requires.

4.11 Keywords

Extensive Distribution: It is the distribution in which we cover a great area but do not concentrate on all customers in the area.

Market Specialists: Market Specialists know the different markets and can also adopt different sales approaches for different markets. They need to know more than one line of products.

Monopolistic Competition: In this type of competition, there are large number of sellers of a generic kind of product but each seller's brand is differentiated from every other brand. Nearly every seller's brand of product, e.g., nail polish remover, pet food, can be differentiated.

Oligopolistic Competition: Each competitor is large so that any change in his marketing strategy affects the other competitors.

Notes

Product Specialists: These are for highly technical products, e.g., marketing of banking services, service packages like agriculture financing, short and long term financial services.

Pure Competition: In this each seller is too small to effect the prevailing market price. This competition exists in identical undifferentiated products. Sales effort is limited to maintaining adequate supplies. All sellers products are identical so buyers are indifferent as to which sellers they buy from.

Servicing Requirement Basis: A company splits its total market according to servicing requirement of its present and prospective customers. Service means the maintaining and developing of account.

Vertical Integration: It is the process of requiring management membership rights at various levels of distribution channel. It is a costly affair for absolute channel control.

Work Load Basis: This approach considers both account potential and servicing plus extra work load created by topographical locations and competitive forces.

4.12 Review Questions

1. What are the steps in formulating sales strategy?
2. Why is market analysis important for formulating the sales strategy?
3. What is the relevance of size of sales force and territory design in strategy formulation?
4. Describe, with example, the incremental method, the sales potential method and the work load method of determining the size of sales force.
5. Explain the transaction cost analysis.
6. What are the advantages of workload method?
7. Discuss the sales potential method.
8. Explain the determination of the sales force needed.
9. Describe the Incremental Method.

Answers: Self Assessment

1.	Sales	2.	Corporate
3.	Quality	4.	Goals
5.	Market	6.	True
7.	True	8.	False
9.	True	10.	False
11.	False		

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Unit 5: Sales Organisation

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Objectives

After studying this unit, you will be able to:

- Define sales organisation;
- Discuss the purpose of sales organisation;
- Describe the steps in sales organisation;
- Explain the basic types of organisation.

Notes

Introduction

Once a plan has been formulated, the next logical step is to organise a sales force to achieve the objectives of the enterprise. Decisions must be made as to the type of sales tasks required to be performed and how the sales people are to be grouped together to exercise efficiency and effectiveness. The scope of their sales responsibility, line authority and accountability also should be defined so that their activities can be well coordinated.

5.1 Definition

Sales organisation is a group of people working together to achieve the objective of sales-which is to capture a certain share of market while satisfying the customers. It undertakes the effective marketing of products produced by the undertaking or even products purchased for resale. It ensures timely distribution of products to the customers in an economical and efficient manner. It establishes restructuring between the customers and the organisation on terms that are both acceptable to the buyer and the seller.

A sales organisation is both an orienting point for cooperative endeavour and a structure of human relationships. It is a group of individuals striving jointly to reach qualitative and quantitative objectives and bearing formal and informal relations to one another. Implicit in the concept of a sales organisation is the notion that individual members cooperate to attain ends. The sales organisation is not an end in itself but rather the vehicle by which individuals achieve given ends. Existence of a sales organisation implies the existence of patterns of relationships among subgroups and individuals established for purposes of facilitating accomplishment of the group's aim.

5.2 Need

A sales organisation bridges the gap between the market and the productive capacity of the firm. If market changes by size, also trends, competition or other environmental factors, sales functions have to be adjusted. The role of an organisation can be compared to the skeleton of the human body. It provides a framework within which functions take place. Whereas the skeletal function is the same for all human beings it varies between firms. This is because all enterprises have their own objectives, resources and corporate plans to achieve those objectives.

Self Assessment

Fill in the blanks:

1. A sales organisation is both an orienting point for cooperative ..... and a structure of human relationships.
2. A sales organisation bridges the gap between the market and the ..... capacity of the firm.
3. ..... is the power to suggest to those holding line authority the method for implementation of an order.
4. The objectives of the sales organisation need to be defined in the light of ..... objectives both in the long-term and short-term.
5. Control and ..... in a sales organisation can be done both formally and informally.
6. The ..... department's structure evolves from the needs of the business.

Notes

7. ..... division of line of authority is suitable when almost similar products are sold in the market and are marketed to different types of customers.

5.3 Purpose

5.3.1 Defines Lines of Authority

A sound sales organisation defines people in the organisation in terms of authority, responsibility and accountability and identifies flow of authority. It enables the sales person to identify whether their authority is line, staff, or functional.

Line authority carries the power to require execution of orders by those lower in the organisational hierarchy and make decisions on the need, place and time of action over a wide range of matters.

Staff authority is the power to suggest to those holding line authority the method for implementation of an order. They advise line executives about methods but have no formal power to require or enforce the execution of their recommendations.

Functional authority enables specialists in particular areas such as in technical product service to enforce their directives within a specific and limited field. They assist executives holding general line authority.

All executives should understand the nature of their authority with respect to each aspect of the operation, otherwise, friction develops. When, for instance, staff executives attempt to exercise line authority, they are heading for trouble with the line executives whose authority is usurped.

5.3.2 Ensures that all Necessary Activities are Assigned and Performed

The process of organising presupposes the identification of all necessary activities which have to be performed for the achievement of objectives. As organisation grows, tasks also multiply. It must be ensured that all necessary activities are specifically assigned.

The sales executives are in close contact with the users in small companies but as the company grows, the top executives get farther and farther removed from the customers. At this point of time an individual should be assigned responsibility for maintaining such relationships.

5.3.3 Establishes Basis of Communication

Earlier because of simplicity of organisations, lines of communication were synonymous with lines of authority. Today, business has become a very complex phenomenon due to information overload. The flow of information is both horizontal and vertical. The organisation structure identifies the sources of information, recipient of data and may also tell us who is responsible for generation of information.

5.3.4 Provides for Coordination and Balance

Good organisation achieves coordination and balance. Individuals vary in competence, potential and effectiveness. By coordination we achieve Synergistic effect (when the sum of a combination effort exceeds the efforts of the same individuals working alone). Motivation also plays an important part and is achieved by training programmes, indoctrination (teaching), group meetings and two-way communications.

Notes

5.3.5 Provides Insight into Avenues of Advancement

The personnel looks upon sales organisation as something that will advance and improve their future career. Possible avenues of advancement may be evident from the organisational chart which depicts the normal promotion route of the personnel.

5.3.6 Economises on Executive Time

As an organisation grows, the sales department increases in number and complexity. Delegation of authority becomes imperative. This allows the executives to spend more time on planning and less in operation. For effective coordination, the span has to be limited but this depends on various factors like superior's ability of coordination, qualities of the subordinate, etc. One of the main purpose of coordination is to achieve economies on executive time.

Did u know? Staff authority is the power to suggest to those holding line authority the method for implementation of an order.

5.4 Developing the Sales Organisation

Sales organisation develops in response to the market and company requirements. The setting up of an organisation or the sales organisation development takes place in a series of steps. These steps are as follows:

1. Defining the sales organisation's objectives.
2. Defining the various activities that need to be performed to achieve these objectives and estimating the cost and volume of each of these.
3. Grouping of the activities and positions.
4. Assignment of personnel to positions.
5. Control and coordination by formal and informal means.

Step I

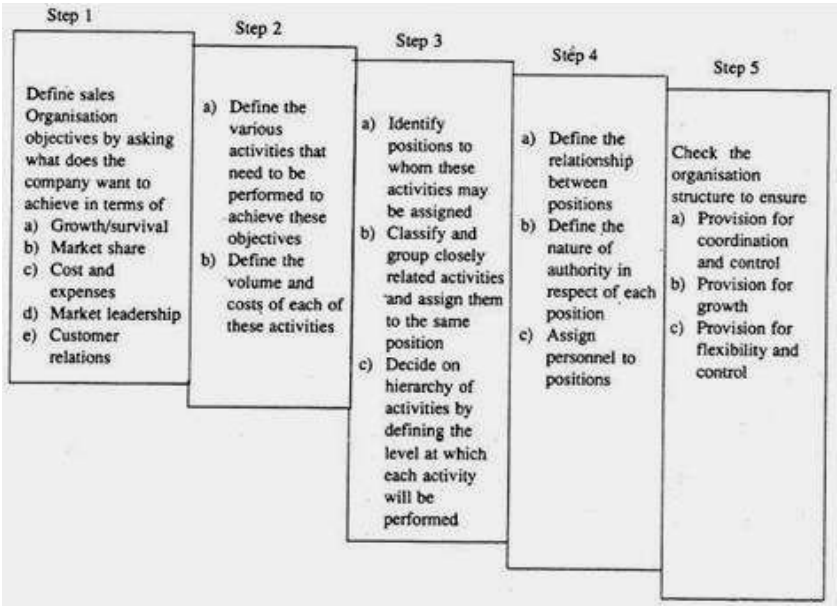
Defining the sales objective includes the setting of qualitative objectives. This can be done by asking what the company wants to achieve in terms of:

1. Growth/survival
2. Market share
3. Market leadership
4. Customer relations.

The objectives of the sales organisation need to be defined in the light of corporate objectives both in the long-term (qualitative) and short-term (quantitative). Sales management determines the qualitative and quantitative personal selling objectives. Quantitative personal selling objectives are set with an eye on qualitative flow of sales revenue.

Notes

Figure 5.1: Developing the Sales Organisation



Source: http://train-srv.manipalu.com/wpress/wp-content/uploads/2010/08/clip-image004-thumb10.jpg

Steps in Sales Organisation Development

Helps in setting the quantitative objectives. Survival also requires profit, hence another quantitative objective is earning profits by making miracle sales and also by reducing the costs and the expenses of various departments. Another important qualitative objective is to realise long term growth in sales and profits.

This means that sales, profit and growth are the three general objectives. Qualitative personal selling objectives are translated with quantitative objectives, e.g., increasing the market share by 20%. If the goals are clear and defined then time and effort are better utilised and progress is more smooth.

Step II

The analysis of the type and volume of activities needed to be performed will lead to assessment of how many executive and operating positions are required and how these positions would relate to each other. This also helps in assessing the duties and responsibilities of the concerned persons who are employed on these positions. The activities involved in modern sales organisation are similar. Difference among the departments are those of details, of relative emphasis placed upon individual activity and performance. These differences are more apparent than real.

Step III

This consists of the following tasks;

1. Identifying positions to whom these activities may be assigned.
2. Classify and group closely related activities and assign them to same positions.
3. Decide on hierarchy of activities by defining the level at which each activity will be performed. This will depend upon the importance of the activity, e.g., in an organisation

trying to sell a new product through middlemen, dealer relations become a crucial activity and has to be assigned a higher position in the sales organisation.

Step IV

Assignment of personnel to positions consists of deciding on two things. First of all, to hire, select or recruit specialists to take up the positions so that the organisation gets the best personnel in its armour who will perform the jobs in a resplendent manner and, secondly, modifying the positions so as to take the services of existing personnel after training and developing them so that they fit in the requisite positions. An organisation may take either of the two ways. When there is no talent in the organisation consummate with the requirements of the jobs then the organisation may hire or recruit personnel from outside. This may also be done if the management requires young blood in the organisational lines. Further, if the individual possesses the skills and capabilities then the job may also be modified or changed to fit these individuals. Generally, planners prefer, whenever the situation permits, to have individuals grow into particular jobs rather than to have jobs grow up around individuals.

Assignment of personnel to positions involves the following activities:

1. Defining relation between positions – how many individuals report to a particular superior – and the span of control.
2. Defining the nature of authority in respect of each position (delegation of authority, lines of authority, lines and staff).
3. Assigning personnel to positions.

Step V

Control and coordination in a sales organisation can be done both formally and informally. Formally, it can be done by written job description, rules, regulations and procedures. Written job description is an important formal instrument for coordination and control. It gives details about the various attributes of each job like reporting relationships, job objectives, performance measurements and duties and responsibilities. Informally, it can be done by sheer force of personality coupled with ability to attract and hold the loyalty of followers.

One of the methods of coordination is the chain of command. We also try to have provision for growth, flexibility and control. Another instrument of control is an organisational chart because many things are specifically stated in it. An organisational chart shows the formal relationships between different positions. It helps in understanding the nature of authority and responsibility of each personnel with respect to each aspect of operation. This helps in avoiding friction which would exist if it had not been there.

A supplement to organisational chart is an organisational manual which incorporates the company as well as departmental chart. The organisational manual is an extension of the organisational chart. The organisational manual typically contains write-ups of job descriptions and specifications and summaries of major company and departmental objectives and policies. The organisational manual also contains a lot of information which helps the users to learn and understand the nature of their responsibilities, authorities and relations with others.

Tasks

1. Discuss about the steps involved in developing the organization.
2. Discuss the statement "Is sales compensation driving the right behaviors".

Notes

5.5 Centralisation vs Decentralization in Sales Organisation

In centralised system, recruitment, training, compensation and evaluation are all managed from the central head quarter while in decentralised system the field sales managers take up most of these functions. It also depends on size of operation, cost effectiveness and competitive necessities. When firms are small and have only a few sales people, corporate office may be more efficient and effective. When size of operation increases, branch offices gradually emerge. Decentralisation in this case provides more freedom to sales manager to allow him to display greater initiative and managerial skills.

Most medium and large size firms combine the advantages of both centralised and decentralised operations. Decentralised sales offices are utilised to ensure better customer service while training and recruitment may be centralised.

With growth, advantages of decentralised sales force management increasingly outweigh the higher costs. Among these advantages are:

1. The sales volume increases to cover the fixed costs.
2. There is intensive cultivation of the market.
3. Due to effective control of sales personnel there is a comparatively better provision for improvement of customer services.
4. Travelling expenses and allowances given get reduced considerably.
5. A well managed channel structure offers a good training ground as the shortcomings are well known to the executives.
6. The motivation and morale of the sales force increases.
7. It provides effective control, improves supervision and increases sales productivity.

Managerial philosophy towards delegation and control also affects the extent of centralisation and decentralisation. Increased use of computers has also influenced this philosophy. It has led to more centralised decision making as data can be processed much faster.

Caselet

Arthur Andersen Finally Dies at 89

After 89 years in business, Arthur Andersen LLP has ended its role as auditor of public companies.

The Chicago-based company was convicted in June of obstruction of justice for shredding and doctoring documents related to Enron audits. Afterward, Andersen told the Securities and Exchange Commission that it would cease auditing public companies. It already had given up its license to practice in several states.

"As of this day, Arthur Andersen LLP has voluntarily relinquished, or consented to revocation of its firm's permits in all states where it was licensed to practice public accountancy with state regulators," the company announced in a statement.

The company now has fewer than 3,000 of the roughly 28,000 employees it had before the Enron scandal. Of its more than 1,200 public-company audit clients, none will remain.

The firm's startling decline has come in less than nine months.

Contd...

Notes

"It's like a family member who has terminal cancer," said Gary Brentlinger, human resources director for Andersen's offices in Houston, Austin, San Antonio and New Orleans. "We're watching the firm die."

As people have left and files have gone into storage, Brentlinger said Andersen staff members have removed papers from office in a downtown Houston skyscraper and turned off the lights, leaving only furniture and artwork.

Questions

1. The most established and successful companies are prone to abrupt end - why?
2. Analyse how business stability can be achieved for longer periods.

Self Assessment

State whether True or False:

8. Lines organisation is extensively used in smaller firms or those dealing in a narrow product line, or selling in a limited geographical area.
9. Customer division of line of authority is suitable when almost similar products are sold in the market and are marketed to different types of products..
10. A supplement to organisational chart is an organisational manual which incorporates the company as well as departmental chart.
11. The sales organisation structure can also exist in two other forms which are vertical sales organisation and horizontal sales organisation.
12. Line division of line of authority is suitable when almost similar products are sold in the market and are marketed to different types of customers.
13. A sales organisation can exist in numerous forms
14. Organisation is headed by Managing Director who has line managers called Regional Managers and Staff Managers
15. Formal job description is an important formal instrument for coordination and control

5.6 Basic Types of Organisational Structures

The sales department's structure evolves from the needs of the business. Different companies have different organisational structure depending upon their needs. The organisational structure is affected by company size, practices of competitors, marketing channels, customers and the personalities and abilities of personnel.

5.6.1 Lines Sale Organisation

It is the most basic form of the sales organisation characterised by a chain of command, running from top sales executive down to salesman level.

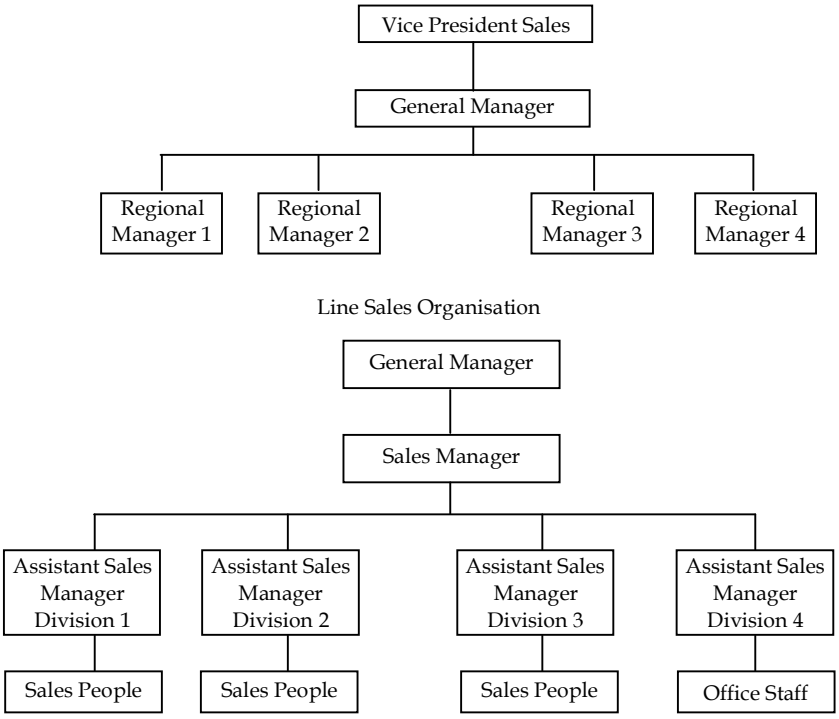
Since line of authority has vertical structure, executives at each level are generally independent of all others at the same level. Responsibilities are usually delineated through assignment of quotas or sales targets. An example of lines sales organisation is the liquor division of Jagatjit Industries. Each level is connected to the subordinate level by scalar lines of command.

Notes

Lines organisation is extensively used in smaller firms or those dealing in a narrow product line, or selling in a limited geographical area. It places great demand on time and abilities of the top sales executives as all field reporting's finally come to him. Operational details of managing the sales department takes up a large part of line executives time. He is at times forced to take decisions without benefit of adequate planning.

Line organisation becomes inappropriate in case of a rapidly growing organisation or those with large sales staff as growing department necessitates additional layers of executives to be added.

Figure 5.2: Line Marketing Organisation



5.7 Customer Channel Division of Line Authority

When the line authority becomes a burden because of increasing number of people to supervise, there are many options available for the organisation. One of the options is to add a general line assistant. Another option is to divide the line authority on the basis of customer or marketing channel.

Customer division of line of authority is suitable when almost similar products are sold in the market and are marketed to different types of customers. It is also done when selling problems to each type are different. When the same, or identical, products are sold to a number of industries they often find different applications in each industry. Customers not only have different needs, they are influenced by different buying motives. Thus, special sales forces sell to each major type of customer.

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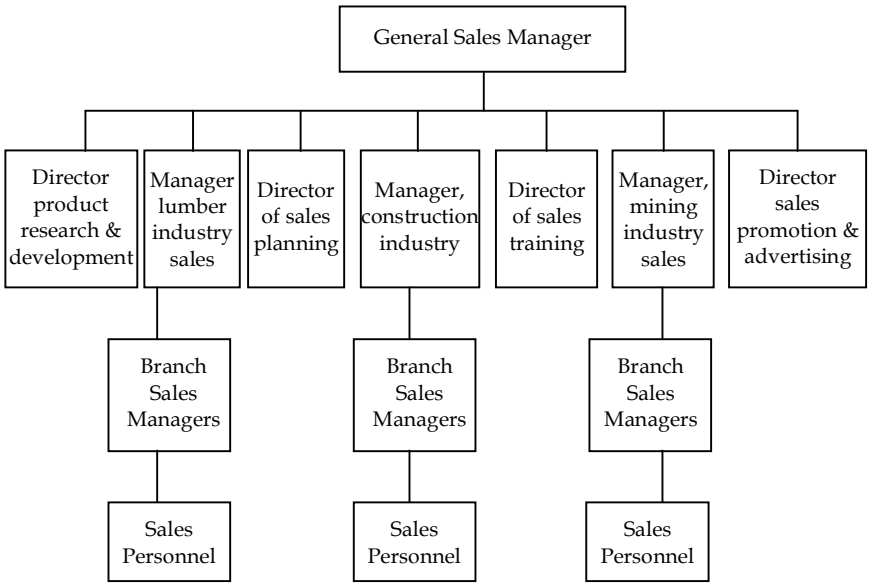
Figure 5.3: Sales Department with Line Authority Subdivided by type of Customer



5.8 Line and Staff Sales Organisational Structure

Line and staff sales organisational structure results as the size of the operation grows. It is characteristically found in medium and large firms with sizeable sales staff selling diversified product lines. Staff are specialists in their own field which can be sales training, service, sales analysis, planning dealer relations, sales promotion, sales personnel development, etc. A pool of experts become available for providing assistance in specialised fields.

Organisation is headed by Managing Director who has line managers called Regional Managers and Staff Managers, who look after the staff functions Manager reporting to him.

Customer Service Manager is incharge of feeding in information and facilitation of customer services sales promotion.

Sales Promotion Manager performs the advisory function with respect to sales promotion activities of the organisation and correlates with the Regional Sales Manager as to promotional needs.

Regional Managers are the line managers responsible for operating results in their own territories and control their own field staff.

Problems with line and staff is basically one of coordination reports. Moreover recommendations take time to compile and there is time lag which hinders active coordination. Various problems of interpersonal relationships also arise. Staff sometimes assumes the authority to issue orders and direction. This leads to dual subordination and can be overcome if authority and responsibility are specifically written down.

Notes

Figure 5.4

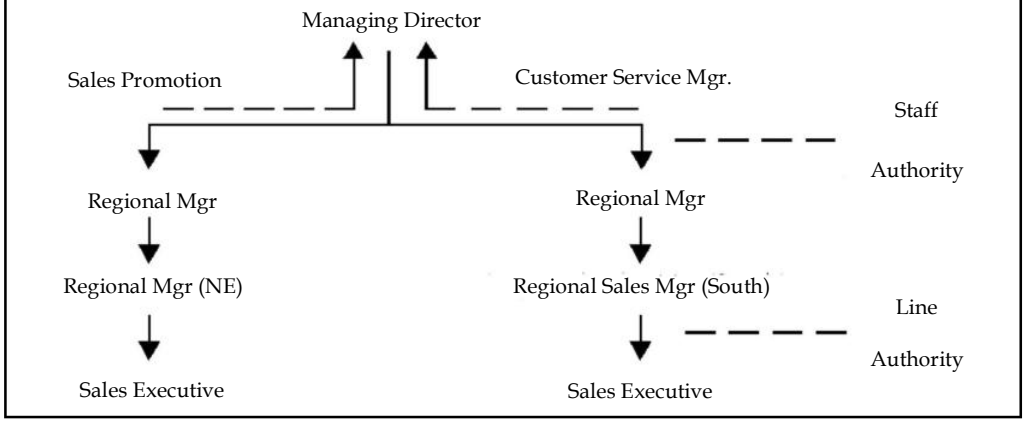
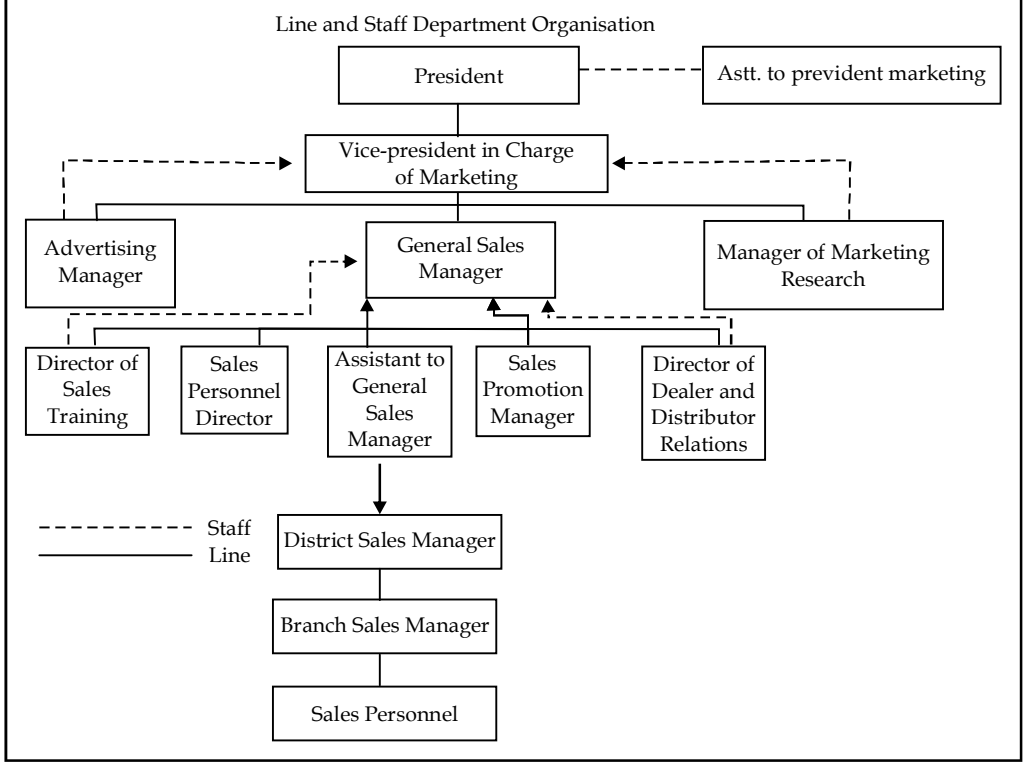


Figure 5.5: Staff Relationship by Dashed Lines



5.9 Functional Sales Organisation

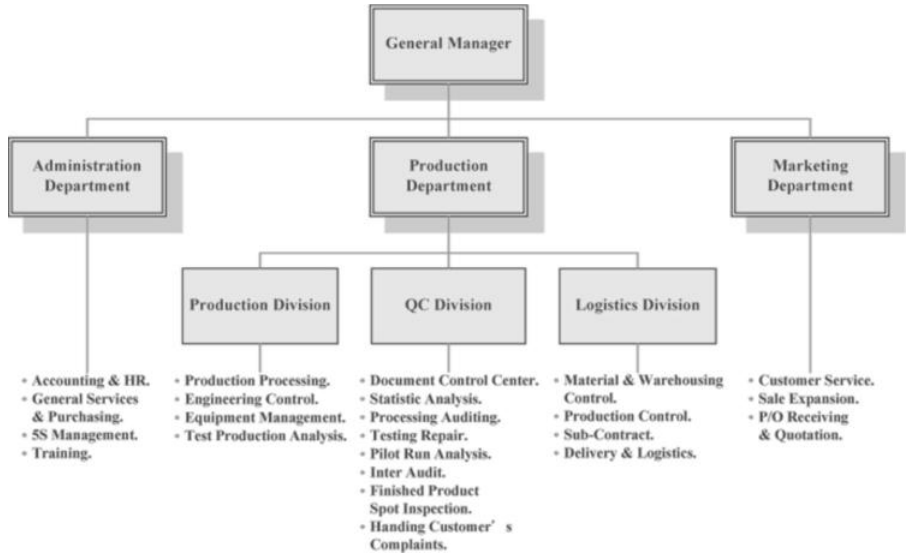
Functional sales organisation was designed by F W Taylor and takes into account, that, all the executives and employees should have different types of activities, as far as possible. Functional sales organisation is aimed at utilising the benefits of specialisation to the fullest extent. All sales personnel receive direction and are accountable to different executives on different aspects of their work in contravention to the principle of unity of command.

Most of the firms use this type of organisational structure as it not only provides a platform for improved performance through specialisation, but also, improves coordination among the functional executives.

Notes

Functional organisation is not feasible in all types of organisations. It is cumbersome and ineffective in its present form. Small and medium sized firms find it neither practical to implement nor are financially strong enough to employ high degree of specialisation. Large organisations, however, find it suitable for stable operations as there are no constraints with regard to finance, labour and specialised executives. Large companies with stable selling operations are exceptions rather than the rule.

Figure 5.6: Functional Type of Sales Organisation



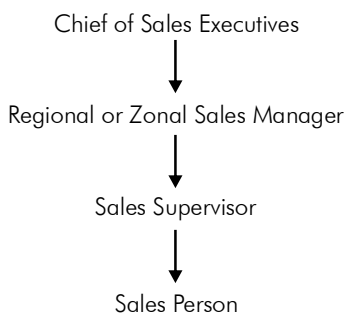
Source: http://jijonq.com/image/picture/jijonq_chart_organization_en.gif

Notes Other committees found in sales organization include customer relations, operation, personnel, merchandising, and new products. The use of committees in the sales department has advantages.

5.10 Vertical and Horizontal Sales Organisation

This type of organisation has several levels of management. All the employees report in the upward direction to their next level (i.e., all report vertically upwards).

Figure 5.7: Vertical Sales Organisation



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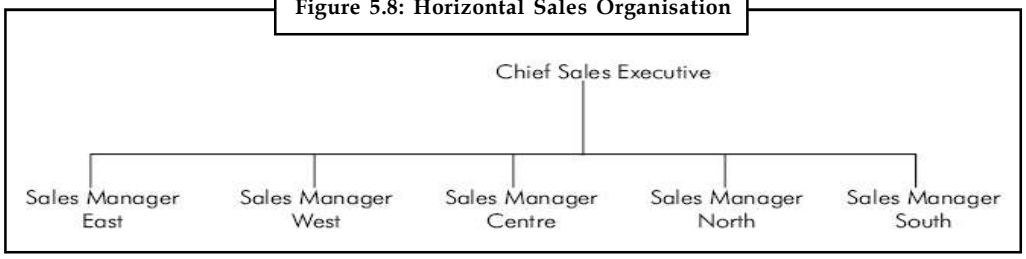
Horizontal Sales Organisation

In this type of sales organisation the number of management levels are small and the number of managers at a particular level is large.

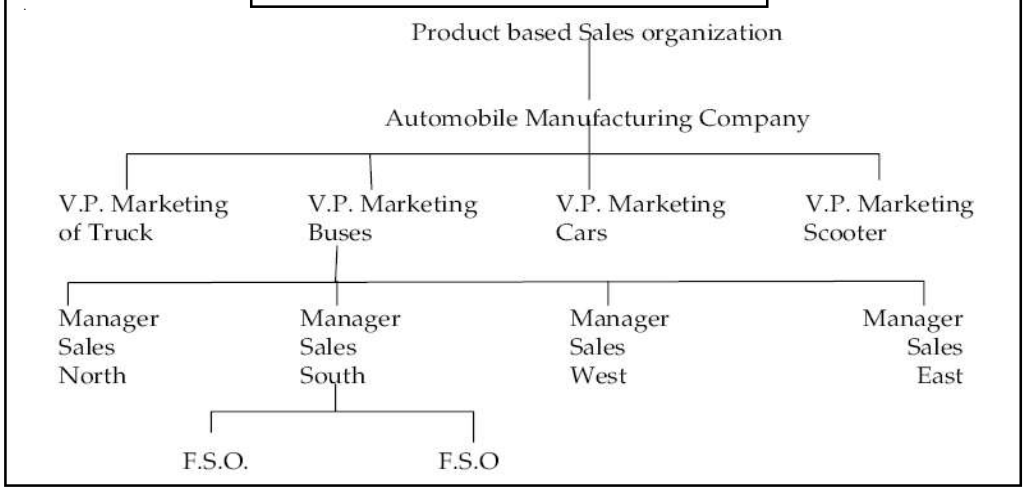
Figure 5.8: Horizontal Sales Organisation



In vertical sales organisation we see a narrow space of control and in horizontal sales organisation a wide span of control. Span of control is the number of subordinates that can be handled effectively by a superior.

Field Sales organisation is the group of sales force that work in the field periodically with retailers and customers in person. They send reports to the company and they are some kind of specialist. They can be important specialist, product specialists, or a coordinator of these are these force have organised based a product, market or customer, we can also have a combined based organization.

Figure 5.9: Product based Sales Organisation



This is practiced in very big companies where the area to be covered is very large and a large and a larger no. of product lines are to be marketed.

As Salesman are dealing only in one product they get in a dept knowledge and specialisation. In this type of organisation the activities are duplicated.

Customer based Sales Organisation

The organisation can also be customer based i.e. salesman catering to different type of customers. A company making computers can have salesman catering to Govt. offices, commercial, houses, individuals (Businessman, doctors, students etc.)

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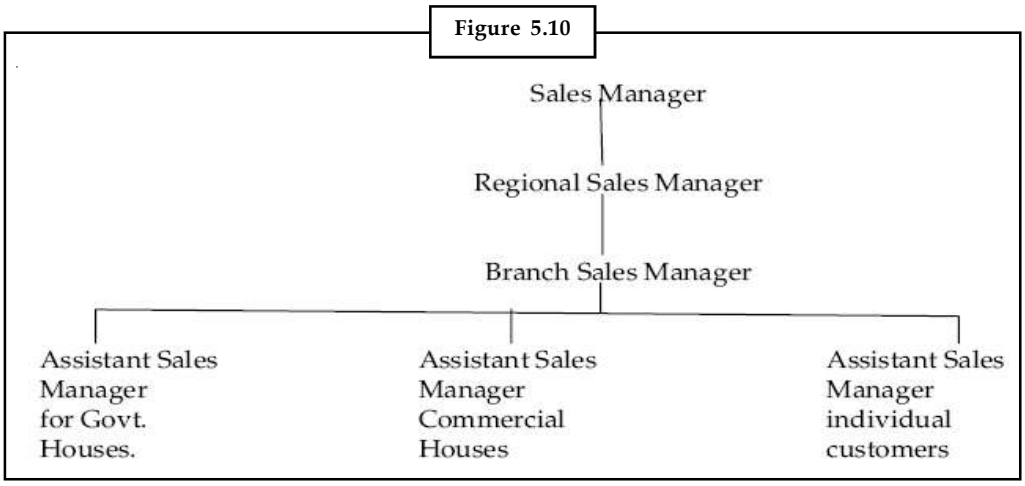
Figure 5.10



The salesman in such organisations gets to know more about the customers, their problems and methods of purchase. Builds relationship which a long way and give fruits when the customer is satisfied with the product and the service. The disadvantage is the duplication of facilities & resources. Extra expenditure is involved in maintaining a large sales force.

Caution One of the disadvantages of this structure is that a particular sales person can handle only a limited number of uncomplicated products or product lines.

Combined Base Organisation

In this type of organization two or more bases are combined to form an organisation structure. It may overcome the problem of individual sales organization.

Sales organisation is the framework of relations of different people in the enterprise. Its function is to provide an efficient, economical and flexible administrative set up to ensure timely movement of products from the warehouses to consumers.

Importance of sales organisation can be judged from the following points:

1. To plan the purchase.
2. To create demand pattern for the products.
3. To handle the orders received.
4. To collect the dues.
5. To reconcile the complaints.
6. To handle the tasks of personnel management.

A sales organisation can exist in numerous forms. It can be a line organisation or a line-staff organisation or functional organisation. The sales organisation structure can also exist in two other forms which are vertical sales organisation and horizontal sales organisation. Depending on the needs and requirements various organisations choose their organisational structure.

Notes

Case Study

Physical Distribution

Kanpur Tiles were making several qualities of tiles for floors and walls. They were also doing business in decorative plumbing hardware. The main markets comprised buildings and individual buyers. The company was selling to about 1000 retail, regional and wholesale outlets. The company had 20 regional warehouses scattered over the entire market. The 80% customers could get their requirements in 2 days. The inventory planning of the company permitted 85% of the inventory to be dispatched to warehouses immediately. Rapid delivery and adequate inventory levels was the reason of success of Kanpur Tiles.

1. Recently the cost of distribution has in creased and the company is facing a credit squeeze. This prevented the company to maintain high level of inventory in warehouse, which also delayed the delivery time.
2. The downward trend was felt in the housing industry which lowered the demand. The buyers were very selective in choice of individual items therefore the company had to maintain its quality standards and its reputation.

Floor and wall tiles and other connected materials do not come in the category of impulse buying. The customers spent a lot of time and were cautious of many aspects of flooring which lasted for many years. Some executives of the company felt that the two-day delivery time is not essential and it could be changed to more days for the sake of economy. The total inventories cost of regional distribution centres were almost 30% of the capital value of the inventory. Another category of orders was rush orders, in which immediate delivery was required and they constituted about 50% of the volume.

A survey of the rush order customers showed that customers would not complain if the delivery period was extended from two to five days but would be unhappy for longer periods of delivery as they were in the process of constructing their houses and wanted the supplies immediately. Rest of the customers would accept delivery ranging from 15 to 25 days.

The management had different choices to make.

(a) They could eliminate all branch warehouses and maintain a central warehouse at the factory. This could reach 95% of the customers within 23 days. Rush orders would be dealt separately by air shipment, which would increase the cost of transportation 3 times.

(b) If the company maintains three warehouses it could reach 30% of the consumers in ten days and rest in 18 days. The inventory cost would be 11% in this scenario.

(c) If the company maintains 10 warehouses it could reach 45% of the consumers in 7 days and the rest in 17 days. The inventory cost would be 25% of the capital value inventory.

(d) If the company maintains a central warehouse, it could make a gross profit of 40%. Current gross margin was 20-25%.

All the competitors of the company had limited number of warehouses and their delivery time was 15-20 days.

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Questions

1. In your opinion what alternative should be adopted by the company and why?
2. What should be the policy for rush orders?

Notes Physical distribution cost consist of freight rates, labour cost, storage, insurance, transport, storage, inventory control, order processing, material handling, etc.

The balance between customer service and cost distribution is devisable.

5.11 Summary

- Sales organisation is a group of people working together to achieve the objective of sales.
- A sound sales organisation defines people in the organisation in terms of authority, responsibility and accountability and identifies flow of authority.
- A sales organisation bridges the gap between the market and the productive capacity of the firm.
- Functional authority enables specialists in particular areas such as in technical product service to enforce their directives within a specific and limited field.
- The personnel looks upon sales organisation as something that will advance and improve their future career.
- Regional Managers are the line managers responsible for operating results in their own territories and control their own field staff.
- Sales organisation is the framework of relations of different people in the enterprise.
- A supplement to organisational chart is an organisational manual which incorporates the company as well as departmental chart.
- Control and coordination in a sales organisation can be done both formally and informally.
- The organisational manual is an extension of the organisational chart.
- A well managed channel structure offers a good training ground as the shortcomings are well known to the executives.
- Operational details of managing the sales department takes up a large part of line executives time.
- The organisation can also be customer based i.e. salesman catering to different type of customers.

5.12 Keywords

Combined Base Organisation: In this type of organization two or more bases are combined to form an organisation structure. It may overcome the problem of individual sales organization.

Customer Based Sales Organisation: The organisation can also be customer based i.e. salesman catering to different type of customers. A company making computers can have salesman catering to Govt. offices, commercial. Houses, individuals.

Notes

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Horizontal Sales Organisation: In this type of sales organisation the number of management levels are small and the number of managers at a particular level is large.

Line Organisation: Lines organisation is extensively used in smaller firms or those dealing in a narrow product line, or selling in a limited geographical area. It places great demand on time and abilities of the top sales executives as all field reporting's finally come to him.

Regional Managers: Regional Managers are the line managers responsible for operating results in their own territories and control their own field staff.

Sales Organisation: Sales organisation is a group of people working together to achieve the objective of sales-which is to capture a certain share of market while satisfying the customers.

Staff Authority: Staff authority is the power to suggest to those holding line authority the method for implementation of an order.

Answers: Self Assessment

1.	Endeavour	2.	Productive
3.	Staff Authority	4.	Corporate
5.	Coordination	6.	Sales
7.	Customer	8.	True
9.	False	10.	True
11.	True	12.	False
13.	True	14.	True
15.	False		

5.13 Review Questions

1. What is the meaning and purpose of a sales organisation?
2. What are the steps involved in developing a sales organisation?
3. What are the basic types of organisation structures?
4. Distinguish between line-staff and functional organisation with respect to sales.
5. Explain the functional types of sales organisation.
6. Describe the vertical and horizontal sales organization.
7. Describe the line and staff sales organization structure.
8. Explain the centralization vs decentralization in sales organization structure.
9. Describe the customer channel division offline authority.
10. Explain the combined based organization.

5.14 Further Readings

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Unit 6: Recruitment of Sales Personnel

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6.1 Factors Affecting the Recruitment Policy of Sales Personnel

6.2 Sequence of Recruitment Process

6.3 Motivation

6.4 Working Conditions

6.5 Where will this Person be Found?

6.6 What Recruitment Sources can be Employed?

6.7 Which Person is to be Recruited out of the Selected Applications?

6.8 Summary

6.9 Keywords

6.10 Review Questions

6.11 Further Readings

Objectives

After studying this unit, you will be able to:

- Describe the recruitment of sales personnel;
- Discuss the Employment agencies;
- Explain the sequence of recruitment process.

Introduction

"Recruitment is a process to discover the source of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force." -Yoder.

"Recruitment involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen." - Byars and Rue.

"All the activities involved in securing the applications for the sales positions are referred to as recruitment. Recruitment sets out the necessary stages to clarify what kind of person is required, where he/she might be found and how to make the right choice. The choice of he/she is very significant."

"It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation." - Flippo.

The key to good selection is preparation. So many people are proud of their ability to pick a good sales person and so often that person is good but not at the particular job which needs to be done. It is vital to be clear about what job needs doing and what kind of person would do it best;

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and then to find that person (or people). Once the plan has been decided the choice of candidate should be made carefully.

The effectiveness of the sales manager is dependent to a great extent on the effectiveness of the team supporting him. The success of sales organisation and sales force depends on proper staffing.

While planning for recruitment in company promotion policies, retirement plans and transfer procedures must be given due consideration. In tough economic conditions, recruitment of sales people may be affected. The overall level of economic activity, government economic policies, situations vis a vis competitors labour relations, etc. are to be considered as well. Some competitors also try to snatch salesmen buy offering higher salaries.

6.1 Factors Affecting the Recruitment Policy of Sales Personnel

According to Yoder, "The recruitment policy is concerned with quality and qualifications of manpower". It establishes broad guidelines for the staffing process. Generally, following factors are involved in the recruitment policy:

1. Number of recruits desired
2. Recruitment sources
3. Recruitment needs
4. Recruitment cost
5. Size of sales organisation
6. Rate of turnover
7. Forecasted sales volume
8. Government policies
9. Personnel policies of competing organisation
10. Organisational personnel policies.

Did u know? The recruitment and selection of sales personnel varies from company to company depending on the type of sales personnel which the company is going to need. An engineering company will need sales personnel who are very strong in their technical education. Such as machinery sales, engineering companies etc.

6.2 Sequence of Recruitment Process

Before an organisation begins recruiting applicants, it should form a checklist of questions which outline a chronological sequence for the recruitment and selection process as follows:

1. What kind of job is to be filled?
2. What sort of person would do this job successfully?
3. Where will this person be found?
4. What recruitment sources can be employed to find this person?
5. Which person is to be recruited out of the selected applications?

Notes

What Kind of Job is to be Filled?

This question has a wide spectrum of answers. Hence, to answer this question in totality following sub-questions are to be answered.

1. What is the main role for this job?

   or What does the job description include?

   or Whether the job description includes the following?

   (a) The name of the job;

   (b) Who is the Boss;

   (c) Why this job exists - its objectives;

   (d) How far the job holder is personally responsible for achieving results;

   (e) Control and use of people, materials and money.

2. Is this principally a job dealing with buyers in commercial organisation, dealing with retailers or dealing with end users?

3. Is the company looking for a future area or sales manager or is it looking only for someone to fill this specific job for a period of time?

4. What is the remuneration package for the job? What is the mix of salary? What commissions and other benefits are going to be offered?

It is only when all these questions have been answered that it is possible to move on to think about the kind of person that is needed and the answers of other questions of the chronological sequence.

What Sort of Person would do the Job Successfully?

To find out the right person for the right job a "Person Specification Form" should be made depending upon the job specifications and organisational needs. The person specification form is a checklist of abilities separating those aspects which are essential (the job cannot be effectively done without them) and those which are desirable (it would be nice to have them but could manage without). By using the two categories of essential and desirable, a minimum candidate and an ideal candidate can be identified.

The following broad areas have been tried and tested in drawing up specifications for sales appointments.

Intellectual Abilities

It includes the requirement of the job in terms of general intelligence, judgement required (common sense) and the creativity necessary to recognise, introduce and adapt new ideas.

Tasks

1. Mrs K Lata is a recent PGDBM from All India Management Association. She has decided that she wants a sales job in the durable goods industry. She knows that

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there will be considerable competition from people with much better experience. She wonders how to approach the cover letter and resume to differentiate herself. What suggestions would you give her?

2. A General Manager (Sales) has been hiring 100 sales people a year for the past five years and has been keeping records of recruitment sources. A summary of this information is as follows

Recruitment Source	No. of Recruits obtained	No. of Recruits Hired	No. of Sales People after One Year
Employment Agency	80	24	16
Advertising	200	16	08
Competitors	120	60	15

Should the general manager concentrate on only one or two recruitment sources? If one, which one?

6.3 Motivation

Under this specification it has to be determined what things interest or motivate the sales persons towards the job. Is money the driving force, or progress, recognition, achievement are also important?

Specific Attainments

Does the job really require technical/professional knowledge or qualification? Is there a genuine need for some specific previous experience?

People Skills

It is essential in selling to be able to deal with people. Whether the sales person, to be recruited, has communication and leadership skills?

What impact can he bring in customers' mind through his communication skills?

Caselet

A Martin Inc

A Martin Inc, based at Chicago in the state of Illinois, was distributing an extensive line of business office products, such as office stationery, which included various grades of paper, envelopes, ribbons, staplers and other accessories. The company was distributing this in a wide area with adequate no. of salesmen to look after the territory. The Company felt that to make the training effective, it was essential to emphasize on, A-C-M-E-E (Aim, Content, Methods, Execution & Evaluation).

The various types of training imparted by the Company was in the form of lectures, personal conferences, demonstrations, case discussions, role playing, impromptu discussions, on the job training, programme learning etc. To train the salesmen for the company, the chairman proposed the method of centralized training through the district manager of the company. This was to provide better quality training by giving uniform

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and identical training. Centralized training will also hold higher prestige in the minds of the salesmen. By centralized training at headquarters, better facilities can be provided to the trainees. Before the programme was implemented, suggestions came from other executives who maintained and suggested decentralized training in various territories. They argued that the decentralized training would be more realistic as it will be given in the territory itself keeping in mind the problem faced in the territory. Secondly, since the salesmen were accountable to the district sales manager, his method of training and guidance should be followed. It was also thought that the decentralised training would be less expensive.

Question

Which of the two suggestions for training would you approve?

6.4 Working Conditions

Finally, it is important to remember whether there are any specific conditions relating to mobility, hours of work, etc., which could effect the recruitment or selection of sales person.

Thus, the person specification form is used as the base for the selection process. A figure representing a person specification form is shown here. The first column is headed 'Characteristics to be assessed' the second and third column categories the 'Essential' and 'Desirable' characteristics.

Person Specification Form

	Characteristics to be assessed/measured	Essential	Desirable
1.	Intellectual abilities		
	(a) Creativity		
	(b) Judgement		
	(c) General Intelligence		
2.	Motivation		
	(a) Interests		
	(b) Drive		
3.	Specific Attainments		
	(a) Technical/Professional knowledge or qualification		
	(b) Specific experience		
4.	People Skills		
	(a) Impact		
	(b) Communication		
	(c) Leadership		
5.	Working Conditions		
	(a) Location		
	(b) Hours		

Notes

Self Assessment

Fill in the blanks:

1. ..... involves seeking and attracting a pool of people from which qualified candidates for job vacancies can be chosen.
2. The effectiveness of the ..... is dependent to a great extent on the effectiveness of the team supporting him.
3. The person specification can help in looking at employees in other areas who may have no previous sales experience but whole profile in terms of their skills, their ..... .
4. The ..... policy is concerned with quality and qualifications of manpower.
5. Specific job details vary with the ..... and its situations and these should be in the ad if it is to attract good applicants.
6. Employees desiring transfers are already familiar with company policies and the ..... department has considerable detailed information about them.

6.5 Where will this Person be Found?

Now, we know what the job is and what kind of person is required for the job—only we need to find this person.

The person specification can help in looking at employees in other areas who may have no previous sales experience but whole profile in terms of their skills, their motivation, etc. could well make them excellent sales people. The various recruitment sources like advertisements, employment agencies, educational institutions, internal transfers, etc., will also help in this context.

The choice will depend on the nature of the job and on how many potential candidates there are. If a highly specialised salesman in a narrow market segment is required and there are only a few dozen likely contenders then the choice maker has to go spear fishing. A 'search' is undertaken either by the company or a reputable consultant. This individual approach to identifying potential candidates is likely to be fulfilled from the following resources:

Notes Sales personnel recruitment and selection is generally done in the sales department. Furthermore, this article will outline how exactly can sales personnel be recruited along with sources of recruiting sales personnel.

6.6 What Recruitment Sources can be Employed?

Employment Agencies: Agencies often administer batteries of tests, check references and perform task otherwise done by the employer. Whenever an agency is used, it should receive a clear statement of the job's objective and a complete run-down of job specifications. Agencies need time to learn about an employing firm and its unique requirements of the interest to sales executive is the growing no. of agencies that take the initiative in searching but promising job candidates, employed or not, instead of confining themselves to "volunteer" applicants.

Advertising: Newspapers carry numerous advertisements publicising openings for sales personnel such advertisements appear both in classified sections and as display advertising so great is the number of prospective job candidates reached by a single advertisement that

Notes

companies often try to reduce the volume of applications. If the employer publishes details about the company and job, fewer obviously unqualified persons will reply. Specific job details vary with the company and its situations and these should be in the ad if it is to attract good applicants. Some ads give the compensation range of successful company sales personnel. Others explain that the person selected is to replace a regular sales person in an established territory with active accounts. Still others specify that only highly qualified professional sales people need apply. Information of this sort helps to convince promising applicants that the opening is legitimate.

Internal transfers: Two additional internal sources are other departments and the non selling section of the sales department. Employees desiring transfers are already familiar with company policies and the personnel department has considerable detailed information about them. While little is known about their aptitude for selling, they often possess excellent product knowledge. Aptitude for selling of course, can be tested formally or by trial assignment to the field. Transfers are good prospects for sales positions whenever product knowledge makes up a substantial portion of sales training, since it may be possible to accelerate field assignments.

Educational Institutions: This source includes colleges, universities, technical and vocational institutes. They are supposed to have developed their ability to think, to reason logically and to express themselves reasonably well. Ordinarily, they do a good job of budgeting their time and managing their daily activities. Their main limitation is lack of selling experience and hence they need to be trained.

Salesmen of other Companies: These are individuals currently employed as salesman for other companies. They are an attractive source of recruitment as they know the product, customers and competitors. They are also experienced sellers and therefore no money is required to be spent for their training. But their limitations are that they are a costly source as generally higher pay must be offered to them and they also do not possess the required degree of loyalty.

Caution A strong sales force is the key to business profitability. Experienced sales personnel with proven records of accomplishment are difficult to recruit through simple Internet postings. Hiring managers must actively pursue candidates with the greatest sales experience and earning potential, and establish recruiting guidelines for human resource personnel.

Self Assessment

State Whether True or False:

7. Agencies often administer batteries of tests, check references and perform task otherwise done by the employer.
8. Two additional internal sources are other departments and the non selling section of the sales department.
9. Employees desiring transfers are already familiar with company policies and the personnel department has considerable detailed information about them.
10. Product of this sort helps to convince promising applicants that the opening is legitimate.
11. Transfers are good prospects for sales positions whenever product knowledge makes up a substantial portion of recruitment training

Notes

6.7 Which Person is to be Recruited out of the Selected Applications?

The simple answer to this is that the one who best fits the specification and who has the essential characteristics as defined should be recruited.

This implies an structured approach of three steps. These are:

First, compare application form or C.V. with the person specification and remove all those who do not meet the essential criteria.

Secondly, move on to those areas where the 'Measuring Instruments' and an assessment at interview are needed. For instance,

1. Education
2. Work history
3. Family background
4. Domestic and social situation
5. Present financial situation
6. Health
7. Leisure interests
8. Ambitions and future plans.

Thirdly, it involves the identification of the pattern of behaviour which will help in forming judgements. The terms patterns should be stressed — the company should look for a consistent picture at school, at work, in social life which shows, for example, tenacity, perseverance, commitment or lack of these.

After all the three steps have been followed and care has been taken to see that the candidate fits into the specific job requirements one can be sure of choosing the right candidate for the right job.

"Picking winners is not easy - but a systematic approach using the assistance available and commitments can pay real dividends."

Self Assessment

Multiple choice Questions:

12. The phase in the selling process in which the salesperson gathers as much information about the prospective client before the sales call is called:

    (a) The approach (b) Pre-approach

    (c) Prospecting (d) None of the above

13. Companies can use databases for which of the following purposes?

    (a) Generate Sales

    (b) Use to make attractive offers to inspire purchasing

    (c) Identification of prospects

    (d) Deepen customer loyalty

    (e) All of the above

Notes

14. What are not the typical roles and responsibilities of the sales manager?
    (a) Devising compensation and reward systems.
    (b) Motivation of team members
    (c) Performance evaluation
    (d) Development of marketing strategies.
15. Sales managers must also make decisions about organising the sales force. Assuming the sales force is to be managed internally, the sales manager has four broad choices for organising the sales force. Which of the following is not one of these four choices?
    (a) Customer importance (b) Customer based
    (c) Geographically (d) Demographically-based.

Caselet

Recruitment, Selection and Training

A well established steel and silver cutlery making company which was selling to upper, upper medium class segment of the society is to diversify and they want to use plastic segment and throw away cutlery segments. This is being done due to the present market scenario of mushrooming fast food centres all over the places, where all the cutlery is thrown away after use. This also requires lesser manpower as the counting, keeping records and washing of the cutlery is eliminated.

The CEO of the Co. wants to recruit about 10 salesman who are skillful and knowledgeable in selling to these markets. He wants them to have good knowledge of plastic as well as steel goods.

But the Regional Manager of the Co. wants to recruit a person who has the knowledge of plastic products selling industry knows about the distribution, marketing environment and the competitive nature of the Mkt.

Questions

1. What factors should be considered for recruitment of salesman?
2. What should be the Selection Procedure?
3. What kind of training to be imparted to the salesman?

6.8 Summary

- The recruitment policy is concerned with quality and qualifications of manpower.
- Agencies often administer batteries of tests, check references and perform task otherwise done by the employer.
- Finally, it is important to remember whether there are any specific conditions relating to mobility, hours of work, etc.
- Specific job details vary with the company and its situations and these should be in the ad if it is to attract good applicants.

Notes

- Two additional internal sources are other departments and the non selling section of the sales department. Employees desiring transfers are already familiar with company policies and the personnel department has considerable detailed information about them.
- Agencies need time to learn about an employing firm and its unique requirements of the interest to sales executive is the growing no. of agencies.
- Transfers are good prospects for sales positions whenever product knowledge makes up a substantial portion of sales training, since it may be possible to accelerate field assignments.
- The effectiveness of the sales manager is dependent to a great extent on the effectiveness of the team supporting him.
- The success of sales organisation and sales force depends on proper staffing.

6.9 Keywords

Advertising: Newspapers carry numerous advertisements publicising openings for sales personnel such advertisements appear both in classified sections and as display advertising so great is the number of prospective job candidates reached by a single advertisement that companies often try to reduce the volume of applications.

Educational Institutions: This source includes colleges, universities, technical and vocational institutes. They are supposed to have developed their ability to think, to reason logically and to express themselves reasonably well.

Employment Agencies: Agencies often administer batteries of tests, check references and perform task otherwise done by the employer. Whenever an agency is used, it should receive a clear statement of the job's objective and a complete run-down of job specifications.

Internal transfers: Two additional internal sources are other departments and the non selling section of the sales department. Employees desiring transfers are already familiar with company policies and the personnel department has considerable detailed information about them.

Recruitment: Recruitment is a process to discover the source of manpower to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient working force.

6.10 Review Questions

1. The recruitment policy is concerned with the quantity and qualifications of manpower. Comment.
2. What are the desirable characteristics for recruiting the sales persons?
3. "Picking winners is not easy – but a systematic approach using the assistance available and commitments can pay real dividends". Explain and elaborate the statement.
4. What information does a hiring organisation seek when evaluating recruited candidates?
5. What are the different forms of interviewing?
6. What are the primary sources of recruits?
7. Discuss the role of psychological testing in the selection process for sales people.
8. What tools does a hiring organisation have at its disposal when attempting to select a new salesperson?

Notes

9. Suggest criteria for selecting salesmen for the consumer products division of a company.
10. Design a sales training programme for two newly recruited salesmen of the consumer products division of a company.

Answers: Self Assessment

1.	Recruitment	2.	Sales Manager
3.	Motivation	4.	Recruitment
5.	Company	6.	Personnel
7.	True	8.	True
9.	True	10.	False
11.	False	12.	(b)
13.	(e)	14.	(d)
15.	(d)		

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Unit 7: Selection and Placement of Sales Personnel

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Objectives

After studying this unit, you will be able to:

- Define selection;
- Discuss the selection process;
- Describe the interviewing techniques;
- Explain the placement of sales personnel.

Introduction

Selection systems for sales personnel range from simple one-step systems consisting of nothing more than an informal personal interview to complex multistep systems incorporating diverse mechanisms designed to gather information about applicants for sales job.

"A selection system is a set of successive 'screens' at any of which an applicant may be dropped from further consideration".

Companies using multistep selection systems differ as to the number of steps and their order of inclusion. Each company designs its selection system to fit its own information needs and to meet its own budgetary limitations. As applicants survive succeeding steps in the system, the additional increments of information enable increasingly accurate estimates of success and failure probabilities.

Notes

Selection of proper sales people is very important to avoid disappointments, both to the employer and employee. Effective sales managers make every effort to get the best sales people available to them. Having wrong personnel costs a great deal to any organisation as neither the employer nor the employee is satisfied. An organisation's turnover rate shows the effectiveness of its selection process. It is a risk both to the company and the sales person. The company looses because the sales person does not fit into the required job and the sales person looses by choosing a wrong career and losing time which cannot be recovered. Unlike other jobs success in selling does not depend on a intellectual ability alone. There are many emotional demands on the salesman also. His personality, ability, experience, temperament and aptitude are also important in tackling situations that many a times are very disappointing. Like management, selection is also both an art and a science. It is an art as it requires experience and science because a set of systematic procedures are followed.

The process of selection of sales personnel differs from company to company depending upon the requirements. The applicant goes through various stages and the chances of selection get better as more and more stages are cleared. It is important for the company to find the suitable candidate, how he would be an asset to the company as well as fit well so that his requirements are also met.

Self Assessment

Fill in the blanks:

1. Companies using multistep ..... systems differ as to the number of steps and their order of inclusion.
2. The process of selection of ..... personnel differs from company to company depending upon the requirements.
3. The ..... screening is usually undertaken by the receptionist in the employment office.
4. The blank provides ..... information and helps in interview by indicating the areas of interest and discussion.
5. A ..... test can be defined both in a broad as well as narrow manner.

7.1 Selection Process

As shown in the Figure 7.1 a commonly used selection process consists of seven steps. These are:

1. Preliminary Interview
2. Formal Application
3. Interview
4. Reference Check
5. Testing
6. Physical Examination
7. Employment Offer

Notes

Did u know? An applicant who clears all the hurdles in the selection procedure is presumably offered a job. The main problem after final selection of the candidate is to place the worker on some suitable job. The act of offering the job to a finally selected candidate is called 'Placement'.

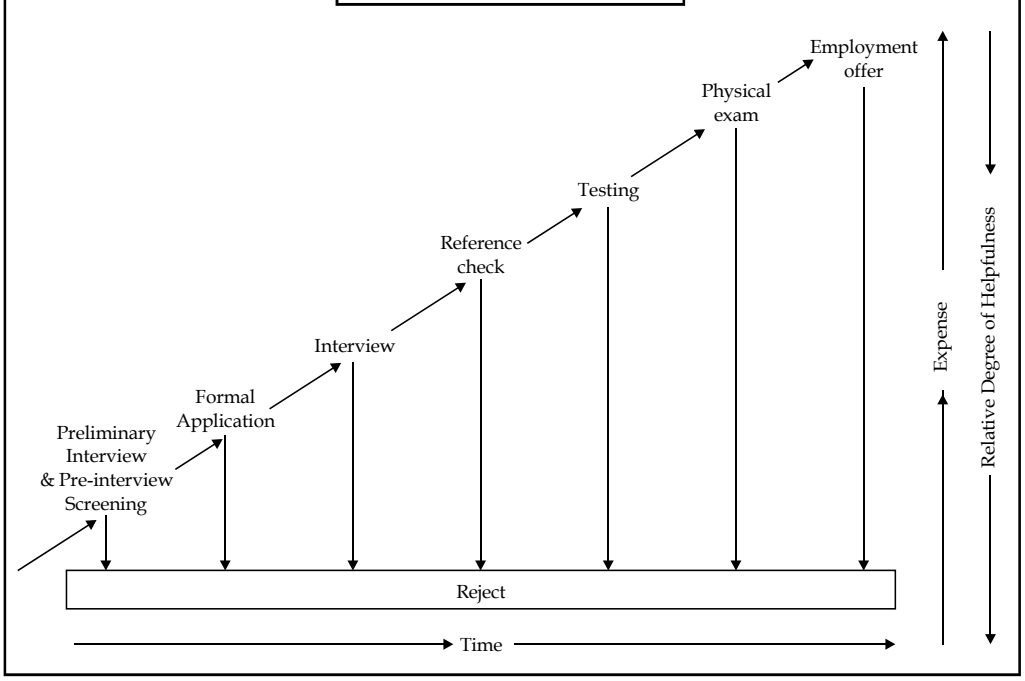
7.1.1 Preliminary Interview

The initial screening is usually undertaken by the receptionist in the employment office. This interview is essentially a sorting process in which perspective applicants are given the necessary information about the nature of the jobs in the organisation. The necessary information then is elicited from the candidates relating to their education, experience, skill, salary demanded, the reasons for leaving the present job, their job interest, physical appearance, age and facility of speech. If a candidate meets with the requirements of the organisation he may be selected for further action. If not, he is eliminated at this preliminary stage.

7.1.2 Formal Application Blank

An application blank is a brief history sheet of an employee's background and can be useful for future reference in case of need.

Figure 7.1: Selection System



An application blank is a traditional, widely accepted device for getting information from a prospective applicant which will enable the management to make a proper selection.

The blank provides preliminary information and helps in interview by indicating the areas of interest and discussion. It is a useful device for collecting historical data from the candidate as well as storing information for later reference.

Notes

Ideally each company should prepare its own formal application form as per its information requirements. But to save the time and cost of preparing its own application form it can follow a standard application form. Categories of information used in standard application forms on usual terms are:

1. Personal
   - (a) name
   - (b) address
   - (c) sex
   - (d) date of birth and age
   - (e) marital status
   - (f) children/dependents.
2. Education
   - (a) schooling : primary/secondary
   - (b) higher education: institutions
   - (c) qualifications
   - (d) specified training, e.g., apprenticeships, sales
   - (e) membership of professional bodies.
3. Employment History
   - (a) number of jobs held
   - (b) name of companies worked for
   - (c) duration and dates of employment
   - (d) positions, duties and responsibility.
4. Other Interests
   - (a) sports
   - (b) hobbies
   - (c) membership of societies/clubs.

Task Elaborate the Statement "is selection the most important element in fielding a sales force".

7.1.3 Interview

An interview can be defined as an attempt at gathering information from the candidate concerning his suitability for the job under consideration. No method other than interview is quite as satisfactory in judging an individuals' ability in oral communication, personal appearance and attitude towards selling and personal impact on others which are most important for the person involved in selling.

Notes

Interview Decisions

The following important decisions have to be taken by the management regarding interviews:

Who: The usual practice is to interview several persons and evaluate each applicant. In large sales organisation, district or branch sales manager handles the interview while in small organisations the responsibility lies with the top personnel of sales and marketing department.

Where: Similarly the place of interviewing also depends upon the size and degree of decentralisation in the organisation. In large and highly decentralised organisations the responsibility lies with district/branch/regional level sales department while in centralised organisations it lies with top personnel of sales and marketing department.

When: A short interview is generally used at the initial stage of screening process as preliminary interview, while a detailed/depth interview is used at a later stage in the selection process.

Interviewing Techniques

Mainly four kinds of interviewing techniques are used in a sales organisation. These are:

Non-Directed/Non-Structured Interview: This kind of interview does not follow a standard format of questions, instead it involves a relaxed discussion. Some personnel experts say that a non-directive technique yields maximum insight into an individual's attitude and interests. This method is perhaps the best way of probing an individual's personality in depth. The main drawback is that administering the interview and interpreting the results demands specialised instructions.

Patterned/Structured Interview: In this method the interviewers are given a prepared list of questions or a specific outline of questions designed to elicit a basic core of information.

McMurray explains why the patterned interview is likely to improve the judgement of the interviewers: First, the interviewer works from definite job specifications, he knows what qualities each job requires. Second, he has a plan, he knows what questions to ask. Third, he has been trained in the techniques of conducting an interview. Fourth, prior to interview, he has checked with outside sources and already knows a great deal about the applicant. Fifth, the interviewer himself has been carefully selected to assure that he has adequate intelligence and is emotionally well adjusted.

Interaction (Stress) Interview: It is a highly complex technique. In this the interviewer assumes a hostile role towards the applicant. He deliberately puts him on the defensive by trying to annoy, embarrass and frustrate him. The interaction interview simulates the stresses the applicant would meet in actual selling and how he would react to them.

Rating Scales: In this method results are obtained from comparable ratings of the same individual by different interviewers. The rating scales of the interview are so constructed that interviewers' ratings are channeled into a limited choice of responses. For instance, in evaluating the attitude of the candidate an interviewer is forced to choose from one of these answers: negative and complaining, pessimistic, positive and healthy, strong loyalty.

Caution Employment test refers to a procedure, technique, or measurement instrument for ascertaining characteristics such as aptitudes, capacities, intelligence, knowledge, skills, or personality.

Notes

7.1.4 Reference Check

Sometimes applicants are asked to name as references those people on whom they can rely to speak about them.

The main purpose of reference checks as a selection tool is to verify the facts such as dates of employment, earnings, sales volume, absenteeism and nature of the past selling job. This typical procedure is to check the references by personal visit, telephone or letter.

Self Assessment

State Whether True or False:

6. Psychological testing is gaining greater importance as a selection tool of sales personnel because of sales management becoming more formalised and rising cost of selection and training.
7. Psychological tests are divided into four categories on the basis of human behaviour.
8. Aptitude tests are divided into four categories on the basis of human behaviour.
9. Delivery persons' job requires unusual stamina, strength or tolerance of hard working conditions
10. Every company must look at its future management requirements as well as its need for career salesman.

7.1.5 Psychological Testing

"Tests are the most misused, the least understood, yet the most valuable sources of information about the applicants".

A psychological test can be defined both in a broad as well as narrow manner. Broadly, it has been defined as a "Systematic approach for comparing the behaviour of two or more persons". In narrow sense, "It is a sample of an aspect of an individual's behaviour, performance or attitude".

Thus, we may define it as a systematic procedure for sampling human behaviour.

Psychological testing is gaining greater importance as a selection tool of sales personnel because of sales management becoming more formalised and rising cost of selection and training.

The major purpose of testing is to identify the various aspects of a persons' behaviour such as intelligence, achievements, interests, aptitude, personality traits, etc.

Different Types of Psychological Tests

Psychological tests are divided into four categories on the basis of human behaviour. But mostly, the three categories: Aptitude Test, Personality Test and Achievement Test are used in selection procedure of sales personnel.

Aptitude or Ability Test: These are used to measure the talent/ability of a candidate to learn the job or skill. They detect peculiarities or defects in a person's sensory or intellectual capacity. They focus attention on a particular type of talent, e.g., learning, reasoning or a mechanical bend of mind. Such tests may be of the following types:

1. ***Mental or Intelligence Test:*** They measure the overall intellectual activity or the intelligence quotient (IQ) of the candidate. They also determine the candidate's word fluency, memory, inductive reasoning, speed of perception and spatial visualisation.

Notes

2. ***Mechanical Aptitude Test:*** These measure the capacity of a person to learn a particular type of mechanical work as they measure a person's visual-motor coordination or integration.

3. ***Psychomotor or Skill Test:*** These tests measure a person's ability to do a specific job. They are administered to determine mental dexterity or mental ability and similar attributes involving muscular movement, control and coordination.

Personality Tests: These tests try to find out an individual's value system, his emotional reactions and maturity and his characteristic mood. Their major motive is to measure the basic make up or characteristics of individuals which are non-intellectual in nature.

These tests can be categorised into the following types.

(i) ***Objective Test:*** They measure neurotic tendencies, self-sufficiency, dominance-submission and self-confidence. These are scored objectively.

(ii) ***Project Tests:*** In this the candidate is asked to project his own interpretation into certain standard stimulus situations which reflects his own values, motives and personality.

(iii) ***Situation Test:*** This reveals the ability of a candidate to undergo stress and his demonstration of ingenuity under pressure. In short, we can say that it is a measure of applicant's reaction when he is placed in a particular situation.

Achievement Tests (Proficiency Tests): Achievement tests seek to determine how much the individual knows about a subject. They determine the admission feasibility of the candidate and measure what he is capable of doing.

1. Tests for measuring job knowledge: They are administered to determine degree of their qualification and feasibility to perform the job.

2. Work sample tests: They demand the administration of the actual job as a test.

Interest Test: It is assumed in the use of interest tests that a relationship exists between test and motivation. Hence, if two persons have equal ability, the one with a greater interest in a particular job is more successful. These tests aim at finding out the types of work in which the candidate is interested.

However, these are not used much in the selection procedure of sales personnel as significant variation has been found in the interest test scores of successful and unsuccessful sales persons.

7.1.6 Physical Examination

Sales persons' job requires unusual stamina, strength or tolerance of hard working conditions. The presence or absence of these qualities in the candidate is revealed by physical examination. The major purpose of physical examination in the selection procedure of sales persons is that:

1. It gives a clear indication whether candidate is physically able to perform the sales person's job in the company.

2. It prevents selection of people who suffer from some contagious diseases.

3. It discovers the existing disabilities of the candidate and a record of the same is maintained so that the question of company's responsibilities would be settled in the event of a workman's compensation claim.

Notes

Notes Polygraph tests are seldom used to screen applicants for outside sales jobs for national companies and primarily are used by smaller companies.

Case Study

SUMIT Products Ltd

SUMIT Products Ltd is a company that produces and markets steel cups, teaspoons, knives and forks for the catering industry. The company was established in 1958 in response to the changes that were taking place in the catering industry. The growth of the fast-food sector was seen as an opportunity to provide disposable eating utensils which would save on manpower and allow for speedy provision of utensils to cater to the fast customer flow. In addition, SUMIT Products has benefited from the growth in supermarkets and sells consumer packs' through four large supermarket groups.

The expansion of sales and outlets has led Rakesh Mohan, the sales manager, to recommend to S Kumar, the general manager, that the present sales force of two regional representatives be increased to eight.

Rakesh Mohan believes that the new recruits should be experienced in selling fast-moving consumer goods since essentially that is what his products are.

S Kumar believes that the new recruits should also be familiar with steel products since that is what they are selling. He favours recruiting from within the steel industry, since such people are familiar with the supply, production and properties of steel and are likely to talk the same language as other people working at the firm.

Questions

1. What general factors should be taken into account when recruiting salesmen?
2. Do you agree with Rakesh Kumar or S Kumar or neither?

Rating of Interviewee

Having studied all the factors related to selection process, these should now be rated on the placement summary. The various facts should be compared with the requirements of the main profile and a score noted in the appropriate box. He should be rated 1 for a perfect match, 2 for an average match, 3 for below average and 4 for totally unsatisfactory. Comments should be made in the appropriate column to explain apparent discrepancies. Overall comments can be made in the space provided.

The scores should not be totalled or averaged in arriving at the final recommendation, as the weighing of the various factors will vary. What the manager must do is to consider each candidate as a mixture of factors and by identifying strong and weak points, come to a recommendation and score the man on the four-category scale. Category 1 men will normally be offered jobs immediately. Category 2 are not qualified in all respects and failing the appearance of anyone better, are worth employing. Only in dire circumstances, when it is imperative that someone be employed, should category 3 men be taken on. Category 4 staff should never be employed however desperate the manager might feel, for they can only create worse problems rather than solving them.

Notes

Two further considerations that the manager must take into account in arriving at his decision are the compatibility of the man with his future colleagues and superiors and the future management needs of the company.

How well a man fits into a team can often determine his success. It is usually fatal to put a dynamic, aggressive, ambitious twenty six year old into a sales force consisting of security minded senior citizens hanging on for their pensions. It is likewise dangerous to have a man who is over-compatible with his superior. This often comes about by "mirror-image" selection, a common fault of many inexperienced managers. Because a candidate happens to have a similar background to the manager, that is, comes from the same part of the country, went to the same school, shares an interest in water-polo and the like, it may be tempting to assume that he possesses similar business abilities but if a manager is prone to such temptations, it is better for him to ask a colleague to take over the interviewing.

7.1.7 Employment Offer

An employment offer is extended to the candidate who successfully passes through all the preceding steps.

Placement of Sales Personnel

Once, an offer of employment has been extended and accepted the final stage in procurement function is concluded, and the process of placement of the individual on the new job and orienting him to the organisation.

Placement may be defined as "the determination of the job to which an accepted candidate is to be assigned and his assignment to the job. It is a matching of what the supervisor has reason to think he can do with the job demands (job requirements), it is a matching of what he imposes (in strained working conditions) and what he offers in the form of payroll, companionship with others, promotional possibilities, etc."

Probation

After selection, the employee is generally put on a probation period, ranging from one to two years, after which his employment may be regularised, provided that during this period, his work has been found to be satisfactory. Only in very rare cases is the employee, once placed, asked to quit and even then, it is only when there is something very serious against him or he is found guilty of continued negligence in the performance of his duties. The new employee is placed as a probationer until the trial period is over.

7.2 Future

Every company must look at its future management requirements as well as its need for career salesman. Usually, these two demands will have to be met by different types of staff. Therefore, two different man profiles may be necessary when looking to fill similar sales positions. Those men with management potential should certainly score higher in leadership, self-reliance and ability to accept responsibility categories than the career sales staff. Unless different standards are adopted, too many men of high potential may be employed who will quickly become frustrated and leave. If men who can be only career salesman are taken on, there will be no potential management pool for the future. The relationship between the two categories will depend upon the spans of control, the number of management levels and the life span of management in each job.

Notes

Self Assessment

Multiple Choice Questions:

11. If a multinational company adopts a geocentric approach to recruitment and selection which of the following will occur?
    (a) All key posts will be filled by people of the same nationality as the parent company
    (b) The 'best' people will be recruited regardless of nationality
    (c) All key positions will be filled by host country nationals
12. Currently, the most popular recruitment method in the UK is which of the following?
    (a) Speculative application/Word of mouth
    (b) Company website
    (c) Recruitment agencies
    (d) Local newspaper advertisements
13. Behavioural interviews can most accurately be described as which of the following?
    (a) An interview that relies as much on the candidate's body language as the content of their answers.
    (b) A structured interview based on a series of questions relating to past behaviour, i.e. 'give an example of a time when you had to make an unpopular decision - how did you handle it?'
    (c) A structured interview based on a series of hypothetical questions, i.e. 'what would you do if?'
14. An Assessment Centre can most accurately be described as which of the following?
    (a) A place where people undertake a series of selection tasks.
    (b) A process involving a small group of participants who undertake a series of tests and exercises whilst being observed by a number of assessors.
    (c) A combination of selection interview and psychometric tests.

7.3 Summary

- A selection system is a set of successive 'screens' at any of which an applicant may be dropped from further consideration.
- An interview can be defined as an attempt at gathering information from the candidate concerning his suitability for the job under consideration.
- Achievement tests seek to determine how much the individual knows about a subject.
- McMurray explains why the patterned interview is likely to improve the judgement of the interviewers.
- A psychological test can be defined both in a broad as well as narrow manner.
- The initial screening is usually undertaken by the receptionist in the employment office.
- After selection, the employee is generally put on a probation period, ranging from one to two years, after which his employment may be regularized.

Notes

- It is assumed in the use of interest tests that a relationship exists between test and motivation.
- Every company must look at its future management requirements as well as its need for career salesman.
- The presence or absence of these qualities in the candidate is revealed by physical examination.

7.4 Keywords

Achievement Tests (Proficiency Tests): Achievement tests seek to determine how much the individual knows about a subject. They determine the admission feasibility of the candidate and measure what he is capable of doing.

Aptitude or Ability Test: These are used to measure the talent/ability of a candidate to learn the job or skill. They detect peculiarities or defects in a person's sensory or intellectual capacity. They focus attention on a particular type of talent, e.g., learning, reasoning or a mechanical bend of mind.

Mechanical Aptitude Test: These measure the capacity of a person to learn a particular type of mechanical work as they measure a person's visual-motor coordination or integration.

Mental or Intelligence Test: They measure the overall intellectual activity or the intelligence quotient (IQ) of the candidate. They also determine the candidate's word fluency, memory, inductive reasoning, speed of perception and spatial visualisation.

Non-Directed/Non-Structured Interview: This kind of interview does not follow a standard format of questions, instead it involves a relaxed discussion. Some personnel experts say that a non-directive technique yields maximum insight into an individual's attitude and interests.

Objective Test: They measure neurotic tendencies, self-sufficiency, dominance-submission and self-confidence. These are scored objectively.

Patterned/Structured Interview: In this method the interviewers are given a prepared list of questions or a specific outline of questions designed to elicit a basic core of information.

Personality Tests: These tests try to find out an individual's value system, his emotional reactions and maturity and his characteristic mood. Their major motive is to measure the basic make up or characteristics of individuals which are non-intellectual in nature.

Situation Test: This reveals the ability of a candidate to undergo stress and his demonstration of ingenuity under pressure. In short, we can say that it is a measure of applicant's reaction when he is placed in a particular situation.

7.5 Review Questions

1. The selection of salesman varies from company to company, from product to product and from market to market. Explain with the help of example.
2. What are the steps involved in selection system?
3. What are the various types of interviewing techniques? Describe them briefly.
4. How does psychological testing help in choosing right candidate for the right job?
5. Are females suited to sales job, keeping in view the physical fitness and the touring?
6. What do you understand by placement and where does it fit into the selection system?

Notes

7. Explain the different types of Psychological Tests.
8. Describe the Placement of sales Personnel.
9. What do you know about Employment Offer?
10. Explain the Preliminary Interview.

Answers: Self Assessment

1.	Selection	2.	Sales
3.	Initial	4.	Preliminary
5.	Psychological	6.	True
7.	True	8.	False
9.	False	10.	True
11.	(b)	12.	(d)
13.	(b)	14.	(b)

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Unit 8: Training of Sales Personnel

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Objectives

After studying this unit, you will be able to:

- Discuss the importance of Training;
- Describe the methods of Training;
- Explain the Aim of Training;
- Discuss the the training programme.

Notes

Introduction

Training of the sales person will never become obsolete. As long as technology changes, new people enter the work force, businesses strive to improve, organisations will need training. The term "training" may change (e.g., it is currently referred to as learning, coaching, facilitating, etc.) but the concept remains the same-people continually need help in mastering new skills, applying new knowledge and/or adjusting their attitudes.

What many people fail to realise is that training is itself a skill that needs to be learned. Expert trainers are aware of the hours involved in learning how to train. Novice trainers also realise that training isn't an easy endeavour. And non-trainers often don't know where to begin.

8.1 Training Programme

Building a sales training programme requires five major decisions – aim, content, method, execution and evaluation. These are referred to as the A-C-M-E-E decisions. The specific training aims must be defined, content decided, training methods selected, arrangements made for execution and procedures set up to evaluate the results.

Training of salesmen is essential to make them skilled. Just as a gifted athlete needs coaching and practice to perform at his best, similarly a sales person also requires proper training and development. After selection, personnel should be given formal training which includes planned programmes complete with schedules, lesson plans, visual aids, other teaching devices and systematic reviews and evaluation.

Informal training involves the continuous development of sales people. It is a prime responsibility of the supervisor and includes working with sales people, finding their activities and advising them on improvements that should be made. It is also known as field coaching.

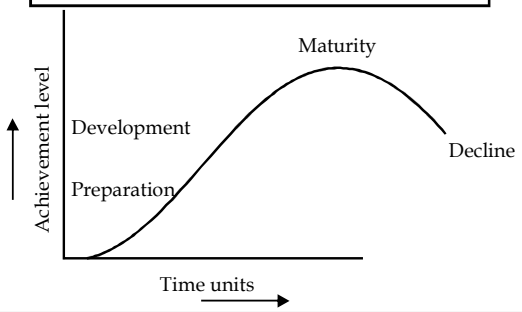
Training varies with the sales person's career cycle Sales persons have varied backgrounds, experience levels, learning abilities, etc. and therefore have their own training needs. Another factor deciding the type of training is the stage of the career of the sales person.

Sales person's career cycle is a conceptual framework which describes the stages through which a sales person passes in his career cycle. There are four basic stages of this cycle.

1. Preparation
2. Development
3. Maturity
4. Decline

Figure 8.1 shows the four stages

Figure 8.1: Sales Person's Career Cycle



Notes

8.1.1 Preparation

For the sales person the emphasis should be on orientation and training. He should know about the environment in which he has to function and given information about the company and the products he has to sell. Selling instructions and basic selling techniques are all important at this stage. Sometimes experienced sales persons new to the company must also be acquainted with the policies and practices of the company.

8.1.2 Development

This is the second stage when the salesman becomes productive. He should be supervised and provided field coaching. He should be able to identify the problems and be kept away from acquiring bad habits.

8.1.3 Maturity

In maturity stage, the productivity of the sales person levels off. He works "smarter than harder". Sometimes refresher training is required to be given to him to retrain and acquaint him with new concepts and techniques. They can also be given new challenges and transferred to new areas, new territories or can be promoted to more responsible positions. Sometimes due to inadequate training career plateauing takes place. Lack of relevant training hampers growth and development.

8.1.4 Decline

In this stage the sales person is a problem for the management. A lot of motivational retraining is required. The productivity of the salesman decreases considerably and is difficult to avert.

Training imparted at proper time develops right working habits and offsets the effect of detraining.

Did u know? Selling is done by the salesforce either directly to customers, such as in case of industrial salesmen or to retailers, as in case of salesmen merely supplying shopkeepers and inducing them to stock the goods.

Self Assessment

Fill in the blanks:

1. Training of the sales person will never become ..... .
2. ..... training involves the continuous development of sales people.
3. Sales person's career cycle is a conceptual framework which describes the stages through which a sales person passes in his ..... cycle.
4. The ..... between the qualifications in the job specifications and those a trainee already has represents the nature and amount of training needed.
5. The analysis of sales related marketing policies is also necessary to determine initial sales training ..... .
6. The ..... of training is not the same for all the sales training programmes.

Notes

7. The ..... of appropriate training method for a training programme depends on the content of training.
8. Responsibility for continuing sales ..... resides with the top sales executive.

8.2 Aim of Training

Defining the specific and general aims of a training programme is the first step in training. General aims are translated into specific aims phrased in operational terms. These can be defined in two ways:

1. Identify initial training needs.
2. Continuing sales training programmes.

Identifying Initial Training Needs

The initial training needs of sales training programme can be identified by the analysis of three main factors.

Job Specification

The qualifications needed to perform the job are detailed in job specification. The set of job specifications needs scrutinising for clues to the points on which new personnel are most likely to need training.

Trainee's Background and Experience

The gap between the qualifications in the job specifications and those a trainee already has represents the nature and amount of training needed. But it is not always practical to adjust training precisely to individual differences and time and money are saved by putting all recruits through identical programmes.

In all organisation's determination of the recruits real training needs is essential to developing initial training programmes of optimum benefit to company and trainee alike.

Sales-related Marketing Policies

The analysis of sales related marketing policies is also necessary to determine initial sales training needs because the differences in products, markets and their selling practices and policies determines the differences in training programmes.

For example, selling of highly technical goods involves training with lot of product information while selling of non-technical goods involves only initial sales training programmes.

Task Examine the salesman recruitment and selection process in a large and a small company. Compare how the selection processes differ from each other. Examine the reasons for such difference.

Notes

Identifying Continuing Sales Training Programmes

The identification of continuing sales training needs means to identify training needs of experienced sales personnel which are felt due to changes in market, product, marketing policies, procedures, organisation and even in the sales personnel itself.

8.3 Content of Training

The content of training is not the same for all the sales training programmes. It varies from company to company because of differences in products, markets, company policies, trainees' ability and experience and organisational size. Every initial sales training programme comprises mainly four areas: product data, sales technique, markets and company information.

Product Data

Product training depends on the nature of the product – if the product is highly technical then they will devote more than half of their programme to product training, if the product is non-technical, then minimal amount of product training is required. But in all the cases the sales person should know about the products, their uses and applications to serve customers' information needs.

Sales Technique

There are two views in this context. Some sales managers believe that if an individual has an attractive personality, good appearance, voice and reasonable intelligence and knows the product, he will sell it easily. But the predominant view is that new sales personnel need basic instruction in how to sell. This view is reflected in most of the companies.

Markets

The sales person needs to know who the customers are, their particular locations and particular products in which they are interested. Not only this, the sales person should also know about their buying habits, motives and their financial condition. But the training in this context should not be stagnant, it should be continuous because markets are always changing.

Company Information

The company should essentially inform the sales person about the company's pricing policy, product services, spare parts and repairs, credit extension and customer relations.

To boost the employee morale and job effectiveness, the company should also provide information to the sales personnel about their selection procedure, training programmes, compensation, incentive systems, advancement requirements and opportunities, savings and retirement plans, medical and insurance plans.

8.4 Methods of Training

The selection of appropriate training method for a training programme depends on the content of training. Few of the important and appropriate methods of sales training are: lecture, conference, demonstration, replaying, case-discussion, impromptu discussion, gaming, on-the-job training, programmed learning, correspondence courses.

Notes

8.4.1 The Lecture

Lecture is the method of learning through instructions from trainer to trainee. Trainees mainly watch and listen, although some versions of lecturing permit questions.

Advantages

1. It is more economical as compared to other methods.
2. It is the only method to cover the desired training content if initial sales training is brief.
3. It is the only practical way to handle instructions when the training group is too large but it can also provide training appropriately to smaller training groups through summary of major topics.

Disadvantages

1. Teaching is emphasised more than learning.
2. Only one-way communication between trainer and trainee prevails.

8.4.2 Personal Conference

The personal conference is an unstructured and informal method. It varies with the personalities of the trainer and the trainee and the topics discussed. The trainer and trainee jointly analyse problems such as effective use of selling time, route planning and call scheduling and also handling unusual selling problems.

8.4.3 Demonstration

The demonstration method of training is where sales managers plan and carry out a real selling call on a customer or prospect with the salesmen they are training present as silent observers. The method is most appropriately used for training new salesmen.

8.4.4 Role Playing

In this method first the trainer describes the situations and different personalities involved. Then the trainee is asked to play the role of those personalities in different situations. In the end both the trainer and trainee appraise each player's effectiveness and suggest how performance of each has been improved.

Thus, role playing can be defined as "a method of human interaction which involves realistic behaviour in an imaginary situation".

The merits of the role-playing method are:

1. Learning by doing is emphasised.
2. Human sensitivity and interactions are stressed.
3. The knowledge of results is immediate.
4. Trainee interest and involvement tend to be high.
5. Trainees learn to accept criticism from others and the group soon recognises that sound suggestions benefit everyone.

Notes

6 Role player's practice introspection through participating in the appraisal of their own performances.

7. Role playing provides chance to learn valuable tricks and gain acting experience.

8.4.5 Case Discussion (Learning by Doing)

The case is a set of data (real or fictional, written or oral). Miniature description and summary of such data presents issues and problems calling for solutions or action on the part of trainee.

When the trainees are given cases to analyse, they are asked to identify the problem and to recommend tentative solutions through group discussions.

Caution The salesman must be one who can be trusted, as he has to handle even money, besides merchandise. He must be prompt and on the job everyday. He must be one who can be relied on not only by you but also by his customers and his fellow employees.

8.4.6 Gaming Simulation

This method is somewhat similar to role playing with a unique feature that it uses highly structured and contrived situations based on reality and players receive information feedback.

Advantages

1. Participants learn easily because they involve themselves in game play.
2. Players develop skills in identifying key factors influencing decisions.
3. Games have built-in information feedback features.

Limitations

1. Some minimum amount of time is required for playing, usually, three to four hours, which is not sufficient to provide desired learning experience.
2. Since the game designs are based on ordinary decision making process their rules often prevent play on unusual or novel approaches.
3. Poorly designed games may actually hinder instead of helping.

8.4.7 On-the-Job Training (Coach-and-pupil Method)

In this the salesmen are coached and instructed by skilled co-workers or by supervisors or by the special training instructor. They learn the job by personal observation and practice as well as occasionally handling it.

This method involves three steps. First, the coach who is an experienced sales person begins by describing particular selling situations, explaining various techniques and approaches. Next, accompanied by pupil, the coach makes actual sales call, discussing each with the trainee afterward.

Then, under coach supervision trainee makes sales calls, each one being followed by discussion and appraisal.

Notes

8.4.8 Programmed Learning (Teaching by Machine Method)

Programmed instruction involves a sequence of steps which are often set up through the central panel of an electronic computer as a guide in the performance of a desired operation or service of operation. It involves breaking down information into meaningful units and then arranging these in a proper way to form a logical and sequential learning programme or package for use with the machine.

But programmed instructions have not been widely adopted for sales training due to their high cost of operation and other constraints.

8.4.9 Correspondence Courses

Companies with highly technical products and small but widely deployed sales forces use correspondence courses to acquaint experienced sales people with new product development and applications.

It is most appropriate as an interim training method when trainees are scattered geographically but are assembled periodically for lectures, seminars, role playing and other instructions.

8.5 Execution of Sales Training

Execution is the fourth step of the A-C-M-E-E approach of sales training. It involves the following four key decisions:

1. Who will be the trainees?
2. Who will be the trainers?
3. When will the training take place?
4. Where will the training site be?

Who Will be the Trainees?

The general criteria to identify trainees are:

1. Reward for good performance.
2. Punishment for poor performance.
3. Convenience of trainee and trainer.
4. ***Seniority:*** The greater the seniority, the greater opportunity for added training.

Self Assessment

State Whether True or False:

9. The personal conference is an unstructured and informal method. It varies with the personalities of the trainer and the trainee and the topics discussed.
10. Role player's practice introspection through participating in the appraisal of their own performances.
11. Role playing provides chance to learn valuable tricks and gain acting experience.
12. The top sales executive is in the best position to recognise the need and design and execute the sales training programme.

Notes

13. The principle of an effective sales training programme is that learning must be parallel.
14. Training programmes are held either at centralised or corner points.
15. Induction is the method of learning through instructions from trainer to trainee.

Who Will be the Trainers?

The trainers who impart training during different training phases are:

Initial Sales Training: If the initial sales training is a line function then training is assigned to top sales executive but if it is a staff function then the responsibility of initial sales training is given to personnel director.

Continuing Sales Training: Responsibility for continuing sales training resides with the top sales executive. The top sales executive is in the best position to recognise the need and design and execute the sales training programme.

Sales Training Staff: In large organisations the sales training director reports to the top sale executive. The director conducts some training by himself and the rest is given on decentralised basis by district sales managers.

In small organisations top sale executives have assistant sales managers or district managers to impart the training.

Outside Experts: Sometimes outside experts are also hired to conduct portions of sales training programmes relating to sales techniques like selling by telephone, prospecting, etc.

When Will the Training Take Place?

1. Never stop Listening.
2. Never stop Learning.
3. Never stop Training.

Generally the training programmes are held on adhoc basis. But a number of factors should be kept in mind while organising a training programme.

Initial Sales Training Programmes: Timing for initial sales training programmes depends upon the number of new personnel trained each year and this in turn depends upon the size of the sales force, sales personnel, turnover and management plans for changing sales force size.

For instance, if a large number of sales persons are recruited, training programmes are scheduled several times a year whereas if a small number of sales persons are recruited, training programmes are infrequent.

Continuing Sales Training Programme: The principle of an effective sales training programme is that learning must be continuous-new information must be assimilated and other concepts modified in the light of new developments. This requires that each sales person's training should continue as long as he is on the job.

Retraining helps in:

1. New refinements of selling techniques.
2. New product applications.
3. New customer problem.

Notes

4. New selling aids.
5. Overcoming the forgetting tendency of human brain.

Training programmes are held either at centralised or decentralised points. The centralised programme generally provides better product training but higher costs are incurred in bringing trainees to the central point. But decentralised training has even more serious defects. It cannot be executed properly unless supervised by top management. Hence, an adhoc basis for centralised and decentralised training should be adopted by top management.

Notes "The planning, direction and control of the personal selling activities of a business unit, including recruiting, selection, training, equipping, assigning routing, supervising, paying and motivating as these tasks apply to the salesforce.

8.6 Evaluation of Training Programmes

This is the last but not the least step of the training programme. Evaluation involves the comparing of the training programme's aim with the results and measuring its impact on the sales person.

There is no direct method of measuring the impact of training but certain methods could provide indications whether the results are positive or not. These are:

1. Market share percentages
2. Written Tests
3. Observers which work with sales personnel.

It is true that the training programme's effectiveness is widely dependent on trainers. Hence, management reminds that "If the trainee hasn't learned, the trainer hasn't taught".

8.7 Summary

- Training of the sales person will never become obsolete.
- Informal training involves the continuous development of sales people.
- The initial training needs of sales training programme can be identified by the analysis of three main factors.
- The content of training is not the same for all the sales training programmes.
- The company should essentially inform the sales person about the company's pricing policy, product services, spare parts and repairs, credit extension and customer relations.
- Lecture is the method of learning through instructions from trainer to trainee.
- Programmed instruction involves a sequence of steps which are often set up through the central panel of an electronic computer as a guide in the performance of a desired operation or service of operation.
- Sales Training Staff: In large organisations the sales training director reports to the top sale executive.

Notes

8.8 Keywords

Continuing Sales Training Programme: The principle of an effective sales training programme is that learning must be continuous new information must be assimilated and other concepts modified in the light of new developments.

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Gaming Simulation: This method is somewhat similar to role playing with a unique feature that it uses highly structured and contrived situations based on reality and players receive information feedback.

Initial Sales Training Programmes: Timing for initial sales training programmes depends upon the number of new personnel trained each year and this in turn depends upon the size of the sales force, sales personnel, turnover and management plans for changing sales force size.

Initial Sales Training: If the initial sales training is a line function then training is assigned to top sales executive but if it is a staff function then the responsibility of initial sales training is given to personnel director.

Outside Experts: Sometimes outside experts are also hired to conduct portions of sales training programmes relating to sales techniques like selling by telephone, prospecting, etc.

Sales Training Staff: In large organisations the sales training director reports to the top sale executive. The director conducts some training by himself and the rest is given on decentralised basis by district sales managers.

8.9 Review Questions

1. The aim of training is to make the sales person more competent to the assigned job. How will you identify the training needs of a salesman?
2. What are the various methods of training a salesman?
3. How should a proper training programme be executed and evaluated?
4. Discuss the content of training.
5. Explain the methods of training.
6. Discuss the on-the-job training.
7. Explain the execution of sales training.
8. Describe the evaluation of training programmes.
9. Explain the programmed learning.

Answers: Self Assessment

1.	obsolete	2.	Informal
3.	career	4.	gap
5.	needs	6.	content

Notes

7. selection
8. training
9. True
10. True
11. True
12. True
13. False
14. False
15. False

8.10 Further Readings

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Unit 9: Motivating and Compensating Sales Personal

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Objectives

After studying this unit, you will be able to:

- Discuss the need of motivation;
- Describe the theories of motivation;

Notes

- Discuss the non financial incentives;
- Describe the compensating Sales Personal.

Introduction

It has a monotonous job to perform and he gets fed up very soon and wants a change. Through motivation the salesman is stimulated to action, so that he gets interested in the job and performs his duties to the best of his capability. "The primary purpose of motivation is to aid salesmen to satisfy their goals by stimulating them to improve the efficiency of their work." Motivation can be defined in many ways, it is a psychological aspect and helps the salesman to a goal directed behaviour. Through motivation the needs of the salesmen may be fulfilled. Motivation can be carried out through financial and non-financial incentives. It is a continuous process that carries on as the expectation of the sales person keep changing from time to time.

The main objectives of motivation are:

1. To stimulate the salesmen to improve their efficiency.
2. To establish cordial relationship between the managers and salesmen.
3. To maintain high morale among the salesmen.
4. To seek cooperation of the salesmen in achieving the sales target.

9.1 Need for Motivation

Motivation is specially required in sales management as the nature of job is different from the usual work that the other members of the organisation are engaged in:

1. The job has a lot of obstacles for the salesman, as most of the customers visited don't entertain the salesmen by giving orders.
2. The salesman has no family life as he is always enveloped in the market and the traders.
3. He has to face acute competition from competitive products. There is no fixed hour of working for a salesman.
4. The activities of a salesman are repetitive and he gets dissatisfied from repeating his work which becomes highly monotonous.
5. He is under pressure both from the customer (wholesaler, retailers and consumers) and his supervisor, as both want to get the best from the deal. The salesman is sandwiched between the two parties.
6. Too much of travelling and keeping away from home leads to health problems which affects the salesman in the long run.
7. By working in fields the salesman does not have contacts with his fellowmen or the members of the organisation and is posted at very distant places most of the year. Thus, he does not have any group relationship and feels alone most of the time.
8. He does not work to full capacity and does an average job to remain in the job. This can be overcome through proper motivation.
9. Most salesmen have a variety of needs including physiological and social needs and thus feel that they can't satisfy their needs by remaining in the sales job which gives them lesser opportunities to socialise with their kith and kin.

Notes

10. Motivation helps to build the morale of the salesman; it is a driving force for the salesman. Motivation can overcome the lethargy and inactiveness of the salesman so that he can perform to the best of his ability.

Did u know? In sales work, motivation begins with the selection process. The sales manager should not hire people for jobs in which they cannot achieve success. If a salesperson begins to think that he is not coming closer to his ideals by serving the company, his behaviour will digress from the management goals.

9.2 Steps in Motivation

The salesmen can be motivated through logical steps which should be followed in a sequence.

Objectives

The objectives of motivation must be determined by the salesmen, the objectives could be different for different salesmen and for the different areas. However, the main aim of motivation is to encourage the salesman to give off his best which has been discussed earlier in the unit.

Needs

The needs of the salesman must be satisfied and this can be done by joining into the depth of the expectation of salesmen, the position held by them, their mental attitude and differences between various salesmen.

Motivation of Salesmen

Salesmen can be motivated through financial or non-financial incentives or both; while deciding the same, financial condition of the organisation has to be taken into consideration. Salesmen can also be motivated by changing their territory or area of work. For no-financial incentives the salesmen can be given other prerequisites, like sending them for training along with their families, for a holiday trip in attractive locales.

Communication

It is necessary that the communication be already understood, it should be simple and should give special instructions to the salesmen. The interest of the company as well as that of the salesman must always be kept in mind so that both are mutually benefited.

Feedback

The result achieved from the motivation programme must be evaluated so that the effectiveness of the motivational programme can be assessed. The other points to be kept in mind is the development of the team spirit and development of satisfaction from the work, which is necessary for the success of the programme.

Notes

Tasks

1. Given below are certain types of selling jobs. Suggest a compensation plan which will be the most appropriate in each case.

	Job	Compensation Plan
(a)	Salesperson employed with a bank and selling credit cards.	.....
(b)	Salesperson selling air conditioners to company dealers.	.....
(c)	Salesperson selling generators to industrial houses.	.....
(d)	Salesperson employed by a hotel, selling hotel services.	.....

2. Critically evaluate the compensation scheme adopted by (a) M/s Shriram Honda Generators (b) BPL and (c) American Express Credit Cards.

9.3 Motivational Theories

Motivation has been researched by psychologists and others for many years. A number of theories have been evolved which are pertinent to the motivation of salespeople. These are the theories of Maslow (1943), Herzberg et al (1959), Vroom (1964) and Likert (1961).

9.3.1 Maslow's Hierarchy of Needs

Maslow's classic hierarchy of needs model proposed that there are five fundamental needs which are arranged in a hierarchy as shown below.

Table 9.1: Maslow's Hierarchy of Needs

Category		Type	Characteristics
Physical	1.	Physiological	The fundamentals of survival, e.g., hunger, thirst
	2.	Safety	Protection from the unpredictable happenings in life, e.g., accidents, ill health
Social	3.	Belongingness	Striving to be accepted by those to whom we feel close and love (especially one's family) and to be an important person to them
	4.	Esteem and	Striving to achieve a high standing relative to status other people; a desire for prestige and a high reputation
Self	5.	Self-actualisation	The desire for self-fulfillment in achieving what one is capable of for one's own sake - 'Actualised in what he is potentially' (Maslow)

Maslow argued that needs form a hierarchy in the sense that, when no needs are fulfilled, a person concentrates upon his or her physiological needs. When these needs are fulfilled, safety needs become preponderant and become important determinants of behaviour. When these are satisfied, belongingness becomes important - and so on up the hierarchy.

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Although Maslow's belief, that one set of needs only becomes important after lower order needs have been completely satisfied, has been criticised, the theory does have relevance to sales force motivation. First, it highlights the perhaps obvious point that a satisfied need is not a motivator of behaviour. Thus, for sales person who already receives a more than adequate level of remuneration, additional payments may have no effect on motivation. Second, the theory implies that what may act as a motivator for one sales person may not be effective with another. This follows from the likelihood that different salespeople will have different combinations of needs.

Effective motivation results from an accurate assessment of the needs of the individual salespeople under the manager's supervision. The overriding need of one sales person may be reassurance and the building of confidence; this may act to motivate him or her. For another who has great need for esteem but a problem regarding work rate, the sales manager may try to motivate by displaying to colleagues at a sales meeting his or her relatively poor sales performance.

Self Assessment

Fill in the blanks:

1. ..... can be carried out through financial and non-financial incentives.
2. The ..... has no family life as he is always enveloped in the market and the traders.
3. Effective motivation results from an accurate assessment of the needs of the individual salespeople under the ..... supervision.
4. One of the common and recommended forms for inducing high levels of motivation is through ..... .
5. The ..... is an important tool to motivate sales persons.
6. A..... is an amount paid for accomplishing a specific sales task.

9.3.2 Herzberg

Herzberg's dual factor theory distinguished factors which can cause positive dissatisfaction but cannot motivate (hygiene factors) and factors which cannot cause positive motivation. Hygiene factors included physical working conditions, security, salary and interpersonal relationships. Directing managerial attention to these factors, postulated Herzberg, would bring motivation up to a 'theoretical zero' but would not result in positive motivation. If this were to be achieved, attention would have to be given to true motivators. These included the nature of the work itself which allows the person to make some concrete achievement, recognition of achievement, the responsibility exercised by the person, and the interest value of the work itself.

The inclusion of salary as a hygiene factor rather than as a motivator was subject to criticisms from sales managers whose experience led them to believe that commission paid to their salespeople was a powerful motivator in practice. Herzberg accommodated their view to some extent by arguing that increased salary through higher commission was a motivator through the automatic recognition it gave to sales achievement.

The sales person is fortunate that achievement is directly observable in terms of higher sales (except in missionary selling, where orders are not taken, e.g., pharmaceuticals, beer and selling to specifiers). However, the degree of responsibility afforded to salespeople varies a great deal. Opportunities for giving a greater degree of responsibility to (and hence motivating) salespeople include giving authority to grant credit (up to a certain value) discretion to the salespeople. The

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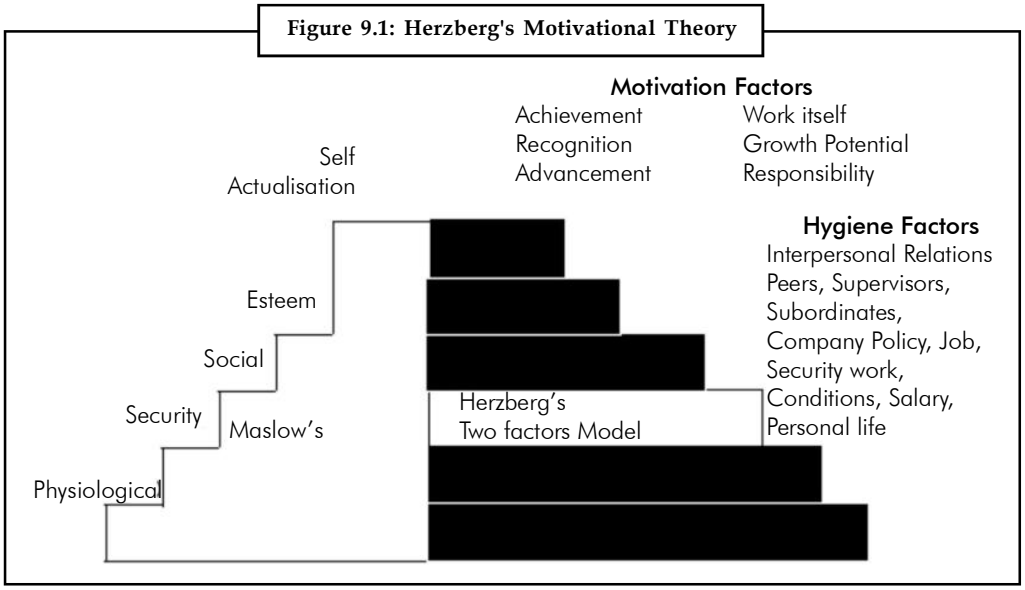
results of an experiment with a group of British sales people by Paul, Robertson and Herzberg (1969) showed that greater responsibility given to salespeople by such changes resulted in higher sales success.

Herzberg's theory has been well received, in general, by practitioners, although academics have criticised it in terms of methodology and oversimplification (see Dessler, 1979). The theory has undoubtedly made a substantial contribution to the understanding of motivation at work, particularly in extending Maslow's theory to the work situation and highlighting the importance of job content factors which had hither to been badly neglected.

Figure 9.1: Herzberg's Motivational Theory



9.3.3 Vroom's Expectancy Theory

Basically this theory assumes that a person's motivation to exert effort is dependent upon his expectations for success. Vroom based his theory on three concepts - expectancy, instrumentality and valence.

Expectancy: This refers to a person's perceived relationship between effort and performance, i.e., to the extent to which a person believes that increased effort will lead to higher performance.

Instrumentality: This reflects the person's perception of the relationship between performance and reward, for e.g., it reflects the extent to which a person believes that higher performance will lead to promotion.

Valence: This represents the value placed upon a particular reward by a person. For some individuals promotion may be highly valued, for others it may have little value. Thus, according to the theory, if a sales person believes that by working harder he or she will achieve increased sales (high expectancy), and that higher sales will lead to greater commission (high instrumentality) and higher commission is very important (high valence), a high level of motivation should result. The nature of the relationships in the sales setting are depicted in the following figure.

Effort	Expectancy	Performance	Instrumentality	Reward	Valence

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Table 9.2

Value of Reward		
e.g. increased call rate, longer working day sales call ratio	e.g. increased sales, increase in number of active accounts, higher promotion.	e.g. higher pay in sense of accomplishment, respect,

Clearly, different salespeople will have different valences (values) for the same reward. Some might value increased pay very highly, while for others higher pay may have less value; for some the sense of accomplishment and recognition may be very important, for others much less so. Also, different salespeople may view the relationship between performance and reward, and between effort and performance, in quite different ways. A task of sales management is to specify and communicate to the sales force these performance criteria, which are important in helping to achieve company objectives and to relate rewards to these criteria. Further this theory supports the notion that performance targets, e.g., sales quotas, to be effective motivators, should be regarded as attainable (high expectancy) by each sales person, otherwise the first link in the expectancy model will be severed. Finally, this model provides a diagnostic framework for analysing motivational problems with individual salespeople and provides an explanation of why certain managerial activities can improve motivation. Training in sales skills, for e.g., can improve motivation by raising expectancy levels.

9.3.4 Adam's Inequity Theory

Feelings of inequity (unfairness) can arise when an individual's effort or performance on the job exceeds the reward which he or she receives. Salespeople who feel they contribute more than others to the organisation expect to receive proportionately greater rewards. This is the essence of Adam's inequity theory.

For a sales person inequity can be felt in such areas as:

1. Monetary rewards
2. Workload
3. Promotion
4. Degree of recognition
5. Supervisory behaviour
6. Targets
7. Tasks

The outcome of sales person perceiving significant inequities in any of these areas may be reduced motivation as a result of a feeling of unfairness. A study by Tyagi (1990) examined the effect of perceived inequities (rewards and favouritism) on motivation of life insurance salespeople. The results showed that feelings of inequity in all areas investigated (monetary, promotion, recognition, supervisory behaviour and task inequities) had an adverse effect on motivation. Monetary reward inequity had a particularly strong effect on motivation. The implication is that sales managers must monitor their sales force to detect any feelings of unfairness. This can be done informally during sales meetings or through the use of questionnaires. Some sales organisations survey their sales representatives periodically to

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measure their perceptions of inequity and the effectiveness of the company's motivational programme in general.

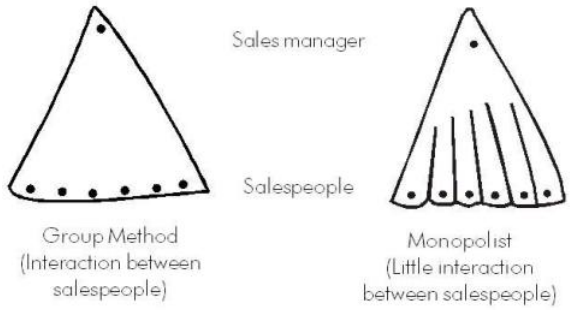
Motivation is often equated with incentives but Adam's work emphasises that the elimination of disincentives (e.g., injustices, unfair treatment) may be an equally powerful influence.

Notes According to Ouchi, trust, integrity and openness are closely related. There should be trust between employees, supervisors, work groups, unions and management. To develop trust, there should be complete openness.

9.3.5 Likert's Sales Management Theory

Unlike Herzberg, Maslow and Vroom, who developed 'general' theories of motivation, Likert (1961) based his theories on research which looked specifically at salesmen's motivation. His research related differing characteristics and styles of supervision to performance. One of the hypotheses he tested was that the sales managers own behaviour provides a set of standards, which, in themselves, will affect the behaviour of their salespeople. He found that there was a link. High performing sales teams usually had sales managers who themselves had high performance goals. His research also investigated the methods used by sales managers in the running of sales meetings. Two alternative styles were compared (as given in the following figure) - Sales managers who used the group method of leading sales meeting encouraged their team both to discuss sales problems which had arisen in the field and to learn from one another and sales managers who monopolised the meeting as an opportunity to lecture them rather than to stimulate discussion. There was a strong tendency for higher producing sales teams to use the group method.

Figure 9.2



Several reasons can be put forward to explain this. First, it is likely that a problem faced by one sales person has been met previously by another who may have found a way of overcoming it; for e.g., a troublesome objection to one sales person may have been successfully dealt with by another. The group method of leading a sales meeting, then, encourages problem-solving and stimulates communication. Second, the more open style of meeting enables the sales manager to gain a greater understanding of the needs and problems of the sales force. Finally, the group method promotes a feeling of group loyalty since it fosters a spirit of cooperation.

The research conducted by Likert, then, suggests that, to produce a highly motivated sales force, the sales manager himself/herself should have high performance goals and encourage analysis and discussion of sales peoples performance and problems through the group method of conducting sales meetings.

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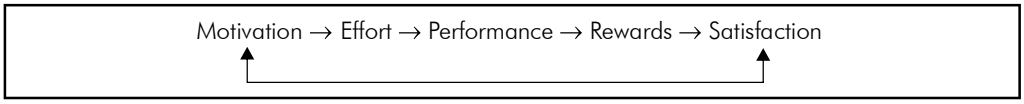
9.3.6 Churchill, Ford and Walker Model of Sales Force Motivation

Churchill, Ford and Walker (1985) developed a model of sales force motivation that integrated some of the ideas of Herzberg and Vroom as given in the following figure. This suggests that the higher the sales person's motivation, the greater the effort, leading to higher performance. This enhanced performance will lead to greater rewards which will bring about higher job satisfaction. The circle will be completed by the enhanced satisfaction causing still higher motivation.



The implications for sales managers are that they should

1. Convince sales people that they will sell more by working harder or by being trained to work 'smarter' (e.g., more efficient call planning, developing selling skills).
2. Convince sales people that the rewards for better performance are worth the extra effort. This implies that the sales manager should give rewards that are valued and attempt to 'sell' the worth of those rewards to the sales force. For e.g., a sales manager might buildup the worth of a holiday prize by stating what a good time he or she personally had when there.

They also found that the value of rewards differed according to the type of sales person. Older salespeople who had large families valued financial rewards more. Younger, better educated salespeople who had no or small families tended to value higher-order rewards (recognition, liking and respect, sense of accomplishment) more.

Self Assessment

State Whether True or False:

7. Clarity of job and what is expected from the sales person is a great motivator.
8. The negative effect method is also an important technique for motivating the salesforce to their best.
9. Leadership style of the manager plays an important role in training the sales person.
10. Inspirational leadership refers to influence through referent power.
11. Persuasion has the advantage of getting people to conclude that their actions were performed out of their own free will.

9.4 Financial Motivational Techniques

Most salesmen prefer the financial benefit because the need at the lower level of organisation is more of physiological and safety needs, rather than those of esteem and self actualisation. Social needs are also necessary at all levels. The financial incentives include:

1. Higher salary
2. More commission
3. Other monetary incentives
4. Profit sharing

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5. Travelling allowance
6. Bonus, etc.

The financial incentives become less affective after some time and thereafter the salesman is looking to non-financial incentives which have been discussed at length.

Caution People with high need levels are self-starters. They require certain external incentives to succeed on their jobs and constantly challenge themselves to improve their own performances. Such people do not require motivation by the management other than that of providing the right kind of job environment.

9.5 Non-financial Motivational Technique

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 sales person's job.

The non-financial incentives, thus, become an important component of the motivation mix of a company. These are specially relevant as Dawson has pointed, "Business is on the threshold of a new era of human and social concern, which will inevitably result in greater attention to total human resource development by sales management".

Some of the unconventional factors that make a special rank on sales force motivation are discussed below.

Meeting between Manager and Sales Force

These are highly regarded by sales managers in the motivation of their sales teams as this provides opportunity to managers to meet their sales force in the field, at head office and at the sales meetings/conventions.

These meetings allow the sales manager to understand the personality, needs and problems of each sales person. The manager can then better understand the causes of demotion/frustration in individual sales person and respond in a manner which takes into account the needs, problems and personality of the sales person. Sales techniques can thus be improved and confidence boosted. According to Likert, when the sales manager encourages an "open" style of management, salesmen are encouraged to discuss their problems and opportunities so that the entire sales team benefits from the experience of each salesman.

This results in a greater sense of group loyalty and improved performance. The success of the marketing team can be easily attributed to the open door policy adopted by companies in India. As one manager put it, "I know all my team of 166 sales representatives personally, by name and make it a point to keep in touch with all of them. They can walk in any time with their problems and they have got the confidence that most of their problems will be handled to their satisfaction".

Clarity of Job

Clarity of job and what is expected from the sales person is a great motivator. The objectives when duly quantified and well defined, properly connected and linked with the reward and recognition serve as a source of motivation to the sales person.

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Sales Targets or Quotas

If a sales target or quota is to be effective in motivating a sales person, it must be regarded as fair and attainable and yet offer a challenge to him. Because the sales person should regard the quota as fair, it is usually sensible to allow him to participate in the setting of the quota. However, the establishment of the quotas is ultimately the sales manager's responsibility and he will inevitably be constrained by overall company objectives. If sales are planned to increase by 10 per cent, then salesmen's quotas must be altered in a manner consistent with this objective. Variations around this average figure will arise through the sales managers knowledge of individual sales person and changes in commercial activity within each territory; for e.g., the liquidation of a key customer in a territory may be reflected in a reduced quota. Quotas can be set on rupee sales, unit volume, margin, selling effort or activity and product type. The attainment of a sales target or quota usually results in some form of financial benefit to the sales person.

Sales Contest

The sales contest is an important tool to motivate sales persons. The purpose of sales contest varies widely. It may encourage a high 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. However, sales contest has a few disadvantages. One such disadvantage is that it can encourage cheating. For e.g., in one company which used a sales contest to promote sales at a series of promotional events around the country with its dealers, sales persons "stored up" orders achieved prior to the event in order to increase the apparent number of orders taken at the event. Also, contests, by pitching sales person against sales person, militate against the spirit of mutual help and cooperation which can improve sales force performance.

Sales Conventions and Conferences

These are the devices of group motivation. They provide opportunities for sales persons 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 sales person's morale. Most of the companies in India are now a days adopting this method to motivate their sales force.

Positive Effect

The positive effect method is also an important technique 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.

Another form of motivation through positive effect occurs via a small group and peer relations. Friendship, support and comradeship frequently serve as vehicles for creating positive feelings towards company and job.

Leadership Style of the Manager

Leadership style of the manager plays an important role in motivating the sales person. Inspirational leadership refers to influence through referent power. Identification of charismatic

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charm is an important tool in the motivational strategy of the management. It infuses the images and expectations for extremes of effort, sacrifice achievement and in general "the right stuff". It is practiced through the use of professional speakers' special audio tapes and video tapes designed to arouse and stimulate sales persons. It also tries to create and perpetuate certain corporate myths and success stories, which indirectly motivates sales person to perform at their best.

Freedom to Work

In order to perform his onerous duties and responsibilities, the sales person must be given a reasonable amount of freedom and discretion in performing his job. Likert, in his studies, has mentioned that lack of discretion has a negative impact on employees job satisfaction. Discretion and freedom may be accomplished by allowing sales person to develop their own call patterns, more control over the types of promotional packages that they offer to their customers, etc.

Freedom or autonomy satisfies the psychological needs and is like power pay (which is a reward), making the job of sales person more important in the organisation.

Reward and Recognition

Although the sales quotas, sales contests, convention and conferences have positive carry over effects, these are short lived techniques of motivating salesmen. On the other hand reward and recognition of sales persons accomplishments are more enduring and relatively economic methods of motivation. Some of the ways to extend recognition and honour to sales person include conferring the title of "salesman of the month/year" congratulation telegrams from members of top management, sales trophies, offering memberships of social clubs, mention in company's news letter, certificate etc. Recognition and honour satisfy sales persons need for self esteem and self respect. These are like status pay – a public acknowledgment of the value that management places upon an individual.

Persuasion

One of the common and recommended forms for inducing high levels of motivation is through persuasion. In this situation, managers use rational arguments to convince sales persons that it is in their own best interest to act in a 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 out of external compulsion than internal volition.

9.6 Financial Incentives

Now we come to the financial aspects of the motivational technique. Financial incentives are definitely a motivating factor, but they vary at the hierarchical level of the sales person. The need is great at lower end of the hierarchy. Financial incentives not only keep sales person on the company roles but also motivates them to contribute to the growth of the company and thereby get grown individually. It is also an important managerial tool to control and direct sales force to attain the sales objectives.

A poorly developed or administered financial plan may invite unions to organise sales force as happened in some of the pharmaceutical companies in India. Therefore in the management and motivation of sales force, a fairly reasonable financial incentive plan plays a very important

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role. A sales force cannot be considered soundly managed unless there is a well developed and well administered company plan.

It is difficult to devise a sound compensation plan. It comes with experience and varies from company to company. It is designed keeping in view the company's goals, capabilities and requirements. The company wants to increase sales and profits at a minimum cost whereas the sales person is interested in maximising his earnings. An effective compensation plan takes care of both the parties. Therefore, a compensation plan must attract, retain and motivate capable sales personnel and also work within the company's budget.

According to the motivation theories, money has limited potential as a motivator. Nevertheless, sales force needs to be compensated to keep its morale high and to contribute its maximum. A sales compensation plan, properly designed, has three motivational roles:

1. Provide a living wage.
2. Adjust pay levels to performance.
3. Provide a mechanism for demonstrating the congruency between attaining company's goal and individual goals.

A properly designed sales compensation plan fits a company's special needs and problems. Direct salary is similar for all companies but indirect incentives and prerequisites differ.

A sales force is representative of a company's philosophy and business principles. It builds company's perception among its clients. Building of the sales force and its maintenance is therefore important and this is done by compensation schemes and motivation.

Sales compensation plans are aids to, rather than substitutes for, effective motivation. The basic appropriateness of a compensation plan is important and so is the way it is implemented and administered.

In established companies it is rarely necessary to design new sales compensation plans and sales executives concern themselves mainly with revising plans already in effect. Most changes are minor, instituted to bring the plan and marketing objectives into closer alignment.

Major changes in the compensation plan are rare. Like most people sales personnel resist sweeping changes, particularly when this requires them to alter accustomed ways of doing things.

How should Changes be Made?

Some executives think that introducing changes gradually minimises interference with established habits and elicits less resistance from sales personnel. Others claim that major changes should be made quickly because continual changes erode sales people's morale. Whether a change should be made in one step or in many, depends upon the particular situation and no easy generalisation is possible.

There are two situations where total overhauling of compensation plans are in order.

1. The company whose sales force already has low morale, perhaps because of the current compensation plan.
2. When a company is anticipating the cultivation of new and different markets.

In both the cases, management must consider many factors, viz., the type of customers, marketing channels, characteristics, intensity of competition, extent of market and complexity of selling task.

Notes

9.7 Requirements of a Good Sales Compensation Plan

A good sales compensation plan fulfils seven requirements:

1. It provides a living wage in the form of a secured income.
2. The plan fits with the rest of the motivational programme.
3. The plan is fair-it does not penalise sales personnel because of factors beyond their control. Within the limits of security and other special circumstances, sales personnel receive equal pay for equal performance.
4. It is easy for sales personnel to understand-they are able to calculate their own earnings.
5. The plan adjusts pay to changes in performance.
6. It is economical to administer.
7. It helps in attaining the objectives of the sales organisation.

9.8 Designing a Compensation Package

A good compensation plan is built on solid foundation and therefore it requires a systematic approach to assure that no essential step is overlooked.

Defining a Sales Job

1. Re-examine the nature of the sales job and revise it if it is outdated.
2. Analyse sales department objectives for their effect on the sales person's job.
3. Check out for sales volume objectives, for instance, whether in rupees, units of products, or number of dealers and distributors and translate them into what is expected of the sales personnel, as group and individually.
4. The impact of sales related marketing policies are determined (like, credit policies, price policies, etc.)
5. Consider the current and proposed advertising and sales promotional programmes as they assist in clarifying the nature of the sales person's goals, duties and activities.

Consider the Company's General Compensation Structure

Most companies use job evaluation systems to determine the relative value of individual jobs. Its purpose is to arrive at fair compensation relationships among jobs. There are four job evaluation methods. Two are non-quantitative – simple ranking and classification or grading. Other two are quantitative – the point system and the factor comparison method.

Simple Ranking

This is an inexpensive job evaluation method. No attempt is made to determine the critical factors inherent in the job, only overall appraisal of the relative worth of different jobs is made.

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Classification or Grading

In this method jobs are graded in terms of job responsibility, skills required, supervision given and received, exposure to unfavourable and hazardous working conditions and similar characteristics. All jobs within a grade are treated alike for compensation.

Point System

It involves defining factors common to most jobs. The specific factors generally include mental and physical skills, responsibility, supervision received and given, personality requirements and minimum education required. Each factor is assigned a minimum and maximum number of points, different ranges being associated in line with the relative importance of the factors. The use of point values makes it possible to determine the gap or distance between job classes.

Factor Comparison Method

This method resembles the point system but is more complex. It utilises a scheme of ranking and cross comparisons to minimise error from faulty judgement. A selected number of key jobs typical of similar jobs throughout the company are evaluated. This is done by arranging them in rank order, from highest to lowest for each factor. As a check against this judgemental evaluation, the compensation money actually paid for each job are allocated to the factors, which automatically establishes the relationship among jobs for each factor. The judgemental ranking and the ranking by allocation of compensation are compared and differences are reconciled, or else the jobs are removed from the key list. On this basis, money amounts assigned to the several factors making up key jobs and additional jobs are evaluated and their monetary values for each factor interpolated into the scale. This procedure is repeated until all jobs are evaluated.

9.9 Consider the Compensation Patterns in Community and Industry

Because compensation levels for sales personnel are related to external supply and demand factors, it is important to consider the prevailing compensation patterns in the community and the industries. 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?
4. What are the pros and cons of departing from industries or community patterns?
5. What calibre of salespersons are required to be effective as well as cost-efficient.

Determining Compensation Level

Management must determine the amount of compensation a sales person should receive on the average. The compensation level might be set through individual bargaining or on an arbitrary judgement basis. Management should ascertain whether the calibre of the present sales force measures up to what the company would like to have. If it is too low, or if the company should have lower-grade people than those currently employed, management should determine the market value of the sales personnel of the desired grade.

Management weighs the worth of the individual person by estimating the sales and profit money that would be lost if particular sales people resigned. Another consideration is the compensation amount the company can afford to pay.

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Provide for the Various Compensation Elements

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.
4. An element providing for reimbursement of expenses or payment of expense allowances.

Management selects the combination of elements that best fits the selling situation. The proportions that different elements bear to each other vary. However, most companies split the fixed and variable elements on a 60:40 or to 80:20 basis.

Special Company Needs and Problems

A sales compensation plan is no panacea for marketing ills, but it is often possible to construct a plan that increases marketing effectiveness. If a company's earnings are depressed because sales personnel overemphasise low margin items and neglect more profitable products, it may be possible, despite the existence of other managerial alternatives, to adjust the compensation plan to stimulate the selling of better balanced orders. Specifically, variable commission rates might be set on different products with higher rates applying to a neglected product.

Or, as another example, a firm might have a "small orders" problem. It is possible to design compensation plans that encourage sales personnel to write larger orders. Commission rates can be graduated so that higher rates apply to larger orders.

Consult the Present Sales Force

Management should consult the present sales personnel, in as much as many grievances have roots in the compensation plan. Management should encourage sales personnel to articulate their likes and dislikes about the current plan and to suggest changes in it. Criticism and suggestions are appraised relative to the plan or plans under consideration.

Reduce Tentative Plan to Writing and Pre-test it

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. Pre-tests of compensation plans are almost always mathematical and usually computerised. If the sales pattern has shown considerable fluctuations, speculations are made for periods representative of average, good and poor business.

Then a look is taken into the future. Utilising sales forecast data, new and old plans are applied to future periods. The plan is tested for the sales force as a group and for individuals faced with unique selling conditions. Analysis reveals whether the plan permits earnings in line with the desired compensation level. If deficiencies show up the plan may not be at fault; made or to inaccuracies in sales forecasts, budgets, or quotas.

To conduct a pilot test, several territories representative of different sets of selling conditions are selected. The proposed plan is applied in each one long enough to detect how it works under current conditions.

Notes

Revise the Plan

The plan is then revised to eliminate trouble spots or deficiencies. If alterations are extensive, the revised plan goes through further pre-test and perhaps another pilot test. But if changes have been only minor, further testing is not necessary.

Implement the Plan and Provide for Follow up

At the time the new plan is implemented, it is explained to the sales personnel. Management should convince them of its basic fairness and logic. Details of changes from the old plan and their significance require explanation. All sales personnel should receive copies of the new plan, together with written examples of the method used for calculating earnings. If the plan is at all complex, special training sessions are held and aimed at teaching sales personnel how to compute their own earnings.

Provisions for follow up are made. From periodic check ups need for further adjustments is detected. Periodic checks provide evidence of the plans' accomplishment and they uncover weaknesses needing correction.

9.10 Types of Compensation Plans

There are only three basic type of compensation plans-straight salary, straight commission and a combination of salary and variable elements.

Caselet

Motivation

Martin Corporation the manufacturers of calculating machines had offices located in Delhi, Mumbai, Calcutta and Chennai, Its sales were quite substantial. Martin Corporation was a small company as compared to other giants in the calculating machine industry. The calculating machines were sold from ten thousand to thirty thousand rupees. The higher cost machines were very sophisticated and were used by banks and other governmental institutions. They offered storage, memory, separate keyboards for calculation and automatic balancing of rows and columns of large tables.

This company also had a sales force of its own and was selling to industrial distributors, wholesaler of electronic machines and also directly to customers. It had four sales managers, covering all the four metropolitan cities as given above. The machines were also popular in Bangladesh and the agency was managed by Abdul Rahman Enterprises, who were booking orders from Bangladesh as well as asking the company (Martin Corporation) to ship the goods to Bangladesh. The commission earned by Abdul Rahman Enterprises was 50% on the sales made by them. However, when the order was placed to Martin Corporation and the company had to ship the goods the commission given was only 10%. The marketing manager of the company was not satisfied with the sales made by the agency. Their salesmen were busy in domestic territories and could not give marketing support to the agency. He however felt that the agents had very big territory to themselves and very good sale potential. He therefore tried to make an in-depth study of the causes of the low sales. He came to know that the agents also had a subsidiary plan for repairing machines. The old machines were repaired at a low cost ranging from 5000-10,000 rupees and these repaired machines performed very well and were in great demand.

Contd...

Notes

The agents wanted the company to share advertising expenses in Bangladesh and also wanted a long term agreement with the company rather than a contract on two-year renewals which was existing at the moment.

Questions

1. What should Martin Corporation do to motivate the agents?
2. What do you see as the main problem and how would you solve it?

9.10.1 Straight Salary Plan

This is the simplest compensation plan. Under it, sales persons receive fixed sums at regular intervals (companies than consumers' goods companies. Firms that previously used the straight salary plan have switched over to combined basic salary with a variable element.

Advantages

1. There is control and direction over the sales personnel.
2. There is flexibility in adjusting the work.
3. Sales persons cooperate more if paid straight salary rather than commissions.
4. It is simple and economical to administer.
5. More stability of income.
6. Sales persons are relieved of much burden of planning their own activities.

Disadvantages

1. Since there is no direct monetary incentive many sales persons do only an average rather than an outstanding job.
2. There is tendency to under compensate productive sales persons and to over compensate poor performers.
3. If this exists for long, the turnover rate rises.
4. The morale of the sales persons is affected.
5. It is difficult to adjust to changing circumstances.

Self Assessment

Multiple Choice Questions:

12. To maximize the performance of their field sales forces, companies
    (a) Review expense accounts
    (b) Retrain in sales techniques
    (c) Develop a strong marketing plan
    (d) Develop a strong advertising plan
13. Which of the following is an advantage of using a commission form of sales compensation?
    (a) The salesperson will be highly motivated.

Notes

(b) Marketing information will be regularly collected by the salesperson.

(c) The account will be serviced on a regular basis.

(d) All of the above

14. Which of the following areas of training for sales managers is most frequently neglected?

(a) Forecasting and budgeting techniques

(b) Accounting principles

(c) Marketing principles

(d) Management principles

15. Which of the following communication strategies does NOT involve direct communication between sales managers and salespeople?

(a) Manipulation

(b) Threats

(c) Persuasion

(d) Promises

9.10.2 Straight Commission Plan

In this, sales persons are paid according to productivity. This method provides for progressive or regressive changes in commission rates as sales volume rises to different levels. Others provide for different commission rates for sale of different products, to different categories of customers, or during given seasons.

Straight commission plans fall into one of the two broad classifications:

1. Straight commission with sales persons paying their own expense. Advances may or may not be made against earned commissions.
2. Straight commission with the company paying expenses, with or without advances against earned commissions.

For this method non-selling duties are unimportant, rather getting order is the main objective.

Advantages

1. It provides maximum direct monetary incentives.
2. It provides means of cost control.
3. The straight commission plan is also characterised by great flexibility for revising commission rates for different products.

Weaknesses

1. Only customer orders are set by sales persons and they are careless about transmitting reports.
2. Sales persons neglect to follow up leads. They resist reduction in size of sales territories.
3. Sales persons push the easier to sell low margin items and neglect harder-to-sell high margin items.

Notes

Determine Commission Base

Important aspect of designing a straight commission system is to select the base on which to pay the commission.

1. If obtaining volume is the main concern then total sales is the base.
2. If sales personnel make collections on sales, then commissions are based on collections.
3. If a firm has excessive order cancellations, commissions can be based upon shipments, billings or payments.
4. To control price cutting by sales personnel, some companies base commissions on gross margin.
5. Some companies use net profits base, seeking simultaneously to control price cutting, selling expenses and net profits.

Salary Plus Commission

Most sales compensation plans are a combination of salary and commission plan. They develop as attempts to capture the advantages and offset the disadvantages of both the salary and commission systems.

In commission plan, executive has weak control on non-selling activities while in salary method it is not so.

Advantages

1. Security of stable income and financial incentive.
2. Management has greater control and apparatus to motivate sales force.
3. A cooperative spirit develops between salesmen and the company.

Disadvantages

1. Clerical costs are high.
2. The split between fixed and variable component is 60:40 to 80:20.

9.11 Factors Influencing Design of Compensation Scheme

Irrespective of the basic structure of compensation, some factors cannot be overlooked while designing a compensation plan for companies.

Relation with Product Life Cycle (PLC)

All products undergo various stages of introduction growth, maturity and decline. The selling effort is related to this (PLC) stage.

When the product is in the introductory stage it is difficult to sell the product. Therefore the sales force must be dynamic, enterprising, willing to travel, to be able to establish the product in the market. It should have good knowledge of the product, good communication skills and tremendous willingness and endurance to pursue the goals that are to be achieved. Therefore in the introductory stage direct salary will be on the higher side and indirect benefits may not be introduced.

Notes

Growth Stage

In this stage the motivation of the sales force has to be maintained. Indirect incentive schemes have to be introduced. Incentives can be linked with achieving targeted quarters. This will help in the growth of the product.

Maturity

When the product firmly establishes itself the sales force needs a break. The indirect benefits like training programmes in good environmental locales foreign trips, promotions, basic increase in salary are given. This increases their knowledge and motivates them and gives them a new direction to do the job.

Decline Stage

When the sales of the product starts declining then added incentives may be given to generate fresh interest in the product. Efficient product managers who may be concentrating on different products are given added incentive to service the sales of the declining product.

Compensation Related with Demographic Characteristics

Different compensation packages are preferred by different sales persons depending upon their demographic characteristics, i.e., age and family life cycle. A bachelor can take high risks, is more enterprising and with high risks high awards are also promised. He can work on a straight commission or incentive scheme only. As one gets married he prefers stability with high basic component. When one gets older one wants more stability and preferably a direct salary.

Role of Selling in Marketing Strategy of the Company

By this we mean how much importance is being given to the sales in marketing mix of the company and what pattern is being followed.

Competitor's Practices

A lot depends on the competition that is existing in the market. The competition may be pure, monopolistic, oligopolistic or no competition. Accordingly, these factors are also considered and compensation plan may be designed to suit these factors.

9.12 Use of Bonus

A bonus is an amount paid for accomplishing a specific sales task. Bonuses are paid for reaching a sales quota, performing promotion activities, obtaining new accounts, following up leads, setting up displays or carrying out other assigned tasks.

Bonuses are never used alone – they always appear with one of the main sales compensation methods. If used with the straight salary, the plan resembles the combination plan. If used with the straight commission plan, the result is a commission plan to which an element of managerial control and direction has been added. If used with the combination salary that is calculated from the commission.

Notes

9.13 Fringe Benefits

Fringe benefits, which do not bear direct relationships to job performance, range from 25-40 per cent of the total sales compensation package. Fringe benefits, like monetary compensation, are not motivating factors. In Maslow's hierarchy, fringe benefits contribute to fulfillment of safety and security needs, although some (such as payment of country club dues) contribute to fulfillment of esteem and other higher order needs.

As the variety of fringes has expanded, individual fringes have been added that appeal more to some groups than others - people with bad teeth are the ones most interested in dental insurance while those with children are the ones most interested in plans for paying education and tuition fees for dependants. An increasing number of companies offer a "cafeteria" approach to fringe benefits.

Table 9.3: Fringe Benefits – A Compendium of Types Available to Sales Personnel in some companies

Time	***Organisation's dues***
Holidays	Trade association
Vacations	Civic clubs
Sick leave	Country clubs
Personal leave	Professional association
Sabbaticals	
Pregnancy leave	
Automobile	
Retirement Programme	***Miscellaneous***
Social security (mandatory)	Use of vacation spot
Pension plan	Parking
Profit sharing	Dry cleaning and laundry
Salary reduction plans	Lunches (all or part)
Employee stock purchase plan	Secretarial services
	Company-provided housing
Insurance and Medical	Legal services
Physical examinations	Financial counselling
Medical payments and reimbursements	Tuition for continuing education programmes
Hospitalisation insurance	Financial support for dependants education
Dental insurance	Credit unions
Disability insurance	Discounts for purchases of company products
Life insurance	Child care payments
Travel insurance	Matching funds to charities and schools
Accident insurance	Company social events
Worker's compensation (mandatory)	Company sports tournaments
Unemployment insurance (mandatory)	Payment of moving expenses
Cancer insurance	
Psychotherapy expense	

Source: Developed at a Shirt-sleeve Seminar, Atlanta Chapter, Sales and Marketing Executives International.

In this approach, the company offers a core of basic benefits – the benefits required by law plus other traditional benefits, including paid vacations, medical, disability, and death benefits and a retirement programme. Employees then use credits (based on age, pay, family status and years of company service) to obtain optional benefits not included in the core; this lets employees select those benefits that best fit their needs. Also, because of changing needs employees are given opportunity to change their choice. Companies using the cafeteria also have "awareness programmes" aimed at making employees aware of the benefits available.

Notes

Fringe benefits are now an important part of every sales persons income. These are dealt as under:

1. ***Company Benefits:*** These constitute 25 to 40 % of the basic pay. Fringe benefits differ from company to company. Insurance, paid vacation, paid leaves, retirement plans and educational assistance are a part of company benefits.
2. ***Insurance:*** Life insurance, health insurance, accident and disability insurance are provided by most companies. Sometimes a part of insurance is paid by the salesman. Dental and vision care are also popular benefits introduced by many companies.
3. ***Paid Vacations:*** These are provided to sales persons with a long standing, who have served the company for a long period of time.
4. ***Paid Leaves:*** Includes, sick leave, maternity leave and are enjoyed by confirmed salesman who have worked for a considerable period of time.
5. ***Retirement Plans:*** Many companies contribute to pension plan for its employees. The sales person also contribute a part of their income through payroll deductions.
6. ***Educational assistance:*** Many sales persons take advantage of company sponsored educational programmes. They sponsor candidates to courses useful to the company. Employers also grant release time to employees to attend courses.
7. ***Sales Force Benefits:*** Personal use of a company car and membership to clubs/ associations is also provided to sales people. This helps them to get in touch with a lot of people connected with business so that the sales could be increased.

Besides these fringe benefits there can be other types of incentives.

(a) ***Profit Sharing:*** If the company's profit rises then a cash bonus can be given.

(b) ***Stock Purchase Plan:*** Employees can buy shares of the company at a discounted price. They can become shareholders of the company. This increases the loyalty of the sales people towards the company.

(c) ***Credit Union:*** A company supported credit union to save and borrow as and when desired.

(d) ***Employee Services:*** These include subsidised meals, recreational facilities, discount on company's products, etc.

(e) ***Cafeteria Approach:*** In this the employees choose the desired benefits. This is a new approach in which there is a basket of benefits and the employee opts for some of these which are more beneficial to him.

Case Study

ABC Company

ABC Company was a producer of several kinds of industrial equipment listed in exhibit. It developed from the efforts, in the late 1940s, of a gifted engineer and inventor, Srirang Pandey, who patented several of his ideas for variations on standard products. He founded and was active in the firm for more than twenty-six years until his death.

Pandey had been very interested in the selling activity of his company and had a strong sense of professionalism that he used in personally selecting people for his sales force. He

Contd...

Notes

managed the sales force until it grew to a size of three men, at which time he secured the services of Hiren Shah as sales manager.

Before Shah's arrival, and for several years thereafter, Pandey told the salesmen expressly the names of firms he wanted them to call on. The founder was actually interested in the reputation of his young company. His concern for reputation included product characteristics as promised, delivery on time (critical to customers for these goods), and ethical, highly reserved business conduct by the salesmen. However, this concern for reputation was not restricted to these factors. Pandey also wanted to have, as his customers, those who employed the finest reputations. For example, he told his salesmen never to solicit the orders of a small firm then known by the name of Rohan and Lovely, for he considered the owners to be social climbers without proper backgrounds. In addition, he did not like an advertisement of theirs he once saw in a weekly business newspaper. He also instructed his salesmen not to call on Kapoor Glow Ltd because it had been turned down for a loan at the bank that Pandey used. This was despite the fact that Kapoor Glow Ltd found credit at another bank.

Not all the instructions were negative however. Pandey had the sales men, all of whom were engineers, visit Camden Mills, Stone & Kruger, and South Indian Metals time after time even though all three were committed to other sellers and other product designs. He wanted ABC Company to be a name that such firms knew and respected. He also cultivated several large national companies such as Combustion Engineering, Indian Machine and Foundry, Westinghouse and Melpar.

After Pandey's death, Shah continued these policies for the better part of a year. At that point Jevan Vats, the new president hired from outside, had a long talk with the sales manager and explained that he thought some changes were desirable. The firm should try to maximise sales and abandon all the "notions and pretentions', as he termed them. The salesmen should be put on a combination of salary plus commission. The two other executives in the company, the finance man and the production man, spoke up with a thorough endorsement of such changes. The existing policy was straight salary.

With some misgivings, Shah devised a new compensation structure for his four salesmen. Under this plan he estimated that a salesman would earn about 80 per cent of his compensation through salary and about 20 per cent through commission. The plan was announced on August 1 and the men were told it would go into effect in thirty days. Sales in August slumped about 17 per cent from the same month one year earlier and 14 per cent from the same month two years earlier.

Exhibit 1

Product	September (₹)	July (₹) last year	September (₹) two years	September before (₹)
Dryers	2,10,000	3,45,000	3,50,000	3,22,000
Sprayers	77,000	75,000	80,000	78,000
Planers	41,000	43,000	40,000	39,000
Power saws	32,000	30,000	30,000	31,000
Drills	42,000	41,000	40,000	39,000
Sanders	95,000	73,000	72,000	70,000
Metal buffers	75,000	49,000	50,000	48,000

Contd...

Notes

After one month of use, the sales manager conducted a preliminary inquiry into the results of the new compensation policy. The results appeared to be that the easier to sell items in the product line were moving well, those of average difficulty to sell were moving adequately, and the one item that was rather difficult to sell (the dryer) was moving very poorly. The exhibit gives the comparison of September to the last month under the old policy (July) and to September one year before. Shah presented his analysis from these data. The sales manager said that he would repeat his comparison after another month. In the meanwhile, the president told the sales manager to urge the salesmen to solicit orders for dryers.

Questions

1. Do you think that as a promoter, Pandey was right in promoting the kind of sales policies he did ? Justify your comment?
2. Evaluate the compensation package in light of the facts given in the case. What are the suggestions that you would have for an ideal compensation plan in this case?

9.14 Summary

- The sales job is very monotonous and full of disappointments.
- A proper motivation programme is to be followed.
- The sales personnel need to be given proper incentives to reduce the labour turnover.
- It is important that the manager is skilled and knows the technicalities of the job and is able to lead the personnel in an effective manner.
- The financial and non financial incentives both need to be taken care of.
- Fringe benefits, which do not bear direct relationships to job performance, range from 25-40 per cent of the total sales compensation package.
- A bonus is an amount paid for accomplishing a specific sales task.
- Life insurance, health insurance, accident and disability insurance are provided by most companies.
- Many sales persons take advantage of company sponsored educational programmes.
- The financial incentives become less affective after some time and thereafter the salesman is looking to non-financial incentives which have been discussed at length.
- Many sales persons take advantage of company sponsored educational programmes.

9.15 Keywords

Credit Union: A company supported credit union to save and borrow as and when desired.

Educational Assistance: Many sales persons take advantage of company sponsored educational programmes. They sponsor candidates to courses useful to the company. Employers also grant release time to employees to attend courses.

Employee Services: These include subsidised meals, recreational facilities, discount on company's products, etc.

Expectancy: This refers to a person's perceived relationship between effort and performance, i.e., to the extent to which a person believes that increased effort will lead to higher performance.

Notes

Factor Comparison Method: This method resembles the point system but is more complex. It utilises a scheme of ranking and cross comparisons to minimise error from faulty judgement.

Instrumentality: This reflects the person's perception of the relationship between performance and reward, for e.g., it reflects the extent to which a person believes that higher performance will lead to promotion.

Paid Leaves: Includes, sick leave, maternity leave and are enjoyed by confirmed salesman who have worked for a considerable period of time.

Paid Vacations: These are provided to sales persons with a long standing, who have served the company for a long period of time.

Point System: It involves defining factors common to most jobs. The specific factors generally include mental and physical skills, responsibility, supervision received and given, personality requirements and minimum education required.

Retirement Plans: Many companies contribute to pension plan for its employees. The sales person also contribute a part of their income through payroll deductions.

9.16 Review Questions

1. Why is motivation of sales force more important than employees in any other sphere of activity?
2. What is the importance of non-financial incentives in motivating the sales person?
3. How does Maslow's hierarchy helps in motivating the sales force?
4. Describe Adam's Inequity theory. How does it motivate and demotivate sales force?
5. What are the main elements of a compensation programme?
6. Describe the requirements of a good compensation plan.
7. What are the various types of compensation plans and their advantages and disadvantages?
8. What is the importance of fringe benefits?
9. Describe the importance of fringe benefits elements with reference to any organisation.
10. Explain the Likert's Sales Management Theory.

Answers: Self Assessment

1.	Motivation	2.	Salesman
3.	Manager's	4.	Persuasion
5.	Sales Contest	6.	Bonus
7.	True	8.	False
9.	False	10.	True
11.	True	12.	(b)
13.	(a)	14.	(d)
15.	(a)		

9.17 Further Readings

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Unit 10: Managing Sales Personnel

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Objectives

After studying this unit, you will be able to:

- Explain the meaning of the selling effort;
- Understand the difference between selling and managing;
- Explain the meaning and role of sales management;
- Understand the process of recruiting, training and motivating the sales personnel;
- Explain the allocation of duties of the sales manager.

Introduction

In this unit, we will discuss the interesting aspect of managing the sales personnel. The success of distribution strategy is primarily governed by the involvement and motivation of sales staff. Not only their involvement is critical, but in the first place the organisation has to recruit the right persons, train them adequately and assign them to various jobs. Of course, as discussed earlier, we know that the control and review of performance is also important. Thus sales management which encompasses these aspects will be discussed in this unit.

10.1 Selling and Sales Management

Selling is done by the salesforce either directly to customers, such as in case of industrial salesmen or to retailers, as in case of salesmen merely supplying shopkeepers and inducing them to stock the goods.

Notes

In both cases, the effort of the salesmen contributes to the overall sales turnover of an organisation. The advertising effort and the sales effort are to a certain extent interrelated. The main function of advertising is generally before the actual selling occurs. The customer looks at advertisements and is thus induced to go to the shop or wait for the salesman and make his purchase. The salesman's job is to hand over the merchandise against exchange of money and provide satisfaction to the customer. Besides, he also some times has to provide after-sales service. In terms of selling, the role of a salesman can be sub-divided into several stages. These are:

1. Prospecting, i.e. trying to find out likely customers who are called Prospects.
2. Pre-approach, i.e. trying to find out more about the customers, before actually meeting them.
3. The Approach, i.e. when the-salesman actually communicates with the prospect with a view to sell the product.
4. The actual selling where he Answers Objections and Closes the sale.
5. In addition to this, he may also provide services such as giving technical Assistance, arranging credit facilities and expediting deliveries.
6. Collecting Information useful for the organization.

A salesman following these steps will have a higher chance of being successful with his customers. In sharp contrast to selling activity, a sales supervisor performs the function of managing the sales staff. This is a very important aspect. It is at times thought that good salesmen can make good sales managers. This is not true because a good salesman is very keen on selling or the `doing' part of his job. When he becomes a sales supervisor, and as he goes up higher and higher and becomes a sales manager, his job changes in emphasis to that of managing', which consists of (1) planning and goal setting, (2) organising, (3) motivating, and (4) controlling his subordinates. Thus the job has changed from doing' to getting things done through people". Of course, it is true that many sales managers continue to perform the selling function and provide necessary support

Did u know? The Telling Method is the oldest form of communicating information and is often described as lectures. These can be quite boring and the salesman may feel that he is not a student in a classroom. However, this is a method which is extremely good in communicating information quickly. The other methods take a little time, although they may be more effective in terms of results.

Now let us try to understand the field of sales management. There is a lot of confusion in the expression Sales Manager and Marketing Manager. They are at time used synonymously. You have learnt the meaning of marketing and therefore know that the marketing manager is concerned with the four Ps in marketing. The sales manager's function is limited. It is limited to one of the P's in marketing, namely, promotion.

The American Marketing Association has defined Sales Management as follows:

"The planning, direction and control of the personal selling activities of a business unit, including recruiting, selection, training, equipping, assigning routing, supervising, paying and motivating as these tasks apply to the salesforce."

From this definition we can define the functions of a sales manager as:

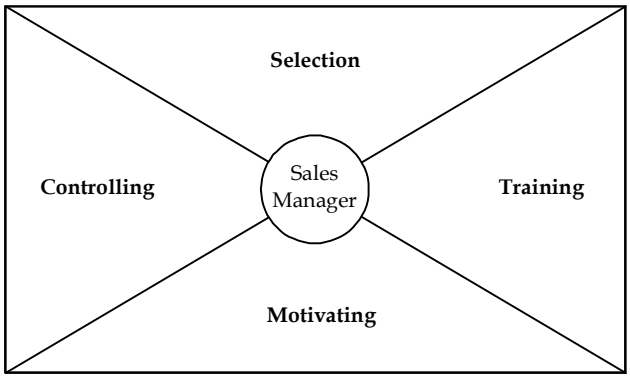
1. Selection of the sales force.
2. Training the sales force.

Notes

3. Motivating the sales force.
4. Controlling the sales force.

These are depicted in Figure 10.1. These will now be dealt in details.

Figure 10.1: The Sales Management Functions



Task Examine the various dimensions of salesman training in your organization. Just in case your organization does not have selling activities, you may visit another organization and study how they train the newly recruited salesman. Are there any deficiencies in the training approaches that you have examined? Can you suggest some modifications?

10.2 Recruitment and Selection of Salesmen

The sales manager's job is basically to provide leadership to the salesforce. However, if he does not have the right persons, it will be difficult for him to get desired results. Therefore, the first step, or the first function of the sales manager, is to be concerned about recruiting and selecting the right type of salesmen.

A good salesman creates a good image of the company, as the customer evaluates even the company from the way in which the salesman has behaved. It can thus be said that the salesman who is working under you, represents your face and that of your organisation. To the people he meets casually as well as your customers he handles, he is YOU and YOUR COMPANY. Therefore, how he conducts himself and how he speaks reflects on you and your company. In addition, proper selection would result in better employer-employee relations as the salesman would be happy in his job. There will be a smaller turnover, meaning that the salesmen will not leave out of disgust or inefficiency. The organisation will have a more effective salesforce, and will enjoy good customer relations.

The Selection Procedure

Adequate selection requires a proper step by step approach. You must first know the type of persons you want. Then it becomes necessary to find out from where you can get them. Then alone can arise the question of actually going about getting the man, testing him and making your final decision. The steps in the selection procedure are given in Figure 10.2.

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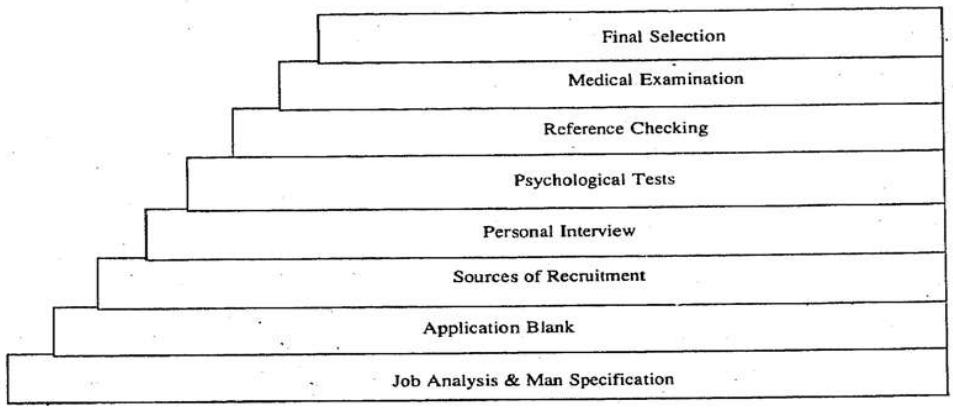
Figure 10.2: Steps in the Selection Procedure



Let us now go through these steps. In actual practice, often organisations are not very clear as to the type of person they require. They just decide that we need `salesmen'. We have to be more specific. In order to do this, it is necessary to analyse the job for which the salesman is going to be selected. In good companies, there are job descriptions available which give details of the particular job. Even this is not enough, because we want to know the type of man who will be able to fill that job. This is described as man specification and gives the qualities required of the person who can do this job properly.

The job analysis would indicate, for example; the following namely:

1. The difficulties involved in performing the duties (e.g. in case of high priced products, the selling job becomes difficult),
2. The basic duties and responsibilities,
3. The conditions of work, and
4. The personal characteristics required to handle the job.

The qualities required in the salesman may include any one or more of the following, namely:

1. General qualities,
2. Specific qualities, and
3. Technical qualities.

At times, technical qualities are required. If this is not required, one should not try and get a man with a technical background and pay unnecessarily more money. Besides, he may not prove to be a good salesman. Thus we must specify what are the general qualities required in addition to the technical ones, if any.

Many researches have been conducted to find the general qualities which make a good salesman. Given below are some of the general qualities which are required of a good salesman.

1. ***Honesty and Reliability:*** The salesman must be one who can be trusted, as he has to handle even money, besides merchandise. He must be prompt and on the job everyday. He must be one who can be relied on not only by you but also by his customers and his fellow employees.
2. ***A Self-starter:*** A salesman is often on his own, particularly the travelling salesman. He must therefore be able to work without constant supervision.

Notes

3. ***Orderliness:*** He should have a neat and pleasing appearance and must be one who keeps things clean and in good working condition.

4. ***Friendliness:*** Perhaps friendliness is one of the most important qualities. He must be sociable and must get along well with people, as otherwise he will not be able to sell at all.

5. ***Self-control:*** He should be able to handle difficult people and not lose his temper or become upset.

6. ***Good Handwriting:*** He should be able to write legibly, as salesmen often have to write orders and complete report forms.

The above are a few qualities. In addition, many more are given by different people like courtesy, industriousness, initiative, judgement, persuasiveness, resourcefulness and so on.

We now come to the preparation of an Application Blank listing questions required to be answered by the applicant. From the man specification, we have realised the qualities we are looking for in the salesman. Appropriate questions have to be now drafted so that the answer to these questions will indicate the suitability of the applicant who will thereafter be considered.

How we are ready to get people to apply for the job, as we are clear regarding what we want and the application blank is ready. Now the question of locating the appropriate person arises. Following are some of the sources from which recruitment can be made, namely:

1. Internal, i.e. from inside your own staff as well as through recommendations from existing salesmen or customers.

2. External, like (a) advertisements, (b) employment exchanges, (c) educational institutions, (d) from competitor's staff and (e) placement services.

Advertisement is the commonest source from which recruits are obtained. However, the advertisement should be sufficiently detailed so that you are not deluged with a large number of undesirable or inappropriate applicants.

It is common knowledge in India that, even when the advertisement states specifically that "Chartered Accountants need only apply", in practice even B. Corm's apply because they feel that they know accountancy. Therefore, if such a qualification was not mentioned, you can well imagine how many more unsuitable applications would have been received.

Now that we have got a number of applications, we must go through them and weed out those which are obviously undesirable or inappropriate for our requirements. Then comes the important step with which you, as a manager, would very likely be concerned, namely, the personal interview when you come face to face with the applicant and have to determine his suitability for the job. You may indulge in one or a number of interviews as you may deem appropriate.

The greatest advantage of the interview is that you can now see what he looks like and check if he has any undesirable expressions. We have mentioned that certain qualities are required. By asking appropriate questions, you can judge whether he has those qualities from his answers during the interview.

Some organisations indulge in psychological and personality tests. It should be mentioned here that it is difficult to devise proper psychological test that can predict a good salesman with high degree of accuracy. Hence it is not given great importance.

Now that we have almost arrived at a final decision, we must check the references given by him regarding his character, educational background and previous experience. This is an important step and should not be neglected.

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The medical or physical examination is not always necessary and should not be indulged in unless it is needed for certain qualities essential for the job. For example, if we want a salesman who can distinguish colours, a medical test showing whether he is colour blind or not would certainly be appropriate. Similarly, if he has to travel consistently, his health condition becomes relevant.

Now the time have arrived when the final decision has to be made about his suitability. Everything done so far has to be reviewed. We must find out whether he is a willing worker. He should not be a "rolling stone", which can be found out immediately if he has had many previous jobs. Even when he has previous jobs, the trend of the jobs-progressive or not will show you his desirability for recruitment. Thus a final decision has to be taken now.

Self Assessment

Fill in the blanks:

1. A ..... is representative of a company's philosophy and business principles.
2. Management must determine the amount of ..... a sales person should receive on the average.
3. ..... use of a company car and membership to clubs/associations is also provided to sales people.
4. A company supported ..... union to save and borrow as and when desired.
5. Special honour can be conferred on a salesmen for ..... performance.
6. ..... that previously used the straight salary plan have switched over to combined basic salary with a variable element.
7. ..... commission with the company paying expenses, with or without advances against earned commissions.

10.3 Training of Sales Personnel

Now that we have made the selection, we must provide for adequate training so that the applicant really becomes suitable for the job. Gone are the days when people thought that "salesmen were born and not made". Research has clearly indicated that the person can be trained to become a good salesman.

Researches have clearly indicated that the following are some of the factors which exist in case of a good salesman, i.e. a salesman properly trained as against one who was not so trained:

1. He makes a more enthusiastic presentation.
2. He has the ability to clinch the order.
3. He has greater product knowledge.
4. He pays closer attention to ensure that services are rendered to the customers.
5. He has superior territory organisation.
6. He answers objections better.
7. He can obtain more customer interviews.

Notes

The objectives of training are to give the following types of information to the salesmen, namely:

1. Knowledge of the company, its background and history. This will give him a perspective as to how he fits into the organization structure of the company.
2. Knowledge of the Company's products and more particularly the `selling points' or advantages that he can emphasize with a view to close the sale.
3. Knowledge of customers, i.e. details about the types of customers and how they should be handled.
4. Knowledge of sales and other procedure which is prescribed, such as how to get orders, what forms to fill up, the sales reports required, etc.
5. Training in the art of selling or salesmanship.

Notes The best method of control is naturally Personal Contact. This is however not possible from, let us say, the sales manager's level right down to the salesman's level. A supervisor has personal contact over the salesman directly under him. However, as an organisation grows, some other form of control has to be adopted. Correspondence is one method where the distance can be obviated. However, the most popular method of controlling salesmen is through Salesmen's Reports.

Today's customers want solutions, and companies are remaking their sales forces to satisfy them. Nevertheless, total quality goals and sales quotas still clash. This is the primary theme related to the new enlightened sales force of the future. In the past, sales people would brag that their primary purpose in life was to push metal (IBM) or slam boxes (Xerox). Today, the sales force gauges success as much by customer satisfaction as the units sold. The former is generally a much more rigorous yardstick than the latter. As companies today are finding that if you anticipate what your customers need and then deliver it beyond their expectations, order flow takes care of itself.

As more managers awake to the challenge, old stereotypes are fading faster than Willy Loman's smile and shoeshine. Forget the mythical lone-wolf salesman; today's trend-setting salespeople tend to work in teams. The traditional sample case is more likely to hold spreadsheets than widgets. Today's best salespeople see themselves as problem solvers, not vendors. They gauge success not just by sales volume but also by customer satisfaction. They do not "sell"; they "partner" with the customer.

Companies that dismiss the new, more collaborative sales methods as a fad are likely to slip behind. Today's demanding buyers are running out of patience with mere product pushers, whether at the new-car showroom, on the floor of a department store, or in the corporate conference room. They will tell you that do not want to deal with anyone selling anything unless they can tell the firm exactly how it will help their business.

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Case Study

Sales Incentives

Lucknow Electronic manufactured power-generating equipment and were in business only for about five years. They sold directly to consumers as well as through a distribution network. They expanded their sales force to cover greater coverage of market and to expand their activities in the entire country. The objectives were to increase sales revenue by 30% over the previous year.

The marketing manager felt that to achieve these objectives, the salesmen have to be motivated and there is an urgent need of introducing an incentive programme. For this he suggested that the goals be set in consultation with the sales managers. The principle of MBO (Management by Objectives) was suggested. The power generating business was highly competitive and although the company had a fixed price list, the sales managers would tend to ask for reduction in price on the approved list. In deciding whether or not the concessions should be given, a lot of valuable time of the marketing managers was being wasted and he wanted to stop this practice. The only way he could discourage salesmen from asking concessions was to give them price flexibility (a range of price over which they could quote their clients a price that would win business). There was a danger that the sales people would arbitrarily drop prices to generate more revenue at lower prices and obtain greater incentives as bonus.

The marketing manager after discussing with sales managers devised an incentive programme as under.

(a) Incentives bonus would only start after the sales persons have achieved 80% of their targets.

(b) Although flexible pricing was allowed but it was to be exercised by the discretion of the sales person himself in genuine cases.

(c) If the goods were sold at the minimum price the incentive would also be minimised. It would increase in proportion to sales at higher prices.

The marketing manager presented this incentive programme to the sales force expecting enthusiastic support. However, there was no positive response from sales force.

Questions

1. Due you feel this incentive programme will achieve the results expected by the marketing manager?
2. Can you suggest an alternative incentive programme to motivate the sales force?
3. Why was there no positive reaction from the sales personnel on the incentive programme?

10.4 Developing a New Attitude in Selling

If ever there was a business that cried out for a new way of selling, it is that of moving cars from the showroom floor to the driveways of America. The familiar but widely despised old approach is known among automotive historians as the Hull-Dobbs method, named after Memphis dealers Horace Hull and James Dobbs, who reputedly created it following World War II. In the old Hull-Dobbs drill, customers exist to be manipulated, first by the salesman, who negotiates the

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ostensibly final price, then by the sales manager and finance manager, who each in succession try to bump you to a higher price.

Car buyers are fed up. A recent survey by J. D. Power & Associates found that only 35 percent felt well treated by their dealers, down from 40 percent a decade ago. In 1983, 26 percent of buyers rated the integrity of their dealers excellent or very good; by 2001, that figure had dropped to fewer than 20 percent. "People feel beaten up by the process," says the owner of 13 import and domestic franchises in the suburbs of Washington, D.C. "You think you got a good deal until you walk out the door. The salesmen are inside doing high fives, and the customer is lying out on the street."

This is where Saturn came into the car game a few years back and presented its original, no-dicker sticker system. The price you pay for a Saturn is the one on the sticker (between $9,995 and $18,675, depending on model and features). That is, however, only part of the package. Buy a Saturn and you buy the company's commitment to your satisfaction. Their contact with and to the customer may appear corny, but last year Saturn scored third in a J. D. Power customer satisfaction study, just behind Lexus and Infiniti, which cost up to five times as much. Maybe it is corny, but it works. The philosophy of the new breed car dealer, like those at Saturn, is to exceed customer expectations.

Saturn reformed their sales methods to exploit an obvious market opportunity; the same is true for the reformed IBM sales force, which is only half the size it was in 1990. Those who survived are part of a new operation that is a cross between a consulting business and a conventional sales operation. Big Blue now encourages buyers to shop for salesmen before they shop for products.

Consultants obviously need a more sophisticated set of skills than metal pushers, and in their new role as purveyors of solutions rather than products, IBM's sales teams do not always recommend Big Blue's merchandise. About a third of the equipment IBM installs are made by DEC and other competitors.

One aspect of managing a sales team has not changed much: how you motivate flesh-and-blood salespeople. It remains the same idiosyncratic bleed of financial incentive, inspiration, and cajolery. As the sales pros will say: "There is nothing magical about sales. You want to be truthful and present a credible story so people will want to do business with you now and in the future. To sell effectively, you need to present the facts, list your supporting arguments, and learn all the nonverbal cues your customer gives while you're making your presentation."

With one element of sales motivation, how they pay their salespeople, many companies believe they can improve on tradition. IBM, for example, is following a growing trend to base compensation partly on customer satisfaction. For some of the new wave salespeople, 45 percent of the variable component of a paycheck depends on how customers rate the salesperson. In addition, usually this depends on how well the salesperson has done in helping the customer meet their business objectives. Result: the salesperson can make a lot more or a lot less.

We're all Salespeople – Officially or Unofficially

What does it take to be a truly outstanding salesperson? As is always the case, there are no simple answers. Moreover, achieving excellence in one type of sales endeavor, say selling personal insurance, undoubtedly requires somewhat different aptitudes and skills than achieving excellence when selling sophisticated information systems to corporate buyers.

High-performing salespeople generally differ from other salespeople in terms of some general attitudes they have about the job and the manner in which they conduct their business. High-performing salespeople:

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1. Represent the interests of their companies and their clients simultaneously to achieve two-way advocacy.
2. Exemplify professionalism in the way they perform the sales job.
3. Are committed to selling and the sales process because they believe the sales process is in the customer's best interest.
4. Actively plan and develop strategies that will lead to programs benefiting the customer.

10.5 Online Marketing Today – Siebel Systems

As noted earlier in this unit, Siebel Systems uses its own sales-management software to monitor its sales reps' activities, manage the sales process, and assess customer satisfaction. In the past, Siebel worked with 20 resellers who sold the company's software as well as with 760 other "Siebel Partners" who provide support in the form of installation, customization, upgrading, and other services. Now, however, the company has eliminated indirect sales in favor of its direct sales force. "When we analyzed customer feedback from the reseller channel, the results were not living up to the standards that we expected," explains Siebel's vice president and general manager for alliances. "The customers were effectively telling us that they would rather have Siebel involved in the sale." Partners still have an opportunity to build sales and profits because customers spend at least $7 in implementation, training, hardware, and other items for every $1 spent on Siebel software.

Go to Siebel's Web site (www.siebel.com) and review the products, events, and customized views available on the home page. Then follow the link to information for sales professional (or, if this is unavailable, locate the information about Siebel's sales management software). What benefits does Siebel highlight for its sales management offerings? Why are these benefits important for business customers? How do both Siebel and its prospects gain from the company's online product demonstrations? From attendance at the company's product seminars?

Answer

Some of the benefits highlighted on the Siebel site include the ability to: monitor sales activities to grow sales and profits predictably; improve sales forecasting; align sales compensation with sales goals; improve sales productivity; and better manage sales territories. These benefits are valuable for business customers because they help the companies better manage their resources, control sales activities, and analyze and reward sales efforts. Siebel's online product demonstrations reduce the amount of time a Siebel salesperson must offer demonstrations to prospects; at the same time, they allow prospects to experience and evaluate Siebel products without obligation and on their schedule. Prospects gain from attending Siebel product seminars because they learn how to get the most of Siebel products and they can ask questions and share experiences with others. Siebel gains from the opportunity to reach many prospects at once and generate qualified leads based on interest expressed through attendance and inquiries.

Caution Adequate selection requires a proper step by step approach. You must first know the type of persons you want. Then it becomes necessary to find out from where you can get them. Then alone can arise the question of actually going about getting the man, testing him and making your final decision.

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10.6 You're the Marketer – Sonic PDA Marketing Plan

Many marketers have to consider sales force management in their marketing plans. Because of the high cost of maintaining a direct sales force, however, some companies are substituting online, mail, and telephone sales for some of their personal sales calls.

In your marketing role at Sonic, you are planning sales strategy for the company's new personal digital assistant (PDA). After reviewing the data you previously gathered and the decisions you made about other marketing-mix activities, answer these questions about Sonic's use of personal selling:

1. Does Sonic need a direct sales force or can it sell through agents and other outside representatives?
2. Toward whom should Sonic's sales activities be geared? How can the company's sales activities support the rest of the marketing plan and the goals that have been set?
3. What kind of sales objectives should Sonic set for its sales personnel?
4. What kind of training will sales representatives need to sell the new Sonic PDA?

Once you have answered these questions and looked at how your sales management ideas will work with Sonic's goals and objectives, either summarize your programs in a written marketing plan or type them into the Marketing Mix, Marketing Organization, and Sales Forecast sections of the Marketing Plan Pro software.

Students who say Sonic needs a direct sales force may argue that this helps the company hire, train, and motivate the right kind of reps to sell only the Sonic PDA to major business accounts and to intermediaries. Those who argue against a direct sales force may say that as a start-up, Sonic should not invest in a direct sales force but should rely on agents and other outside representatives until the first product has been established.

Sonic's sales activities should be geared toward (1) channel members and, to a lesser extent, (2) major business accounts. These sales activities will help Sonic get the channel representation it needs for its first PDA and encourage businesses to buy in bulk for corporate use. In turn, such sales will help Sonic reach its sales goals. Sales personnel should go after sales objectives related to volume levels needed to achieve market penetration by territory or according to another appropriate measure. To do this, the reps need training about Sonic as a company and its goals; the first PDA product and the features and benefits; customers and competitors' characteristics; sales presentation methods; and sales procedures and responsibilities.

Task Collect all the reporting formats used by a salesman Working for a marketing organisation. Analyse them and record the various types of information provided by the salesman. Comment on the usefulness of such informations.

10.7 Marketing Spotlight: Oracle

Larry Ellison, along with three partners, founded the database management software company System Development Laboratories in 1977. In 1982, the company changed its name to Oracle, after the name of its first product. By 1988, Oracle had a 36 percent share of the U.S. government's PC database market. The company began offering consulting services to its customers in 1989.

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Oracle's adjustment to this rapid growth was not seamless, however. The company developed a reputation as a leader in "vaporware," or products that are announced publicly but are still under development and therefore unavailable. Its software often contained numerous bugs or lacked promised features. The company found itself embroiled in an accounting scandal in 1990, a result of a widespread practice among the sales representatives of recording sales a quarter early in order to boost earnings during slow quarters. Oracle was forced to restate earnings, pay a fine to the SEC, and spend millions of dollars settling shareholder lawsuits. The company's stock plummeted as a result of these developments.

Beginning in 1991, Ellison enacted a plan that rescued Oracle from the brink. He secured $80 million in financing from Nippon Steel, installed experienced Booz Allen manager Ray Lane as COO and president, reduced headcount by 10 percent, and imposed stricter policies governing its sales force. Ellison took a hands-on approach to establishing sales protocol for his company. He rewrote sales contracts himself and initiated a standard pricing policy that eliminated haggling. He also altered the compensation scheme so that managers were rewarded for meeting profit-margin targets rather than for reaching sales volume quotas regardless of cost.

These moves, along with the launch of the next-generation Oracle 7 database in 1993, allowed the company to complete a turnaround. By 1994, the company was the number-one database management software maker in the world, with sales exceeding $2 billion that year. Oracle's revenues tripled between 1995 and 1999, yet the company's sales force doubled during the same period. In 1998, the company split its sales force into two teams. One team concentrated on the company's core products-database software-although the other team was charged with selling Oracle's data-processing applications. More than anything else, however, Oracle's sales reps were able to handle the heavy workload because the company embraced the Internet. In 1999, 25 percent of the company's software sales were accomplished online.

As business continued to flood the company, Oracle sought to take more of its business to the Web. It invested in a new e-commerce site called OracleSalesOnline.com-later renamed Sales.Oracle.com-that enables customers to place orders directly online. The site also lets customers purchase upgrades and add users to its license. Oracle also developed another site that sales reps use to demonstrate software during phone calls with customers, who are then directed to order online. Additionally, it required sales reps to enter detailed customer data into a central system that other salespeople or executives can access. In 2001, the company integrated online customer service and support features with the Sales.Oracle.com service, calling this new site Support.Oracle.com. The company also licensed its sales and support applications to more than 10,000 companies around the world.

Oracle's network of information and its powerful software helped trim costs considerably. The company claimed in an aggressive ad campaign that it saved $1 billion in 2000 by running its own e-business software. In a specific instance, a manager noticed one day that U.S. sales forecasts dropped $3.5 million. Using the network, the manager identified which company had changed its purchase and contacted the sales rep working with the account who renegotiated the deal in less than 24 hours. In another example of cost-cutting, the company moved its sales and training meetings with customers from hotels and conference centers to the Web. These Web-conferences reduced costs from $325 per person to $2 a head.

Competitors are quick to criticize Oracle's aggressive sales tactics. An executive from IBM criticized Oracle's strategy of overpromising: "They take the P.T. Barnum approach to business: There's a sucker born every minute." Oracle's 85 percent customer-retention rate, which is higher than either Microsoft's or IBM's, proves that many customers are satisfied with the company's products and service.

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Case Study

Swatantra Company

Swatantra Company was established in 1940 to market office equipment in the entire country. They carried the entire product line manufactured by its parent company in UK. After the partition of the country, the company's activities were confined to India. In keeping with the government's policy, the company started manufacturing some of the products in the country. However, it continued to market the products under the brand name of the company. The company had a sales force of more than 100 sales representatives who were responsible for promoting the sales in their respective territories.

With a view to keeping the sales force sufficiently motivated, the company compensated the salesmen on the basis of salary-cum-commission. The salaries varied according to the length of service, experience and performance of non-selling functions. The commission, on the other hand, was calculated on the basis of the percentage of the quota achieved. Thus, if a person achieved 130 per cent of the quota fixed, his commissions worked out to 30 per cent of his salaries for the year. But in case a person failed to accomplish his target, he was not entitled to any commission.

The quota in case of a new territory was fixed at ₹ 10,00,000 per annum and in subsequent years it was raised by 10 per cent of the quota achieved.

Mr Kapur had joined the company in 1970 immediately after his graduation. After an initial training period of three months, he was allotted the newly created territory of South Delhi. During the period 1970-80, Kapur was consistently successful in achieving the sales quota fixed for the year. In 1980, Mr Arora, a young man of 21, joined the company and after 3 months of training in Faridabad, was given the new territory of Faridabad. During the year 1981, Mr Arora, who was employed on an initial salary of ₹ 500/- per month, received a pay packet of ₹ 1,000/- which consisted of his salary (₹ 500/-) and a commission of ₹ 500/- (since he achieved a sales target of 200 per cent). Mr Kapur's emoluments for the same year, however, worked out to ₹ 950/- only, since he was just able to achieve the target fixed for the year.

Mr Kapur (on entering the room): Sir, I am sorry to say that it is no longer possible for me to continue with this company any further.

Branch Manager: (interrupting him) Hold on, Kapur, calm down. Have a seat.

Mr Kapur: (sitting on the chair) Sir, how can you expect me to keep calm, if I find that after 10 years of my service in this company I am no better than a youngster, who has joined only a year ago?

Branch Manager: Oh, you are referring to Mr Arora's performance this year.

Mr Kapur: Sir, don't tell me that his performance was better than mine. Anyway, I don't care since I have decided to quit the company. I am sure if you were in my position you would not have accepted a pay packet of ₹ 950 - against Arora's pay packet of ₹ 1,000/-

Branch Manager: I fully appreciate your viewpoint but I am helpless. You know the fixation of quotas is done at the head office and I have no say whatsoever.

Mr Kapur: Sir, I am sure you will agree that the present system of quotas fixation is absurd. Just look at me. When I joined the company I was given a target of ₹ 10,00,000 but today I am supposed to achieve a target of 60,00,0000 from the same territory despite the growing competition in the industry.

Contd...

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Branch Manager: You are right, but .....

Mr Kapur: (interrupting him) Sir, let's cut it short. All I wanted to say was that it would no longer be possible for me to continue in this company: In fact I have already got two offers (taking out some papers from his pocket).

Branch Manager: Hang on. How about seeing the Zonal Manager, who is coming to Delhi tomorrow? I shall definitely put a word for you.

Mr Kapur: I won't mind, but I must repeat that I am determined to quit unless I get more than Arora and I am assured that the system of quota fixation would be changed to avoid such situations in the future.

Questions

1. Critically evaluate the present system of quota fixation. Suggest a suitable method.
2. As the Zonal Manager, how would you handle the situation?

10.8 Summary

- A good salesman creates a good image of the company, as the customer evaluates even the company from the way in which the salesman has behaved.
- A salesman following these steps will have a higher chance of being successful with his customers.
- Advertisement is the commonest source from which recruits are obtained.
- Employees can buy shares of the company at a discounted price.
- Management must determine the amount of compensation a sales person should receive on the average.
- Many researches have been conducted to find the general qualities which make a good salesman.
- Most companies use job evaluation systems to determine the relative value of individual jobs.
- Straight commission with sales persons paying their own expense. Advances may or may not be made against earned commissions.
- The greatest advantage of the interview is that you can now see what he looks like and check if he has any undesirable expressions.
- To control price cutting by sales personnel, some companies base commissions on gross margin.

10.9 Keywords

A Self-starter: A salesman is often on his own, particularly the travelling salesman. He must therefore be able to work without constant supervision.

Advertisement: Advertisement is the commonest source from which recruits are obtained. However, the advertisement should be sufficiently detailed so that you are not deluged with a large number of undesirable or inappropriate applicants.

Industrial Salesman: Salesman who deals with the industrial market, i.e. deals with organisations who buy goods and services to produce other products or services which are thereafter sold again to others.

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Job Description: This describes the job in detail, indicating what the salesman will have to do including the difficulties that he may have to face in selling the company's products.

Personal Selling: Oral presentation by a salesman in a conversation with one or more prospective purchasers with a view to effect the sale.

Sales Management: The planning, direction and control of the personal selling activities of a business unit, including recruiting, selection, training, equipping, assigning routing, supervising, paying and motivating as these tasks apply to the salesforce."

10.10 Review Questions

1. The aim of training is to make the sales person more competent to the assigned job. How will you identify the training needs of a salesman?
2. What are the various methods of training a salesman?
3. How should a proper training programme be executed and evaluated?
4. What is the difference between the contest for a customer and for a dealer? Describe with examples the sales contests for Cricket World cup, 1999.
5. Examine the salesman recruitment and selection process in a large and a small company. Compare how the selection processes differ from each other. Examine the reasons for such difference.
6. Oracle's turnaround was rapid and dramatic, but was their marketing success the cause or the effect of other important changes. Discuss.
7. If Oracle continues to apply aggressive sales tactics, despite the high rate of customer retention, what can we assume about its customers and the future of the business sector?
8. What changes would you make to Oracle's marketing strategy to avoid the problems they appear to face?
9. Describe the recruitment and selection of sales man.
10. Explain the importance of developing a new attitude in selling.

Answers: Self Assessment

1. Sales force
2. Compensation
3. Personal
4. Credit
5. Exemplary
6. Firms
7. Straight

10.11 Further Readings

Books

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Unit 11: Controlling the Sales Effort

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Objectives

After studying this unit, you will be able to:

- Explain the importance of budgeting;
- Describe the methods and purposes of sales control;
- Discuss the concept of quotas;
- Describe the types of quotas;
- Explain the concept of sales territory.

Introduction

Sales managers must be aware of the types of expenses that are incurred both before and after the sale as well as the sales revenues generated. Budgeting becomes a key task of sales management. It is also known as a blue print to making profitable sales. It estimates how much sales are to be made and what expenses will be incurred in the same. A proper budget provides a projection into the sales volume, selling expenses and profits of the company. Personal selling objectives, both quantitative and qualitative, determine the sales related marketing policies which in turn forms personal selling strategies. The strategies are decided keeping in mind the two key decisions, i.e., kind of sales personnel and size of sales personnel. All this together determines the sales budgets and once the expenses have been estimated the sales force management is undertaken.

11.1 Sales Budgeting and Control

A sales budget is a financial plan depicting how resources should best be allocated to achieve the forecasted sales. The purpose of sales budgeting is to plan for and control the expenditure of resources (money, material, people and facilities) necessary to achieve the desired sales objectives.

Sales forecast and sales budget are related in that if sales budget is inadequate the sales forecast will not be achieved and if sales forecast is increased sales budget must be increased accordingly. It also acts as a means of evaluating and planning sales effort. It aims at attaining maximum profits by direct efforts on most profitable segments, customers and products.

11.2 Purpose of Sales Budget

It serves three basic purposes:

Planning Tool: In order to achieve goals and objectives sales managers plan by outlining essential costs to be incurred. This helps in profit planning and act as a guide for achieving objectives.

Instrument of Coordination: Budget acts as an instrument of coordination. Selling is one of the functions of marketing and needs support from the elements of marketing mix. Budgets also help in integrating other functions of like sales, finance, production and purchase.

A Tool for Control: Comparison between budgeted and actual costs result in the analysis of factors causing variations and enables the sales manager to spot problem areas or plan better for expected outcomes. Variance analysis helps in improving insight of sales manager and enables to define and develop realistic sales budget in future with minimal variance.

Notes

Did u know? A sales quota refers to an expected routine assignment to sales units, such as territory, districts and branches, etc. Sales quotas are also assigned to individual salespeople over a particular time period and are used to plan, control and evaluate the selling activities of a company.

11.3 Methods of Sales Budgeting

Affordable Method: What is affordable? Many companies set the promotion budget at what they think the company can afford. This method is used by firms dealing in capital industrial goods. Also companies having small size of operation make use of this method.

Rule of Thumb (Percentage of Sales Method): Most companies set their sales budget as a specified percentage of sales (either current or anticipated). Mass selling goods and companies dominated by finance are major users of this method.

Competitors Parity Method: This method is used by large size companies facing tough competition. It presumes knowledge of competitors' activities and resource allocation.

Objective and Task Method: This method calls upon marketers to develop their budgets by identifying the objectives of sales function and then ascertaining the selling and related tasks to achieve objectives. Later the cost of each task/activity is calculated to arrive at the total budget. Adjustment to task or budgets can be made.

Zero Base Budgeting: A process in which sales budget for each year is initiated from zero base thus justifying all expenditure and discarding all conventions and rules of thumb. Its limitation is that it is very elaborate and time consuming process.

In practise, companies use a combination of these methods.

Self Assessment

Fill in the blanks:

1. ..... becomes a key task of sales management.
2. A sales budget is a ..... depicting how resources should best be allocated to achieve the forecasted sales.
3. ..... goods and companies dominated by finance are major users of this method.
4. Selling is one of the functions of marketing and needs support from the elements of ..... .
5. One of the most important responsibility of a sales manager is to exercise control over sales and the ..... of selling activities.
6. The purpose of sales management ..... is to evaluate the soundness of the sales management of firm.
7. Sales analysis and marketing cost analysis focus on routine and ..... aspects.

11.4 Preparation of Sales Budget

Sales budget is the most important element of sales. Generally, three basic budgets are developed:

1. Sales budget

2. Selling expense budget
3. Sales department administrative budget.

Sales organisations have different procedures. However, a sequence is generally followed.

Flexibility in Budgeting

It allows the sales managers to continuously monitor financial performances in terms of standard cost ratios. There is one more dimension of flexibility in sales budget – changed or changing market conditions necessitating change in firms expenditure of efforts.

11.5 Sales Control

One of the most important responsibility of a sales manager is to exercise control over sales and the performance of selling activities. Sales need to be controlled both on an ongoing (continuous) basis as well as overall, periodically. Sales control function assists the manager in ascertaining which level of sales have been achieved, why there has been a variance and which remedial action can be taken to achieve the target results.

11.5.1 Purpose of Sales Control

Sales control assists the sales manager in:

1. Initiating remedial steps.
2. Revising the sales policy and strategies followed.
3. Implementing steps for improving the productivity of sales force.
4. Improving the quality of target setting sales plans and budget functions.
5. Increasing sales profitability.

11.5.2 Sales Control System

A sales control system should be set up on the following guidelines:

1. Setting detailed objectives (round key result areas).
2. Establishing standards for appraising performance.
3. Gathering information on actual sales activities and results.
4. Comparing actual with expected.
5. Taking remedial action (need based).

Existence of a comprehensive sales information system in the firm is a prerequisite for an effective sales control system. This can be done by recording sales by value, by customer, by sales person, by territory, by distribution outlet, by cash or credit. In addition to invoice other important documents are despatch notes, customers call reports, daily activity reports, journey plans, sales quotations, sales expenses forum, discount and allowance records.

Notes

Tasks On the basis of the table given below compute the three salesperson's orders to sale calls ratios and average size of order for the year. Why might the three salesperson's performance differ?

Name of territory	Name of Salesperson	Number of calls	Number of orders	Actual sales (₹)
A	Raja Singh	1400	350	6,00,000
B	A K Singh	1600	800	7,00,000
C	S P Singh	1800	700	12,00,000

11.5.3 Methods of Sales Control

Most commonly used methods are

1. Sales analysis
2. Marketing cost analysis
3. Sales management audit

11.6 Sales Analysis

It is a detailed examination of sales volume by territory, sales person, customer, product line, etc. It works on the principle that the trends of the total sales volume conceal rather than reveal the market reality. Researchers reveal that in most organisations a large percentage of customer order territories bring in a small percentage of total sales. This is known as 80-20 principle. 80% of the orders contribute over 20% of sales and 20% of selling units amount for 80% of sales. Likewise there is the example of iceberg principle which shows that total sales volume may reveal 10% of real market situation which is above the surface and 90% may remain unknown. Therefore, it is recommended that for unearthing reality and gaining meaningful insight, sales must be analysed by territory, by sales person, by customer.

The sales manager scans the total sales on territory basis. Any unusual conditions in any territory such as intense competition, strike by labour union or transportation, etc., which make an adverse effect on company's products' are considered for further sales analysis. In the above example actual sales be compared with desired sales and the reasons for variations be looked into.

Table 11.1: Sales Analysis by Salesperson

Salesperson	Quota	Actual	Performance
Mukesh	90	88	98%
Saurabh	115	117	102%
Kamal	115	110	95.6%
Salim	110	120	109%
Tony	110	105	95.4%

Contd...

Notes

Tinku	120	125	104%
Bobby	130	106	81.5%
Babloo	120	120	100%
Total	910	891	97.9%

Manager should see his sales performance based on product line.

Table 11.2: Sales Analysis by Product Line

Product line	Quota	Actual	Performance
Computers	50	55	110%
Portable Typewriter	40	40	100%
Manual Typewriter	30	06	20%
Electronic Typewriter	20	20	100%
Spares	20	18	90%
Total	160	139	86.9%

11.6.1 Marketing Cost Analysis

Here the cost incurred to achieve sales are considered. It is not just sales but sales with budgeted profits or expenses that matter. It is a fact finding analysis which relates cost to sales volume and resultant profitability. It relates cost and financial discussion of each selling transactions and activity. It can generate

1. Cost of goods per rupee of sale;
2. Profit per territory, product pack, sales person;
3. Profit per rupee of sale;
4. Sales volume and turnover of receivables;
5. Turnover of stock and profitability;
6. Average value of order;
7. Average cost per order;
8. Total value of orders.

Usefulness of Marketing Cost Analysis: Successful cost analysis benefits the manager in ascertaining:

1. Relative cost and profitability of sales operation;
2. Profitable, not so profitable and not profitable territories;
3. Products, packsize, market segments, distribution channel;
4. Minimum order level quantity;
5. Productivity of sales person;
6. Profitability of different sales promotion techniques;
7. Profitability of different marketing mix programmes.

Notes

11.6.2 Sales Management Audit

Sales analysis and marketing cost analysis focus on routine and operational aspects. The third technique of sales control relates to strategic discussions of sales control.

Sales management audit is a comprehensive, systematic, independent and periodic audit of sales policy, objectives, strategies, organisation and procedure followed by the firm. The purpose of sales management audit is to evaluate the soundness of the sales management of firm. It examines the validity of the very basis and assumption on which sales function is planned and managed. By critically evaluating the sales management against the changing market environment, it points out the emerging areas of opportunity as well as areas which need observation.

Some aspects covered in sales management audit are:

1. Appropriateness of selling functions and objectives.
2. Role of selling function in promotional mix and sales marketing integration.
3. Organisation and work norms of the sales force and its size.
4. Recruitment, selection, promotion policy, compensation motivation of sales forces.
5. Basis of sales quota, sales budget, territory allocation and their market need suitability.
6. Quality of sales force, appraisal criteria, training and development of sales personnel.
7. Productivity of sales function.
8. Sales planning and control system.
9. Commercial procedures and sales promotion method.

It is a technique of management control. If conducted by outside experts and officials it is very beneficial.

11.7 Sales Quotas

A sales quota is a quantitative goal assigned to a sales unit relating to a particular period of time. A sales unit may be a territory, a branch office, a region, a distributor or a person. Sales quotas plan, direct, control and evaluate the activities of a company and their effectiveness depends upon the kind, quantity and accuracy of marketing information used in setting them and upon management's skill in administering the quota system.

Sales quotas provide a source of motivation, a basis for incentive, compensation and increasing standards of performance of sales persons and uncover the strength and weaknesses in the selling structure of the firm. Sales persons are quota achievers and their motivation may fall off if the quotas are easy to achieve. The sales quotas are set by sales manager for individual salesman or a sales district. The executives who set sales quotas must have experience and should be familiar with territories.

Budget Quotas

1. Set for various units in sales organization to control expenses, gross margins, or net profit
2. Expense quotas
3. Expense quotas are used most often in combination with sales volume quota

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4. Management provide sales personnel with financial incentives to control their own expenses
5. To reduce administrative burden and misunderstandings, expense quotas are generally expressed as % of sales
6. Problems:
   (a) Variations in coverage difficulty & other environmental factors, make it impractical to set identical expense % for all the territories
   (b) Different sales person sells different product mixes, so some incur higher expenses than others
7. Advantages:
   (a) Makes sales personnel more cost conscious
8. Gross margin or net profit quotas
   (a) Appropriate when the product line contains both high & low margin items
   (b) Problems
      (i) Sales persons do not set the price and have no role on the manufacturing cost. Thus, not responsible for gross margin
      (ii) Certain selling expenses are beyond the salesperson's influence
      (iii) Increased clerical & administrative costs
9. Activity quotas
   (a) Define the important activities sales person perform; then set target performance frequency
   (b) Appropriate when sales personnel perform important non-selling activities
   (c) Control & recognition of sales person performing non selling activities
   (d) Reward sales person on quantity of work; irrespective of quality
   (e) Problem in inspiring the sales force

Combination & Other Point System Quota

1. Combination quota
   (a) Combination quotas control performance of both selling & non-selling activities
   (b) Overcome the difficulty of using different measurement units to appraise different aspects of performance
   (c) Because performances are computed as %, known as Point systems, the points being % points.
   (d) Summarize overall performance in a single measure
   (e) Problems
      (i) Sales persons may have difficulty in understanding & appraising their own achievements
      (ii) Design imperfection may cause sales personnel to place too much emphasis on one component activity

Notes

2. Full line quota
   (a) Designed to secure some desired balance of sales among various products.

Administering the Quota System

1. Accurate, fair & attainable quotas
2. Depends not only on the quality of managements judgment but on the capabilities & motivational of the sales force
3. Securing & maintaining sales personnel's acceptance of quotas
4. Participation by sales personnel in quota setting
5. Keeping sales personnel informed
6. Need for continuous managerial control.

Reasons for not using Sales Quotas

1. In certain industrial goods, its difficult to obtain accurate sales estimate
2. Since quota requires statistical technique, fear is that sales personnel will not accept quota prepared by hard to explain techniques
3. Place too much emphasis upon making sales - legitimate criticism of sales volume quota
4. If product is in short supply, quotas are not appropriate.

11.7.1 Purpose of Sales Quotas

Sales quotas serve several purposes. The principal purposes include the following.

- Providing Goals and Incentives to Achieve a Certain Performance Level
- If performance is exceeded or surpassed more incentives are given. While setting quotas, it must be ensured that they are specific, measurable, attainable, realistic and time bound. (SMART).

11.7.2 Controlling Sales Person's Activities

Quotas provide opportunities:

1. To direct and control the selling activities of sales person.
2. To control the calls per day.
3. To gain new accounts.
4. To plan demonstrations.
5. For realisation of money from the account holders.
6. To take corrective actions if the salesman fails to achieve his targets.

The entire control process of setting the desired performance, measuring the actual performance, finding out the deviation and taking corrective action is followed in its totality.

Evaluating Performance

Performance against quotas also helps in identifying strong and weak points of the sales person and performance of qualitative and quantitative activities. The performance can be judged for

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various products and in various territories. A salesman may perform differently but to the satisfaction of the sales executive. If a sales person is below average in many ways then there is food for thought and some action is required by the executive.

Controlling Selling Expenses

It is the duty of the sales person to keep the sales expenses within limits. Expense quotas help the companies to set profit quotas. Expenses are also tied to compensation. Usually a limit is fixed for external factors. These are-type of the city, type of work, type of terrain, type of product, etc. These are fixed after discussions with the salesman so that they are aware of the same.

Make Effective Compensation Plans

Proper compensation plans provide an incentive for the sales person and some Indian companies only give compensation when the quotas are achieved or exceeded. Some use it as a basis for bonus purposes and give bonus only when part or full quota is achieved.

Quotas should not be fixed arbitrarily or on the whims and fancies of the management. These should be set on certain criteria like past experience, potential demand, market analysis, competitive factors, quality and price. Once the quotas are fixed and seem all right, these can be gradually increased to achieve greater sales. Sometimes sales quotas are used in various types of sales contests. These motivate the salesman further and special prizes can be awarded for attaining quotas in these contests. These are also known as "special quotas" and help the average sales person to perform better.

11.8 Types of Sales Quotas

There are basically four types of sales quotas and different types or a combination of them can be used depending upon their need, procedures, policies, selling problems and executive judgement.

1. Sales Volume quotas
2. Financial quotas
3. Activities quotas
4. Combination of these Quotas.

11.8.1 Sales Volume Quotas

These are most commonly used and are based on sales volume. Sales volume can be measured by:

1. Volume of sales made by an individual.
2. Volume of sales made in a geographical area.
3. Volume of sales made in a product line.
4. Volume of sales made in a distribution outlet.

Sales volume quotas are also set to balance the sales of slow moving products and fast moving products. They may be set in terms of unit sales or rupee sales volume or both and on overall as well as product wise basis. Some companies combine these two and set point wise basis, i.e.,

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₹ 1000 = 1 point. Also different points can be given to different products - 3 for product A, 5 for product B and so on.

Unit sales volume quotas are found useful in market situations where prices of the product fluctuate considerably or when the unit price of the product is rather high. Rupee sales volume quota is found useful for sales force selling multiple products to one or different types of customers.

11.8.2 Methods of Setting Sales Volume Quotas

Sales volume quotas can be set on the following basis.

Past Sales: Sales quotas are set based solely on past sales experience. If the sales quotas are to be set for this year then we find out the sales of last year and taking the expected percentage increase in market share, we add this percentage to last year sales.

E.g., Last years sales - 100

Percentage increase in market share expected is - 10%

Then for this year sales quota will be - 110%.

This method assumes that the preceding year was the typical year. We can also take the average of past three years and add the rate of growth.

Total Market Estimates: In this method of setting sales quotas total market estimates are made by the company for that year and sales quotas are derived from this. Two approaches are generally used.

1. Market size estimates can be had from the data available and the judgement of the executive at the head office.
2. Sales quotas can also be made from the projections made by field staff at each territory office.

Territorial Sales Potentials: Many managers derive sales volume quotas from sales potentials. Sales potential represents the maximum sales opportunities open to the same selling unit. This approach is appropriate when:

1. Territorial sales potentials are determined in conjunction with territorial design. In this case sales volume quotas are set by calculating the percentage relationship between each territorial sales potential and total sales potential and using the resulting percentages to apportion the company sales estimate among territories. For example, if territory X's sales potential is 3 per cent of the total and the company sales estimate is ₹ 10 million, then the sales volume quota for territory X is ₹ 3,00,000.
2. Bottom-up planning and forecasting procedures are used in obtaining the sales estimate in the sales forecast. In this case, management, after considering such factors as past sales, competition, changing market conditions and differences in personal ability, as well as contemplated changes in prices, products, promotion and the like, gives final revised estimates of territorial sales potentials which become the territorial sales volume quotas.

Compensation Plans: 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 experience and quotas are tailored exclusively to fit the sales compensation plan. If, for instance, sales person A is to receive a ₹ 2,000/- monthly salary and a 5 per cent commission on all monthly sales over ₹ 40,000/-, A's monthly sales exceeds ₹ 40,000/-, 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".

Notes Sales forecasting is an important task for the sales planning department of an organisation. Accurate forecasting requires market knowledge and the existence of a comprehensive marketing information system. Sales quotas are of major importance because they establish the 'end state'—the bottom line sought by the sales force. They are not static but dynamic guides to sales force behaviour. Quotas are constantly changing due to experience, feedback and internal and external forces related to the organisation.

11.9 Limitations of Sales Quotas

1. In situations where goods are in short supply the quotas do not serve any purpose. These can only be used in buyers' market where goods are available in plenty and enough competition is in existence.
2. Generally quotas are set at a high level which creates frustration in sales persons.
3. It is not easy to get reliable sales estimates from the market. The collection of data is also very expensive therefore many quotas are set on past performance and by guess.
4. Some sales quotas are complicated and aren't understood by salesman and hence are opposed by them.

Self Assessment

State Whether True or False:

8. Management must make certain that sales personnel understand quotas and the setting procedure.
9. Effective sales management keeps sales personnel informed of their progress relative to quotas.
10. Sales people are not only responsible for multiple accounts but for a group of accounts.
11. An CSA is a geographic area with adjacent communities that have a high degree of economic and social integration with that nucleus.
12. Well designed territories improve buyer-seller contacts and better managing by the sales person.

11.10 Administration of Quota System

The skills in administering the quota system are of a basic nature, they help not only to realise the full benefit for control purpose but also to secure cooperation among staff in making the system work. It is most critical to secure and maintain acceptance of those to whom quotas are assigned.

Some sales people oppose the sales quota and anything that makes them doubt the accuracy, fairness or attainability of sales quotas, leads to reducing the system's effectiveness.

Notes

Accurate, Fair and Attainable Quotas

Quotas should be accurate, fair and attainable. Obtaining accurate quotas is a function of the quota setting procedure. Accurate quotas result from skillful blending of planning and operating information with sound judgement. Setting a fair quota involves determining the proper blend of sales potential and previous experience.

If management believes that its quota setting procedure produces accurate quotas and is confident that fair quotas are being assigned, then they should be attainable.

Securing and Maintaining Sales Personnel's Acceptance

Management must make certain that sales personnel understand quotas and the setting procedure. Conveying this understanding is a critical step in securing staff acceptance of quotas. If sales personnel do not understand the procedure used in establishing quotas, they may suspect, for example, that the quotas are a technique to obtain extra effort from them at no cost to the company. This attitude destroys the quota's effectiveness as an incentive. It is important that sales personnel understand the significance of quotas as communicators of "how much for what period", but, if they also understand the quota setting procedure, they are more likely to consider their quotas accurate, fair and attainable. The quota setting method should be simple enough for sales personnel to understand, yet sufficiently sophisticated to permit acceptable accuracy.

Participation of Sales Personnel

If sales personnel participate in quota setting, the task of explaining quotas and how they are determined is simplified. It is not advisable to turn the whole quota-setting job over to the sales staff but some sales force participation can obtain more accurate and realistic quotas.

Keeping Sales Personnel Informed

Effective sales management keeps sales personnel informed of their progress relative to quotas. Sales personnel receive frequent reports detailing their performance to date. This permits them to analyse their own strong and weak points and take corrective action. Of course, sales personnel need encouragement, advice and occasionally, warnings in deciding to take measures to improve their performance.

Continuous Managerial Control and Review

In administering any quota system, there is a need for continuous monitoring of performance. Arrangements must be made together and performance statistics should be analysed with minimum delay.

Continuous managerial review and appraisal are required, since, for example, a quota that was accurate, fair and attainable at the beginning of an operating period can prove totally unrealistic in view of changing selling conditions. Flexibility in administering the system is important. If a quota is unrealistic, it should be adjusted.

Administrative flexibility is desirable, but not too much. Small changes can be ignored; important changes call for adjustments. Balance is needed between flexibility to every slight change and inflexibility regardless of changes.

Notes

11.11 Sales Territories

A sales territory represents a group of customers or markets or geographical areas. Sales territories are geographical area that can be covered conveniently and canonically by a sales person.

Territories can be formed on the basis of geographical locations, industry, product use method of buying and channel of distribution. By territorisation, organisations can achieve better coverage of potential markets because it permits better planning, proper coverage of potential markets, efficient call patterns and better customer service. Some services like Insurance and Mutual Fund are sold on personal contacts rather than by developing territories. House Accounts useable are handled by the Co. itself. Big customers of prefer to deal directly with the Co. This many lower the morale of the salesman as a significant share of the Co's business is done directly by the Co. and the salesman is deprived of the commission.

Territory management is the planning, implementation and control of sales person's activities with the goal of realising the sales and profit potential of their assigned territory.

1. Sales territories Match sales effort with sales opportunities.
2. Territorial assignment tells direction to the planning and control of the sales force.
3. By forming territories management learns the strengths and weaknesses of the company in serving different markets.
4. Realistic planning can be done as territories are more homogeneous then the entire market.
5. By dividing the market into small groups specific objectives can be made and more control can be exercised.
6. Performance approval of the sales person becomes critical according directions can be given.

11.12 Developing Territories

Designing of sales organisation is incomplete till territories have been formally defined. Territories can be formed according to:

1. Geographical location
2. Industry
3. Product use
4. Method of buying
5. Channels of distribution
6. Sales of potential
7. Work load in territories
8. Arbitrarily
9. Rational basis.

   By territorisation better coverage can be achieved because it facilitates:

   (a) Better planning

   (b) Proper coverage of potential markets

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(c) Efficient call patterns

(d) Better customer service

(e) Choosing appropriate salesmen for specific accounts.

In certain businesses which are carried out by social and personal contacts such as LIC, mutual funds, stocks, etc., it is preferable not to develop sales territories.

Factors that affect the sales volume of a territory are its:

1. Size
2. Market potential
3. Number of customers' accounts
4. Firm's experience
5. Market share in the territory.

Factors that affect the size of the territory are:

1. Number of customers and prospects in an area
2. Call frequency on existing customers
3. Number of calls that the sales person makes in a day.

A company's sales territory represents basic accountability units at the lowest level of aggregation. Several territories are combined into a district, several districts are combined into a region, several regions into zones and several zones into a national market.

Sales people are not only responsible for individual accounts but for a group of accounts (Territory Management). This is the first step in moving from selling to managing. It requires planning and control of sales effort. Territories are long lasting structural arrangements. These are formed by dividing the company's total market into smaller parts or also by taking smaller units of the market and assembling them to larger territories.

The steps followed in developing territories are being described below.

Determination of Basic Control Unit for Territorial Boundaries

The starting point in territorial planning is the selection of a basic geographical control unit. The most commonly used control units are villages, tehsils, towns etc. and then cities, standard metropolitan statistical area, trading area and states. The two reasons for selecting a small control unit are:

1. If the control unit is too large, areas with low sales potential are hidden by areas having high sale potential and vice versa these units remain relatively stable making it difficult to redraw territorial boundaries.
2. To increase one territory and reduce the other is easier with smaller sized control units.

Other than a village, tehsil, town, etc., there are three more basic units for territorial boundaries.

Metropolitan Statistical Areas (MSA)

An MSA is a geographic area with adjacent communities that have a high degree of economic and social integration with that nucleus.

Notes

Companies whose MSAs are too large to serve as a basic geographical control of units deal directly with large number of customers in urban areas and commonly assign two or more sales persons to the same MSA. In such cases, companies use either minor political division of cities or a cluster of continuous census tracts as control units.

Trading Areas

Trading areas are based upon the natural flow of trade. The trading area recognises that consumers, retailers and wholesalers pay scant attention to political boundaries in deciding where to buy. Consumer, for example, regards convenience and the merchandise selection available as key factor in deciding where to shop.

It is difficult to define trading areas, as they vary from product to product, for example, normal work clothes can be purchased from even a town shop but dress clothing requires shops in big cities or areas. Trading areas for products purchased frequently and routinely are much smaller in size and consequently more numerous than those of luxury items.

Sizes and shapes of trading areas even fluctuate seasonally just like climate. Some companies however identify trading areas for their own products.

States

These are geographical units where state territorisation is justifiable. One is when the sales force is covering the market extensively rather than intensively, other situation can be when a company is seeking national distribution.

The main difficulty in using it as a control unit is that it is a political rather than economic division.

Combining Control Units into Tentative Territories

The next step is combining units into 'tentative' sales territories so as to obtain a first 'approximation' of sales territories by combining Continuous Control Unit into tentative territories, each containing approximately the same sales potential.

At this point number of territories are decided assuming that all sales personnel are of average ability. Basically the percentage of total sales potential that the average sales person should realise is estimated. In this estimation the past sales experiences help to determine the number of territories. In effect, the planner estimates the sales productivity per sales personnel unit and divides it into the total estimated sales potential and the number of sales personnel units and territories required. For example, management estimates that an average sales person should realise ₹ 25 lakhs of total sales potential of ₹ 250 thousand – ten territories and ten units (25,00,000/ 2,50,000) of sales personnel are required.

After this estimation and calculation, similar Control Units are combined into tentative territories of roughly equal sales potential.

Procedure for Developing Territories

While developing territories a procedure has to be followed and objectives are considered such as work load and opportunity equalisation. There are many approaches and these are quantitative in nature. The process begins with a certain unit of aggregation or base and involves certain points if adjustments are to be made.

Notes

11.13 Objectives and Criteria for Territory Formation

Proper territory formation is important as:

1. It affects the sales force morale and performance. Results may be measured by sales volume, market share, or profits. The job of a sales manager is to form optimum number of territories and their configuration. In case of insufficient territories' sales will suffer for lack of coverage. If too many territories are formed the account will be fragmented as sales people may not get sufficient sales from their respective territories and a higher labour turnover may result.
2. Another objective is the equalisation of territory potential. This is to provide equal opportunities for the sales person since territories differ in many aspects including the potential and they become big or small accordingly. Travelling requirement and coverage is another problem. Added to this, is the fact that the current potential of a territory cannot be assessed at a particular given time.

In many cases territories having different potential are treated as potential territories and they may be made training grounds for new salesmen and more productive territories may be given to senior sales people. Therefore, while forming territories factors like territories with different sales potential, sales ability or performance index of the salesman and factors like coverage difficulty in territories should be considered.

Another factor is the frequency of calls. If there are lesser calls or frequency is less than sales opportunities are lost and with excess calls time and money are wasted.

Sales representatives work load must also be considered - if he is prospecting and selling then he has to make more calls whereas a person who is servicing the accounts (investors, write orders, trained personnel in products) will make lesser calls.

The type of product can dictate territorial size as well. The more selective the product the larger the territory. Other factors are organisational abilities

Caution Expense quotas are related to selling costs within reasonable limits. Some companies set quotas for expenses linked to different levels of sales attained by their sales force. Salespeople may receive an expense budget that is a percentage of the territory's sales volume. The salesperson must spend only this amount as expenditure.

Case Study

RAJ Tyres

Raj Tyres is a company involved in the import and marketing of car tyres manufactured in the Far East. Raj Tyres established the business in 1990 when a friend living in Singapore told of the supply of tyres from that area which substantially undercut European prices. Although tyres from the Far East were not as long lasting as European (average 20,000 miles compared with 30,000), they were produced in accordance with high standards which meant that problems like weak spots, cracks and leaks were less serious than with European tyres.

Raj Tyres believed that a viable target market existed for the sale of these tyres in India. He was of the opinion that a substantial number of people were primarily interested in the purchase price of tyres. This price-sensitive target market could roughly be described as

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Notes

the mid-lower income, working-class family man who owned a second-hand car which was over three years old.

He decided to buy a consignment of tyres and visited tyre centres to sell them. Initially, business was slow but, gradually, as distributors began to believe in the quality of the tyres, sales picked up.

By 1999, MacLaren had taken on the role of general manager and had recruited five salespeople to handle the sales function. A brief personal profile produced by MacLaren of each of his salespeople is given below.

Profile of Raj Tyres Salesmen

Raj Mani

Joined the company in 1995. Has an MBA (Marketing) and has previously worked as an insurance salesman for three years. Aged 27. Handles the South area. Gregarious and extrovert.

Raj Lata

Joined the company in 1996. No formal qualifications but sound track record as a car salesman and, later, as a toy salesman. Aged 35. Handles the North area. Appears to be hard-working but lacks initiative.

Raj Laxmi

Joined the company in 1996. Has an MBA (Marketing). Was a technical representative for an engineering firm. Aged 28. Handles the East area. Appears to enjoy his work but lacks the necessary 'push' to be really successful in selling.

Rajan

Joined the company in 1997. Has a degree in Industrial Management. Previous experience includes selling bathroom suites and textile fabrics. Aged 29. Covers the Western area. Appears to lack enthusiasm but sales record is about average.

Raj Kumar

Joined the company in 1997. Has a degree in Business Studies. Only previous experience is as a marketing assistant during the industrial training period of his degree. Aged 25. Handles the Central area. Keen but still very raw.

Sales Force Data

Raj Tyres decided that the time had come to look in detail at the sales records of his men. The plan was to complete a series of statistics which would be useful in evaluating their performance. Basic data for the year 1997-98, relevant to each man, is contained in the following table

	Sales (₹ 000's)	Gross Profits (₹ 000's)	Live accounts (1997.98)	Calls made	Number of different customers called upon
Raj Mani	298	101	222	1,472	441
Raj Lata	589	191	333	1,463	432
Raj Laxmi	391	121	235	1,321	402
Rajan	440	132	181	1,152	211
Raj Kumar	240	65	296	1,396	421

Contd...

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Market Data

From trade sources and from a knowledge of the working boundaries each man operated in, MacLaren was able to produce estimates of the number of potential accounts and territory potential for each area.

	No. of potential accounts	Territory potential (₹ 000's)
Raj Mani	503	34,620
Raj Lata	524	36,360
Raj Laxmi	711	62,100
Rajan	483	43,800
Raj Kumar	646	38,620

Questions

1. Evaluate the performance of each of Raj Tyres salesperson.
2. What further information is needed to produce a more complete appraisal?

11.14 Purpose of Sales Territories

Sales territories are formed to achieve specific goals.

Proper Market Coverage: By territorisation we can comb the territories more effectively as specific areas are assigned to sales people which become their territory and intensive coverage becomes possible.

Market Coverage and Salesman's of Territories: If Sales efforts are not matched with sales opportunities Co. looses Business. If territories are set up intelligently and proper assignments to Sales Person are made proper Market coverage can be obtained. The design of territory must permit salesman to cover them conveniently & economically. The territories should be such that more time is spent with customer and less on Road. The S.P. should be able to call upon different Class of customers (A, B, C) and with needed frequencies. Regular call lead to Repeat Sales and persistence by salesman turns prospects into regular customers.

Controlling, Selling Expenses: Good territorial design leads to a number of benefits - high sales volume, low selling expenses, fewer nights away from home, low expenses on travelling and stay in lodges. Proper planning should be done. If the travel is unplanned and unnecessary more travelling and more travelling and more expenses. Well designed territories give more contact time rather than travelling time. The idea is not to Reduce expenses but to see that expenses give greater output.

Assists in Evaluation of Personnel: When total Market is divided strengths & weaknesses of the Co. can be gauged and appropriate arrangements can be made. It can gauge the performance of personnel. It can pinpoint sales & cost responsibility to individual S.P. It helps in setting Quotas & Evaluating performance against.

Contributing to Sales Force morale: Well designed territories are convenient for sales force to cover. They give reasonable work loads to S.P. which they can achieve thereby boosting their Morale. Good territory design as well as intelligent & competent S.P. Boost the Co. Sales.

Morale is also high because of No "conflicting claims" for the S.P. on the same a/c when sales territories are not assigned conflicting claim poses a problem to the management. By well designed territories better planning enables the S.P. to spend minimum time on the Road.

Aiding in Coordinating of Person selling & Advertising: Management may revise territories to aid in coordination of personal selling & advertising. By blending Personal Selling & Advertising

Notes

synergistic effect can be achieved. Sales personnel before launching a new product find the objectives of dealers, provide them with displays & other promotional material & make adequate supplies to them.

Effective Deployment of Sales Force: Proper knowledge of the demands of the territory helps the managers to put the right person in the right area. When jobs become specific and the responsibilities are clearly defined, work load can also be distributed equally. When there is equal distribution of load there is lesser or no conflict because one does not encroach on other's territory.

Efficient Customer Service: Well designed territories improve buyer-seller contacts and better managing by the sales person. It ensures regularity of customer calls as well as provision of better customer service.

Objective Evaluation of the Sales Force: Sales persons can be evaluated on their performance more effectively and more objectively. Territory by territory evaluation also leads to spot changes in market fluctuations. The strategies can accordingly be changed to suit the changing conditions.

To Aid Management in Improving Selling and Marketing Productivity: If a territory is well designed it can coordinate selling activities with other marketing functions of the company. Marketing planning can be used for setting quotas more efficiently and also for better profits.

Sales and cost analysis can be done on territory basis rather than the whole market. Functions like launching an advertising campaign, distribution, point of purchase displays and launching of promotional schemes can be done and managed more effectively on territories than on the entire market.

Self Assessment

Multiple Choice Questions:

13. A sales person may also be frustrated due to inadequate challenges or due to:
    (a) Monetary reasons (b) Sales reasons
    (c) Promotional reasons (d) Product
14. Revisions can start with physical or psychological:
    (a) Parts (b) Changes
    (c) Territories (d) Technology
15. The skills in administering the quota system are of a basic:
    (a) Nature (b) Things
    (c) Parts (d) Challenges

Reasons for not Establishing Sales Territories

There are three instances when territory function is not appropriate.

1. When a company is small territories to be flexible.
2. When friendship sales are important.
3. When high technology selling is involved - these accounts are small in number therefore to restrict specialised salesmen from moving around and losing business would be foolish.

Notes

Reasons for Revising Territories

When a company first forms territories it is not in a position to know everything. As it gets to know the customers, the types of accounts and the dynamics of business activity it has to bring about changes.

Revision of territories takes place due to different reasons.

Customer Related Reasons: Revision of a territory may take place due to shift in customers business which may be geographic or technical in nature or which may be related to the firm's product policies. More aggressive domestic or international competition may also necessitate change.

Sales Person Related Reasons: Revisions can start with physical or psychological changes. Sales person with advanced age may not have the energy to cope with the pressure required. Family problems of a sales person may necessitate changes. A sales person may also be frustrated due to inadequate challenges or due to monetary reasons. A change may be required due to any of these factors.

Management Misjudgement: These could be the underestimating of a sales potential of a territory. Underestimating the territory is more common than overestimating the territory. If the territory is large then a sales person just skims the territory rather than working thoroughly. If the sales are overestimated then territories formed are small or undersized.

Realignment also becomes necessary when new product lines are introduced as companies product mix may become too large or the product may reach the maturity stage. All these factors lead to change in territories.

Caselet

Evaluation System of a Company

A consumer durable company which is operating in several territories was selling a number of products at different prices with different profit margins.

Previously the company was setting quotas for the salesman and were only interested in the volume of sales made by the salesmen. Later the company realised that if proper allocation of time is given to different products with different profit margins then the company could be benefited in a better manner. The company felt that by considering the net profit quota (Where different products contribute to varying levels of profit) sales persons can optimally balance their time between high & low profit yielding products.

Therefore they changed their evaluation system and evaluated their salesmen on the net profit quota as well.

Following is a table where two salesmen have to be compared on the ratio of sales volume to net profit.

Compare the two salesman A & B on the following criteria.

Prod.	Sales price Per unit	Profit Margin	Volume of Sales by A	Volume of Sales by B
X	₹ 300/-	210/-(70%)	2000	6000
X	₹ 200/-	80/- (40%)	3000	2000
2.	₹ 100/-	20/- (20%)	8000	1000

Contd...

Notes

Questions

1. Find out the total sales and the profit made by each salesman.
2. What do you think is the main criteria for difference in profits?

11.15 Summary

- Sales managers must be aware of the types of expenses that are incurred both before and after the sale as well as the sales revenues generated.
- A sales budget is a financial plan depicting how resources should best be allocated to achieve the forecasted sales.
- Existence of a comprehensive sales information system in the firm is a prerequisite for an effective sales control system.
- The sales manager scans the total sales on territory basis.
- The purpose of sales management audit is to evaluate the soundness of the sales management of firm.
- A sales quota is a quantitative goal assigned to a sales unit relating to a particular period of time.
- The sales quotas are set by sales manager for individual salesman or a sales district.
- Sales volume quotas are also set to balance the sales of slow moving products and fast moving products.
- Companies sometimes base sales volume quotas solely upon the projected amounts of compensation that management believes sales personnel should receive.
- Management must make certain that sales personnel understand quotas and the setting procedure.
- Effective sales management keeps sales personnel informed of their progress relative to quotas.
- Sales and cost analysis can be done on territory basis rather than the whole market.

11.16 Keywords

Competitors Parity Method: This method is used by large size companies facing tough competition. It presumes knowledge of competitors' activities and resource allocation.

Customer Related Reasons: Revision of a territory may take place due to shift in customers business which may be geographic or technical in nature or which may be related to the firm's product policies.

Management Misjudgement: These could be the underestimating of a sales potential of a territory. Underestimating the territory is more common than overestimating the territory.

Objective and Task Method: This method calls upon marketers to develop their budgets by identifying the objectives of sales function and then ascertaining the selling and related tasks to achieve objectives. Later the cost of each task/activity is calculated to arrive at the total budget. Adjustment to task or budgets can be made.

Past Sales: Sales quotas are set based solely on past sales experience. If the sales quotas are to be set for this year then we find out the sales of last year and taking the expected percentage

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increase in market share, we add this percentage to last year sales.

Rule of Thumb: Most companies set their sales budget as a specified percentage of sales (either current or anticipated). Mass selling goods and companies dominated by finance are major users of this method.

Total Market Estimates: In this method of setting sales quotas total market estimates are made by the company for that year and sales quotas are derived from this.

Zero Base Budgeting: A process in which sales budget for each year is initiated from zero base thus justifying all expenditure and discarding all conventions and rules of thumb. Its limitation is that it is very elaborate and time consuming process.

11.17 Review Questions

1. What do you understand by a sales budget and what is its purpose?
2. What are the methods of budgeting?
3. What are the various methods of sales control?
4. What feedback can be obtained by analysing the various sales reports sent by the salesmen?
5. What is the role of a territory manager to streamline the sales of an organisation?
6. What are the bases for forming sales territories?
7. What do you understand by ability index of a salesman? How can a manager decide the territories according to the ability index to increase the sales. Illustrate with example.
8. Describe the model of territory management cycle with the help of a diagram.
9. What are a territory manager's problems and how a manager deals with them?
10. How do quotas motivate the salesmen? Describe the needs and importance of quotas.
11. What are the various types of sales quotas that are fixed for salesmen?
12. What do you understand by Combination quota? Why is Combination quota used?
13. Give a brief account of the administration of quota system and the limitations of sales quota.

Answers: Self Assessment

1.	Budgeting	2.	financial plan
3.	Mass selling	4.	Marketing Mix
5.	performance	6.	audit
7.	operational	8.	True
9.	True	10.	False
11.	False	12.	True
13.	(a)	14.	(b)
15.	(a)		

11.18 Further Readings

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Unit 12: Customer Relationship Management

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Objectives

After studying this unit, you will be able to:

- Explain the CRM;
- Describe the features of CRM;
- Discuss the advantages of CRM;
- Describe the marketing strategy continuum.

Introduction

CRM can be defined as a frame work to identify, attract, satisfy and retain profitable customers by managing effective relationships in order to achieve increased and guaranteed profitability. This is where the company focuses on building long lasting relationship only with profitable customers by giving financial and social benefits. And also CRM advises firms to ignore unprofitable/less profitable customers and focus only on high profitable customer who will have long term relationship with customers.

Role of the marketing has changed during the past decade and marketers focus on CRM rather than individual transaction oriented customers due to many reason such a globalization, increased competition, short product life cycle.

Notes

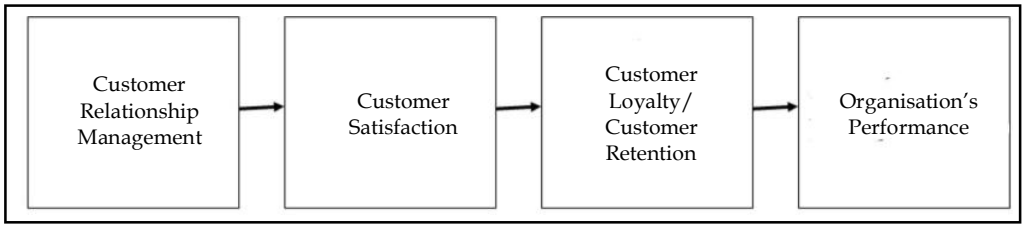
12.1 Aim

There are Four aims of CRM

1. ***Focus on long term profits:*** CRM focuses on long term profits and it ignores the view of acquiring customers for single transaction to earn a little profit at present. Company should spend for the profitable customers and serve them better at the expense of present profits to earn long term profits in the future.
2. ***Retention of customers:*** It is proved that the retention of existing customers is cheaper than attracting new customers. Attracting new customers involve high cost such as advertising but retention cost such as serving the customer is considered to be less. But many firms fail to recognize this and refrain from retention strategies.
3. ***Customer welfare at profit:*** CRM says that the chosen profitable customers should be served at the expense of present profits which will bring better profits in the future through a loyal customer base who will not switch to competitors. Company should provide welfare/services to customers and build long lasting relationships with customers and loyalty should be built from basic level to a partnership level.
4. ***Developing the strategy:*** CRM should be incorporated in to business and marketing strategies to yield better results and entire organization should be dedicated to serve profitable customers at the expense of profits today to earn better profits tomorrow.

Point to note is that CRM is not a new concept to the business world but use of CRM has increased during past decade.

CRM process can be visually represented as follow:



CRM does not focus on profit from a single transaction rather it focuses on achieving better profits in long term by understanding chosen customers and creating value for them. Through CRM customers gets satisfied and will be bound to retain with the organization leading to better organization process and value creation process is a crucial element in creating loyalty.

Did u know? CRM consists of three main phases that help maintain relationships between a business and its clients. These include the planning phase, assessment phase and execution phase. The planning phase is used to plan new campaigns and approaches toward customers, using marketing tools and software.

12.2 Features of CRM

1. Focus on customer rather than revenue from single transaction.
2. Creating customer value rather than just adding features to the product.

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3. Long term focused
4. High customer service
5. High customer commitment through loyalty
6. High customer contacts to identify customer needs and serve them better

12.3 Advantages of CRM over Mass Media Marketing

1. Reduce Advertising- Since CRM focuses on retention of customers rather than attraction of new customers forms do not have advertise heavily and the strong loyalty built through CRM will make the customer purchase the product with less advertising effort.
2. CRM let the firm identify the profitable customers and this will prevent the firm over spending on unprofitable customers and under-spending on profitable customers
3. CRM will provide an competitive edge to the organization based on the service offered rather than competing based on price.

12.4 Customer Relationship

It is important to keep and improve relationships with customers for the following reasons:

1. There are higher marketing costs associated with generating interest in new customers. The costs involved in creating an informed new customer far outweigh those involved in making the relationship necessary to continue exchanges between buyer and seller (Barnes and Glynn,1992).

   It has been estimated that the cost of attracting new customers can be as high as six times that of retaining existing customers (Desatnick, 1987; Sellers, 1989; Congram,1991).

2. Close and long-term relationships with customers imply continuing exchange opportunities with existing customers at a lower marketing cost per customer (Gronroos, 1990b). Reichheld and Sassier observe:

   Across a wide range of business, the pattern is the same: the longer a company keeps a customer, the more money it tends to make (Reichheld and Sasser 1990)'.

3. Viewing customer exchanges as a revenue stream, as opposed to a compendium of isolated transactions, enables cross-selling of related services over time and premium pricing for the customer's confidence in the business (Reichheld and Sasser, 1990; Congram 1991).
4. Strong customer relationships with a high degree of familiarity and communications on both sides can generate more practical new product ideas from customers and contact personnel (Kiess-Moser and Barnes, 1992).
5. Good relationships with customers can result in a good word-of-mouth from successful exchanges and minimal bad word-of-mouth in the event of unsuccessful exchanges. Service quality cracks can often be papered over where good relationships have existed previously.

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12.5 Understanding Customer Relationship Management (CRM)

CRM is a business philosophy based on upon individual customers and customised products and services supported by open lines of communication and feedback from the participating firms that mutually benefit both buying and selling organisations . The buying and selling firms enter into a "learning relationship ", with the customer being willing to collaborate with the seller and grow as a loyal customer . In return,, the seller works to maximize the value of the relationship for the customer's benefit . In short, CRM provides selling organisations with the platform to obtain a competitive advantage by embracing customer needs and building value-driven long-term relationships.

Task What should the focus and main activities of a global salesperson be in each stage of the relationship development process? Why? (Justify your answer)

12.6 Determinants of CRM

Trust: The willingness to rely on the ability, integrity, and motivation of one company to serve the needs of the other company as agreed upon implicitly and explicitly.

Value: The ability of a selling organisation to satisfy the needs of the customer at a comparatively lower cost or higher benefit than that offered by competitors and measured in monetary, temporal, functional and psychological terms.

In addition to trust and value , salespeople must: Understand customer needs and problems; Meet their commitments; Provide superior after sales support; Make sure that the customer is always told the truth (must be honest); and Have a passionate interest in establishing and retaining a long- term relationship

Self Assessment

Fill in the blanks:

1. ..... focuses on long term profits and it ignores the view of acquiring customers for single transaction to earn a little profit at present.
2. Company should spend for the profitable ..... and serve them better at the expense of present profits to earn long term profits in the future.
3. The willingness to rely on the ability, integrity, and ..... of one company to serve the needs of the other company as agreed upon implicitly and explicitly.
4. The Early Stage Experience is accumulated between the buyer and ..... although a great degree of uncertainty and distance exists.
5. The ..... between the companies becomes institutionalized.
6. The ultimate outcome of a ..... CRM strategy is the creation of a unique company asset known as a relationship network.
7. A ..... network consists of the company and its major customers with whom the company has established long and enduring business relationships.
8. CRM is a new business philosophy based on ..... and value.

Stages

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The Pre-relationship Stage: The event that triggers a buyer to seek a new business partner.

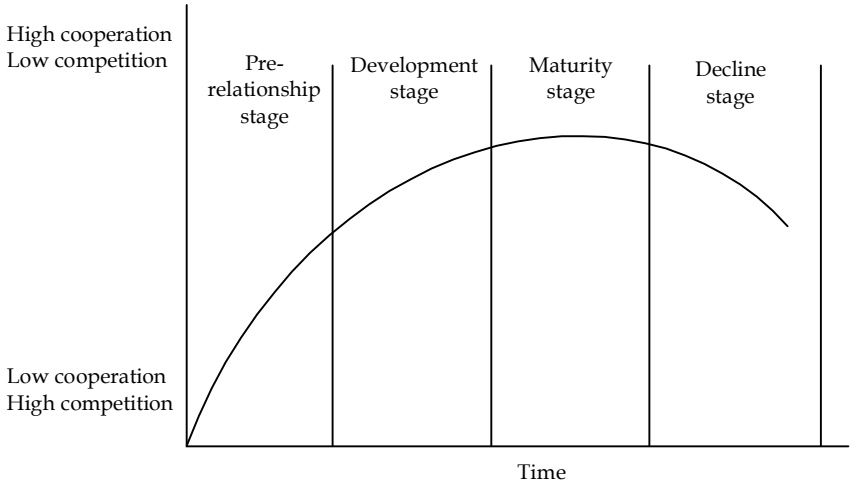
The Early Stage: Experience is accumulated between the buyer and seller although a great degree of uncertainty and distance exists.

The Development Stage: Increased levels of transactions lead to a higher degree of commitment and the distance is reduced to a social exchange.

The Long-term Stage: Characterised by the companies' mutual importance to each other.

The Final Stage: The interaction between the companies becomes institutionalized.

Figure 12.1: A Relationship Life Cycle Model



Source: (wilkinson and Young, 1997)

The role of salespeople as relationship builders and promoters Salespeople by: identifying potential customers and their needs; approaching key decision makers in the buying firm; negotiating and advancing dialogue and mutual trust; coordinating the cooperation between the customers and their company; encouraging the inter-organisational learning process; contributing to constructive resolution of existing conflicts; and leading the customer relationship development team are the individuals in any organisation who act both as relationship builders and as relationship.

Notes CRM software helps implement a business strategy that promotes a database of customer information and a marketing plan that uses customer information to increase sales and maximize customer service. The CRM enterprise system is spanned across several departments, giving all staff access, or indirect access, to customer information.

12.7 Managing Customer Relationships

The global salesperson must be involved in the following activities in order to initiate, develop and enhance the process that is aimed at building trust and commitment with the customer. Developing the relationship Select an appropriate offering; Customise the relationship; Link

Notes

the solutions with the customer's needs; Discuss customer concerns; Summarize the solution to confirm benefits; and Secure commitment.

The global salesperson must be involved in the following activities in order to initiate, develop and enhance the process that is aimed at building trust and commitment with the customer. Enhancing the relationship Assess customer satisfaction; Take action to ensure satisfaction; Maintain open, two-way communication; and Work to add value and enhance mutual opportunities.

Qualifying prospects for relationship building Opportunities for adding value Potential profitability of customer High Low Low High Use a non customized approach Seek better opportunities elsewhere Build a strong and lasting relationship Focus on loyalty-building program

Relationship networks: The ultimate outcome of a successful CRM strategy is the creation of a unique company asset known as a relationship network. A relationship network consists of the company and its major customers with whom the company has established long and enduring business relationships. The additional aspects of a global salesperson's job are to: Manage customer value; Act as customer advocate; and Enhance customer loyalty and build a "health" and profitable network of relationships.

CRM is a new business philosophy based on trust and value: The core function of CRM is the value creation process; Customer relationships develop over time; The role of global salespeople in the process is that of both relationship builders and relationship promoters; and The basic premise of CRM is to offer superior value to customers in an effort to turn prospects into customers, customers into loyal customers, and loyal customers into partners.

Self Assessment

State Whether True or False:

9. CRM can be defined as a frame work to identify, attract, satisfy and retain profitable customers.
10. The ultimate outcome of a successful CRM strategy is the creation of a unique company asset known as a relationship network.
11. A relationship network consists of the company and its major customers with whom the company has established long and enduring business relationships.
12. The domestic salesperson must be involved in the following activities in order to initiate, develop and enhance the process that is aimed at building trust and commitment with the customer.

Caution Many aspects involved in CRM rely on technology, as the information must be collected, processed and managed for successful business practices. Businesses frequently search for effective ways to personalize customer relations through tools such as email organizers, help-desk software and enterprise applications. This helps to win over new clients and reduce customer-management costs.

12.8 Marketing Strategy Continuum

Transaction marketing is common to the consumer packaged goods sector but as a company is forced to become more service oriented in approach, relationship marketing increasingly

Notes

displaces transactions based marketing. The driving force behind this displacement are:

1. Better or more diverse technologies
2. Growing consumer satisfaction
3. Customers' access to more options
4. Competition.

Table 12.1: Marketing Strategy Continuum

Marketing strategy continuum	Transaction Marketing			Relationship Marketing
Dominating marketing function	Traditional marketing mix dominated			Interactive marketing dominated
Quality dimension most important for competitive advantage	Outcome-related technical quality dominating			Process-related functional quality dominating
Price sensitivity	Customers very price sensitive			Customers less price sensitive
Interface between marketing and other functions e.g. operations and personnel	Limited or nonexistent; interface of no significant strategic importance			Substantial interface of strategic importance
Typical marketing situations continuum	Consumer packaged marketing	Consumer durables marketing	Industrial goods marketing	Services marketing

It is observed that all firms are on a continuum with transaction and relationship marketing representing the two extremes and the need for relationship marketing being dependent upon the line of business e.g. transaction marketing is best suited to commodities, and relationship marketing to services. While a series of factors may influence the status of a particular product and customer behaviour, it is surely essential to select a proper blend of type of marketing for consumer durable and industrial goods.

Self Assessment

Multiple Choice Questions:

13. CRM is a new business philosophy based on trust and:

    (a) Value (b) Cooperation

    (c) Faith (d) Gain

14. Close and long-term relationships with customers imply continuing exchange opportunities with existing customers at a lower:

    (a) Value (b) Marketing cost

    (c) Function (d) Price

Notes

15. The basic premise of CRM is to offer superior value to:

(a) Clients (b) Employee

(c) Company (d) Customers

Case Study

CEOs under Fire

The five Pitfalls of CEO Succession

IT takes some effort to find CEOs who can make a difference. For a board of directors, no decision is more momentous. Yet many boards-perhaps even most-do a dismal job of succession planning. According to one survey, a stunning 45 per cent have no process for grooming potential CEOs. None! That sets them up for five big pitfalls.

1. ***Letting the CEO play kingmaker:*** Though many CEOs relish the process of cultivating a replacement, to others it's a threatening reminder of their own mortality or, worse, dispensability. Some develop a knack for driving off any promising heirs. Others back successors cast in the image of guess-who.

   That's why boards shouldn't allow a 'choose your own successor 'approach'. Starting a minimum of six years in advance, they should demand a list of candidates plus regular briefings on how those candidates' skills are being tested. As the top contenders emerge, the outside directors have a duty to meet with them alone for open ended discussions. The larger goal is to create what former Fannie Mae CEO, James Johnson, has called a "succession culture." A periodic census of the leadership pools at all levels will help spot future stars earlier in their careers.

2. ***Using boiler plate criteria:*** When headhunters draw up their "specification sheet" describing the ideal candidate, the language tends to be hopelessly generic. Consider these passages from two actual spec sheets-one for a software firm, the other for a manufacturer-and try to guess which is which. One company seeks a "natural leader and mature communicator" with a "bias for action" and a "solid reputation for integrity, maturity, and energy." The other is looking for a "proven leader" who is "decisive, action-oriented, and personable, with the highest integrity and authenticity." Stumped? (The manufacturer is the first one, the software firm the second.)

   Instead of wasting time with such boiler plate drivel, boards need to drill down to specifics. If the job opening is in the PC industry, the first question to a candidate ought to be – How are you going to cope with Michael Dell's attack on the business? If you can't cope with it, what's plan B? Remember a board's task is to find someone with the right skills for this job, not someone who meets central casting's idea of a "leader."

3. ***Letting headhunters run the show:*** Executive recruiters can play a valuable role in assembling a slate of candidates. But boards err by letting them rush the deal to a conclusion. At one major infrastructure company, the selection committee never even interviewed a second candidate-a blunder reflected in the company's subsequent sagging performance.

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It's best for boards to set aside two days to meet with finalists. The directors may split into small groups, rotating candidates through at least three interviews. They shouldn't hesitate to grill them.

4. ***Succumbing to fads:*** Outsiders are in. Between the 1970s and the late 1990s, the proportion of externally recruited CEOs rose from 8 per cent to 19 per cent. (This despite studies showing that outsiders are more expensive than insiders-commanding roughly twice the starting compensation-and perform no better on an average.) Relying on external labour to fill the top slot should be seen for what it usually is: a second-best approach.

   A fixation on outside saviors also undervalues in-house talent, often assumed to be bureaucratic, blinkered and beholden to the status quo. This view ignores the fact that some of the biggest corporate revolutionaries have been insiders. Jack Welch was already a 20-year company man when he put General Electric in the blender, while insiders also led dramatic transformations at Circuit City, Intel and Boeing.

   Finally, outside hires are too often a symptom of the board's anxiety to please Wall Street and its bias for new blood. The day AT&T signed Michael Armstrong as CEO, its market value surged $3.8 billion; the day Kodak signed former Motorola chief George Fischer, its value climbed $1.4 billion. Never mind that both appointments were the result of each company's failure to line up an internal successor (and that those one-day surges proved fleeting). The last people you want weighing in on the succession process are securities analysts.

5. ***Keeping Elvis in the building:*** So the board has picked a new CEO. Now make sure that the old one leaves the premises. Really, intentionally or not, ex-CEOs can end up undermining their successors when they linger around the building or the boardroom. That's why the safest policy is a clean break. It sounds harsh, but as the outgoing CEO surely knows, nothing succeeds like a smooth succession.

Questions

1. Analyse the reasons behind the poor performance of CEOs in India.
2. What are the ways and techniques used by MNCs for CEOs' performance rating?

12.9 Summary

- CRM can be defined as a frame work to identify, attract, satisfy and retain profitable customers by managing effective relationships in order to achieve increased and guaranteed profitability.
- CRM focuses on long term profits and it ignores the view of acquiring customers for single transaction to earn a little profit at present.
- It is proved that the retention of existing customers is cheaper than attracting new customers.
- CRM does not focus on profit from a single transaction rather it focuses on achieving better profits in long term by understanding chosen customers and creating value for them.
- CRM will provide an competitive edge to the organization based on the service offered rather than competing based on price.
- Close and long-term relationships with customers imply continuing exchange opportunities with existing customers at a lower marketing cost per customer.

Notes

- Good relationships with customers can result in a good word-of-mouth from successful exchanges and minimal bad word-of-mouth in the event of unsuccessful exchanges.
- The buying and selling firms enter into a "learning relationship ", with the customer being willing to collaborate with the seller and grow as a loyal customer.
- The ultimate outcome of a successful CRM strategy is the creation of a unique company asset known as a relationship network.

12.10 Keywords

CRM: It can be defined as a frame work to identify, attract, satisfy and retain profitable customers by managing effective relationships in order to achieve increased and guaranteed profitability.

Relationship networks: The ultimate outcome of a successful CRM strategy is the creation of a unique company asset known as a relationship network. A relationship network consists of the company and its major customers with whom the company has established long and enduring business relationships.

Transaction marketing: It is common to the consumer packaged goods sector but as a company is forced to become more service oriented in approach, relationship marketing increasingly displaces transactions based marketing.

Trust: The willingness to rely on the ability, integrity, and motivation of one company to serve the needs of the other company as agreed upon implicitly and explicitly.

Value: The ability of a selling organisation to satisfy the needs of the customer at a comparatively lower cost or higher benefit than that offered by competitors and measured in monetary, temporal, functional and psychological terms.

12.11 Review Questions

1. What are the advantages of CRM over Mass Media Marketing?
2. Describe the Features of CRM.
3. What do you know about customer relationship?
4. Explain the determinants of CRM.
5. Discuss the Marketing Strategy Continuum.
6. Describe the stages in CRM.

Answers: Self Assessment

1.	CRM	2.	Customers
3.	Motivation	4.	Seller
5.	Interaction	6.	Successful
7.	Relationship	8.	Trust
9.	True	10.	True
11.	True	12.	False
13.	(a)	14.	(b)
15.	(d)		

12.12 Further Readings

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Unit 13: Sales Personnel Performance

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Objectives

After studying this unit, you will be able to:

- Explain the importance of sales personnel performance;
- Describe the parameters used to describe sales force;
- Discuss the basic sales report;
- Describe the content of sales report;
- Explain the concept of sales territory.

Introduction

Monitoring is keeping abreast of salesman's activities. Sales efforts should be planned and controlled on a regular basis. Most organisations have formal performance appraisal to aid them in evaluating the sales force.

13.1 Needs and Objectives

Sales managers must know whether sales effort is being operationalised as it was expected. Organisations design a monitoring system based on their needs. It is a vital aid in

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controlling the sales efforts and becomes the input in the formal appraisal of the salesmen's performance.

Sales reports are the basic tools used for the monitoring of sales personnel. They help the sales manager to know that the sales person is calling on the right people, making the desired number of visits and also to determine what can be done to secure larger orders. The data furnished also tells the manager as to what kind of help is needed by the salesmen. A well designed monitoring system aids in self improvement of the salesman by taking stock of his own work. He can evaluate his performance and compare it with his own past performance which also acts as a motivating force. The main reasons for which a good monitoring system is designed are:

1. To keep the sales manager informed of all the activities of sales personnel.
2. To enable the sales manager to evaluate the performance in terms of number of calls made, orders obtained, expenses incurred, displays arranged, missionary work undertaken.
3. It enables the salesmen to detect deviations from standard performance and take timely action.
4. To help the sales person to plan his work which includes planning for specific accounts and planning a travelling schedule.
5. To record consumer reactions and complaints about a new product.
6. To record information on competitor's activities like changes in promotion, pricing, service or credit, etc.
7. To record information on local changes.
8. To build a rich database of territorial information which can be put to a variety of uses.
9. To furnish information requested by marketing research - data on dealers, sales, product, etc.

Did u know? Sales reports are used to monitor sales performance. A weekly report or daily report is submitted depending on the product and its movement. It assists in product planning, cost planning and portfolio planning. A summary of daily/weekly report for all branches is made on a monthly basis and its variance for estimated sales is studied and accordingly budget for the next month is revised.

13.2 Parameters Used to Monitor Sales Force

Monitoring of sales force is closely related to monitoring of sales as one depends on the other. A number of parameters are used.

1. Sales per salesman, per dealer, per product
2. Expense to salesman, ratio for each dealer to salesman
3. Calls per day
4. Order call ratio (i.e., orders received per call)
5. Average cost per call
6. Direct selling expense
7. Number of accounts lost

Notes

8. Number of new accounts made
9. Number of customer's complaints attended.

Monitoring is gathering information on day to day activities and taking stock of deviations from expected performance, i.e., control.

Two of the most common methods used are sales reports and field visits by sales manager. Details in sales reports vary from company to company. Greater the discretion the salesmen have in planning and scheduling their own activities, greater are the details required in their sales reports.

Self Assessment

Fill in the blanks:

1. ..... design a monitoring system based on their needs.
2. ..... are the basic tools used for the monitoring of sales personnel.
3. A well designed ..... system aids in self improvement of the salesman by taking stock of his own work.
4. Monitoring is gathering information on day to day activities and taking stock of deviations from expected ..... .
5. ..... Component keeps a check on the nature of expenses and their extent.
6. Sales reports also contain information about new ..... obtained or prospective potential dues for future.
7. Specific ..... and adjustments made by the sales person are also recorded.
8. Sales are broken down geographically to monitor sales performance in the light of this ..... .
9. The ultimate goal of any ..... is to make the salesman more valuable to the company

13.3 Contents of Sales Reports

Progress Report: It provides progress related to day to day work and furnishes data on company's position in different territories and in respect of each account. Information on specific calls on customers, extent of competitive activity, best time to call on customers and information regarding the competitors' item is also provided. This information is used in planning.

Expense Component: It keeps a check on the nature of expenses and their extent.

Work Plan Component: Usually for a month or week in advance salesmen are expected to submit a work plan or call schedule regarding prospective customers to be called upon, route to be taken, non-selling activities to be performed. The aim is to help the salesman in planning his activities and to compare the plan of salesman-control.

New Business or Potential Business Component: Sales reports also contain information about new accounts obtained or prospective potential dues for future.

Lost Business Components: Details about business lost to competitors acts as a pointer for gap in training of salesmen, changes in service and credit policy and product improvement.

Notes

Complaint and Adjustment Component: Specific complaints and adjustments made by the sales person are also recorded. The information generated is useful in detection of needed product improvements, service improvements and changes in merchandising practices.

13.4 Basic Sales Reports and their Analysis

Sales reports are used to monitor sales performance. A weekly report or daily report is submitted depending on the product and its movement. It assists in product planning, cost planning and portfolio planning. A summary of daily/weekly report for all branches is made on a monthly basis and its variance for estimated sales is studied and accordingly budget for the next month is revised. Sometimes sales are affected by stock outs and more stocks are to be sent.

Tasks

1. Critically evaluate the monitoring and performance appraisal system followed by M/s CIPLA Ltd. State the criteria used for evaluation of the system.
2. Study five organisations which have field sales operations.

13.4.1 Weekly Sales Report Format

Table 13.1

Week	Current Cumulative percentage change from last year	Comparison with same week last year	Comparison with last week	Remarks
Product A				
Product B				
Product C				

Weekly sales report reveals the seasonality of sales. Monthly figure leads to quarterly figures. Apart from volume of analysis, information on some other parameter is also sought, for example:

1. Contribution from each product in terms of value. This contribution needs to be maximised.
2. Sales are broken down geographically to monitor sales performance in the light of this information.
3. Customer break-up or sales indicates whether right kind of customer is being serviced or whether the salesman is concentrating upon a segment which is not a prospective customer in the long run.

13.4.2 Regional Sales Analysis

Strength of sales in a region is indicated through this analysis. Regional sales figures are adjusted according to population of that region. Boundaries of that region should be permanent to compare trends over a long period of time.

Notes

In addition to value, volume, product wise and area wise categorisation of sales should also be made through different types of outlets such as wholesaler and retailers which can be further classified into cooperatives, departmental stores, super bazaars, etc. A format should be made and a summary of monthly, quarterly and annual report should be prepared.

13.4.3 Distribution of Accounts by Size

The total trade is divided by different account sizes. This is also done to understand that the sales are generated by smaller size accounts commensurate with the cost of running them.

Table 13.2

Area No. ..... Year .....

		No. of Accounts			
Account Size	**Wholesaler**	**Chemists**	**Provision Stores**	**Retailers**	**Total**
₹ 100-250	₹				
	No				
₹ 250-500	₹				
	No				
₹ 500-1000	₹				
	No				
₹ 1000-1500	₹				
	No				
₹ 1500-2500	₹				
	No				
₹ 2500-4000	₹				
	No				
Total					

The report, in addition to supplying regular information on different aspects of marketing, reveals certain other information like:

1. What are the main competitive brands? On what system of distribution do they work - direct, retailer, wholesaler or both?
2. How does service given by competitors compare with that of the company?
3. The level of participation of the retailers with respect to the company's product and the competitor's product and the reason to which retailers attribute success or failure of leading brands, technical faults in the product, etc. Retailers services are an important link between customers and company.
4. Does any manager supply the product on returnable basis? What are the credit terms and discounts offered (or any specialised treatment) to orders?
5. Are in-shop displays supplied by competitors regularly? What is the frequency with which the competitors call upon their distributors and promptness in the delivery?

Notes

Caution If sales targets in rupees or volume (units), are set realistically they can be used for performance standards but if they are not realistic they loose their meaning.

13.5 Performance Appraisal and Evaluation

Appraisal and evaluation is done continuously. The ultimate goal of any evaluation is to make the salesman more valuable to the company.

To make evaluation effective we must make:

1. A study of the salesman himself - his skills, aptitudes and attitudes.
2. A study of his selling records - his efforts and accomplishments.
3. An analysis of the direction the development function is to take.

Evaluation is a complex task because of a variety of activities and different selling situations which are to be compared. Different types of selling situations require different selling skills. Salesmen differ in selling acumen due to differences in personal qualities and the territories are also different. Evaluation requires the setting of quantitative and qualitative standards for periodic comparison. A salesman is considered effective if the results offset the cost and contribute to profit.

Evaluation helps in:

1. Developing salesmanship as an interpersonal influence process.
2. Motivation of salesmen and supervisory leadership.
3. Identifying the needs for continuous training and development.
4. Determining and restructuring salesmen territories and work assignments.
5. Improving selling aids like demonstration material, working documents.
6. Introducing a sound compensation and incentive system.
7. Improving sales planning, call cycles, routes and visits, job preparation.

Notes Ratio of net profit or gross profit to sales are decided upon for the sales territories. Each sales territory is considered as an organisational unit and contributor to corporate profit. In such a situation high margin products are emphasised at the expense of new products or new accounts with the result that the salesman concentrates on more lucrative accounts in their territory to reduce expenses and give no importance to new accounts.

13.6 Salesman's Valuation – Some Basic Issues

There are some basic issues involved in evaluating system of salesman.

1. Evaluation based on quantitative data can have bias and vitiate evaluation results as certain important determinants of salesmen effectiveness (personal effectiveness of a salesman, selling skills, persuasion ability, etc.) which are qualitative will be left out. Therefore, a judicious mix of quantitative and qualitative criteria has to be evolved by the managers.

Notes

2. Comparison can never be on "man to man" basis as conditions differ and salesmen handle different sets of products or customers in different geographical areas, under different environmental conditions.
3. Standards of performance should be realistic for comparison of actual with standard.
4. Periodicity of evaluation - short-term evaluation may not give correct results and very long-term evaluation is also not desirable. Periodicity should vary with type of product practice of the company and management's outlook towards control.
5. Last issue refers to the accounting system or database of the company. Actual data taken from typical sales records are not adequate to provide precise comparison of salesman or sales groups, i.e., the product mix sold differs and performance is not comparable.

Therefore, evaluation system with multiple criteria should be used.

Self Assessment

State whether True or False:

10. Ratio of net profit or gross profit to sales are decided upon for the sales territories.
11. Each sales territory is considered as an organisational unit and contributor to corporate profit.
12. A well designed performance system aids in self improvement of the salesman by taking stock of his own work.
13. Regional sales figures are adjusted according to population of that region.
14. Evaluation based on qualitative data can have bias and vitiate evaluation results as certain important determinants of salesmen effectiveness
15. Standards of performance should be realistic for comparison of actual with standard.

Caselet

On the basis of the data given in the following two tables, make appropriate recommendations to management

Table I: Comparative Performance of Salesmen

Sales Area	Total Calls	Total Orders	Sales/Calls Ratio	Average Sales by Salesman	Average Salesman By Order	Total Customers
A	1,900	1,140	60.0%	4,56,000	400	195
B	1,500	1,000	66.7	3,60,000	360	160
C	1,400	700	50.0	2,80,000	400	140
D	1,030	279	27.1	66,000	239	60
E	820	165	20.1	31,000	187	50
TOTAL	6,650	3,284	49.4	1193,000	363	605

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Table II: Comparative Cost of Salesmen

Sales Area	Annual Compensation	Expense Payments	Total Salesman Cost	Sales Produced	Cost/Sales Ratio
A	11,400	5,600	17,000	4,56,000	3.7%
B	10,800	7,200	18,000	3,60,000	5.0
C	10,200	5,800	16,000	2,80,000	5.7
D	9,600	12,400	22,000	66,000	33.3
E	10,000	16,000	26,000	31,000	83.8
TOTAL	52,000	47,000	99, 000	119,3000	8.3

13.7 Setting Performance Standards

For a realistic comparison, a judicious mix of qualitative and quantitative standards should be decided and standards must be reflective of the company's analysis, its own market situation vis-a-vis its competitors. Criteria of using sales volume as a yardstick is no longer prevalent as managers realise that present sales can be made at the expense of future sales.

13.7.1 Quantitative Criteria

Sales Quotas

If sales targets in rupees or volume (units), are set realistically they can be used for performance standards but if they are not realistic they loose their meaning.

Net Profit Ratio or Gross Margin Rates per Territory

Ratio of net profit or gross profit to sales are decided upon for the sales territories. Each sales territory is considered as an organisational unit and contributor to corporate profit. In such a situation high margin products are emphasised at the expense of new products or new accounts with the result that the salesman concentrates on more lucrative accounts in their territory to reduce expenses and give no importance to new accounts. Positive impact upon sales force is that the sales personnel tends to meet the ratio by attaining a higher sales volume and by reducing expenses.

Sales Expense Ratio

This is the ratio of selling expense to sales volume. Salesman can manage this ratio by either controlling expense or by making sales or both. Control on this ratio inhibits salesman to make extra effort in case of declining sales. Companies show different practices as far as defining selling expenses is concerned. Some use only direct and indirect expenses.

Direct: Expenses incurred and controllable by salesmen to define norms for selling expenses.

Indirect: Those expenses over which salesman have no control.

This sales expense ratio is used more by industrial companies rather than consumer product industries.

Notes

Sales Coverage Effectiveness Ratio

Sales and marketing are closely related. Sales is a subset of marketing - in fact, sales is the backbone, the end result of marketing. Without adequate sales marketing activities will come to a halt.

There are other ratios that must be considered and set as quantitative standards.

Calls per day: The amount of calls made in a day. The calls can be further divided into the class of customers A, B or C depending upon their size.

Order call ratio: The ratio of number of orders received to the number of calls made.

Average cost per call: Cost is a very important factor and the cost of calling on customers should be reduced. The planning of the sales person and his sense of time management comes handy.

Average order size: This depends on the class of customers to be called upon. A judicious mix of the customer must be planned to bring effectiveness & efficiency in his work.

Qualitative Standards: This an area which is difficult to measure and gives the feedback about the sales person after sometime. These include customer relations, creating customer loyalty, appearance and personality of the salesman. His application to the need and objection handlings of the customer. His adaptability and handling of difficult situations confronted by him. His reliability &+ve attitude etc.

Territorial Market Share

To study the market share of various territories and compare these with the performance of the salesman.

Qualitative criteria: These qualitative standards are difficult to measure. These are subjective and can have bias of the evaluation. These could be customer relation, satisfaction provided to customers, product knowledge, services rendered, general attitude, loyalty, cooperation, Presentation diligence, reliability etc. These qualitative standards are very important but are sometimes over shadowed by the quantitative performance of the sales person.

Caselet

Performance Evaluation

A company wants to evaluate its sales representatives who have been operating in various territories. Each salesman is given a quota to achieve the sales target.

The company wants to evaluate the salesman of two territories on the following criteria:

(a) Percentage of Sales Quota Achieved

(b) The expenses incurred in the territory

(c) Categories of products sold

Contd...

Notes

Sale	Expenses	Product 40% profit	Product 30%	Product 20%	Total profit
90% of Quota Ratio					
90,000/-	9,000/-	20,000/-	40,000/-	30,000/-	
		8,000/-	12,000/-	6,000/-	26,000/-
80% of quota Ratio					
80,000/-	5,600/-	40,000/-	10,000/-	40,000/-	
		16,000/-	3,000/-	8,000/-	27,000/-

Questions

1. Compare and contrast the two salesmen on the above data.
2. What other qualitative criteria must be considered to evaluate their performance?

13.8 Summary

- Sales managers must know whether sales effort is being operationalised as it was expected.
- Organisations design a monitoring system based on their needs.
- Sales reports are the basic tools used for the monitoring of sales personnel.
- A well designed monitoring system aids in self improvement of the salesman by taking stock of his own work.
- Monitoring is gathering information on day to day activities and taking stock of deviations from expected performance.
- The information generated is useful in detection of needed product improvements, service improvements and changes in merchandising practices.
- Sales reports are used to monitor sales performance.
- Strength of sales in a region is indicated through this analysis.
- Evaluation is a complex task because of a variety of activities and different selling situations which are to be compared.

13.9 Keywords

Complaint and Adjustment Component: Specific complaints and adjustments made by the sales person are also recorded. The information generated is useful in detection of needed product improvements, service improvements and changes in merchandising practices.

Expense Component: It keeps a check on the nature of expenses and their extent.

Lost Business Components: Details about business lost to competitors acts as a pointer for gap in training of salesmen, changes in service and credit policy and product improvement.

Monitoring: It is gathering information on day to day activities and taking stock of deviations from expected performance.

Progress Report: It provides progress related to day to day work and furnishes data on company's position in different territories and in respect of each account. Information on specific calls on customers, extent of competitive activity.

Notes

Sales Expense ratio: This is the ratio of selling expense to sales volume. Salesman can manage this ratio by either controlling expense or by making sales or both. Control on this ratio inhibits salesman to make extra effort in case of declining sales.

Sales Reports: These are the basic tools used for the monitoring of sales personnel. They help the sales manager to know that the sales person is calling on the right people, making the desired number of visits and also to determine what can be done to secure larger orders.

Work Plan Component: Usually for a month or week in advance salesmen are expected to submit a work plan or call schedule regarding prospective customers to be called upon, route to be taken, non-selling activities to be performed.

13.10 Review Questions

1. What are the needs of monitoring and what are the parameters used in monitoring the sales force?
2. What are the basic contents of sales reports?
3. How does monitoring help in performance evaluation of sales force?
4. Design a format for sales report by a sales man working in a specific territory and handling products A, B, C and D.
5. Explain the basic sales report and their analysis.
6. Discuss the performance appraisal and evaluation.
7. What do you mean by regional sales analysis?
8. Describe the sales expense ratio.
9. Explain the Salesman Valuation.

Answers: Self Assessment

1.	Organisation	2.	Sales Reports
3.	Monitoring	4.	Performance
5.	Expense	6.	Accounts
7.	Complaints	8.	Information
9.	Evaluation	10.	True
11.	True	12.	False
13.	True	14.	False
15.	True		

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Unit 14: International Sales Management

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Objectives

After studying this unit, you will be able to:

- Explain the advantages of international sales;
- Describe the International sales decision-making;
- Discuss the challenges faced by international sales.

Introduction

Sales is an important element of marketing. All countries, all individuals, have to sell something to survive. The selling activities are carried on all over the world. The emergence of global market has opened new vistas for resourceful growth oriented sales executives. In international selling the basic selling process and sales management task remain the same. The market and the environmental conditions keep changing from country to country and the sales efforts have to be changed and tackled accordingly. The main factors to be considered in international selling is the impact of different cultures, labour laws, or local business customers, religious rules (not changing of interest by certain nations), etc.

International sales managers have to guide and coordinate in the efforts of sales organisations in countries where the company does business. Personal selling plays an important part in international markets. Promotion mix, distribution strategy, etc., are governed by the rules and regulations of the foreign country. Environmental challenges in the international market have to be identified and tackled, by the sales managers.

14.1 Reason for International Sales

Many a times it has been seen that the domestic market gets saturated and the overseas markets are in the development stage with promise of growth. Thus, international market provides an opportunity for sales. The product life cycle is also different in different countries at the same time. The same product can be in the introduction stage in one market and can be in the growth,

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maturity and decline stages in some other countries. This also helps in increasing international sales. Some companies have excess capacity which is another motive for going abroad. It has been seen that globally oriented firms generate up to 50% of their total revenues from overseas sales. Many smaller companies also get attracted to international markets and thereby increase their sales globally. Some of the companies booming in international sales are namely Micro Soft corporation for software products, Siemens in the electronics sector. Amway with early successes in Canada, Australia has expanded its activities in Germany, Japan, Republic of Korea and recently in India. Mc Donald's - one of the most popular fast-food chains have spread all over the world. There are many companies dealing with diverse products, which are concentrating globally and achieving greater market shares.

When the global business is firmly established, international markets have to adopt information and marketing strategies, employ the latest information and communication technologies. The sales managers must understand the environmental changes, risks, difficulties and obstacles which they do not have to encounter in the domestic market.

Did u know? International sales management is not simply domestic sales management transplanted overseas. Long-standing cultural forces dictate that the management of overseas sales operations be locally directed in large part.

14.2 Challenges faced by International Sales Managers

Economic

Economic factor plays a very major role in global sales strategies. Economic factors decide the level of purchasing power, which is expressed in the form of GDP (Gross Domestic Product). Hence, economic development can be classified into:

1. ***Developed Economies:*** Like US, Japan, Canada and most of the western European countries. These countries dominate the economic system by private enterprises in which customers have high levels of disposable income.
2. ***Developing Economies:*** These are at a lesser stage of economic development. Economic system in these countries is undergoing a shift from export led growth to domestic development. These countries already have advanced selling and marketing approaches. For example, South Korea, Taiwan, Venezuela, etc.
3. ***Underdeveloped Economies:*** In these countries standard of living is low and they are in the pre-industrial stage of economic development. They are also characterised by low purchasing power, e.g., Ethiopia, Pakistan, Haiti, etc. Another important factor in the growth of economic development is the economic structure which consists of communication, transportation and financial systems and the infrastructure facilities are giving a lot of importance for effective selling.

Case Study

Marketing across Boundaries

Frozen, President of the Best Frozen Foods Company, was reviewing the latest sales figure for his company. He noticed that the greatest profit margins came from sales in the military commissary system in Europe. The commissaries are essentially no

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frill American type supermarkets that sell grocery products that Americans want and need. The commissary system encompasses food stores run by the American Army to serve military soldiers assigned to Europe. Most of the commissaries and the personnel are located in Germany. Only military and American civilians connected with the US government, and their dependents, can shop at these stores.

F Rozen called his vice-president, NEW Market, into his office and said, "Our frozen foods are making profits in the German commissaries, especially without giant-size meals. As in America, our frozen corn is the best seller. Family meals with corn as a vegetable are outselling meals that have vegetables other than corn. Sales of frozen corn have exceeded our highest expectations. I remember that when I was with the American Army in Germany, you could not get frozen food. This will make a great market for us to expand our frozen food line. Since then our warehouse and transportation network have been established and the additional distribution costs are negligible."

"Whenever expanding our market area, we have used a massive television campaign, going with a successful theme "Better than Fresh". Since the German population drinks a lot of beer, let us use local actors drinking a cold beer while eating a meal. I want you to go to Germany, get the shelf space, arrange the television advertising, promotion and everything else involved an introducing the frozen food line in Germany. The food will be shipped next week and will be available for shipment to the stores in three months."

"In the US, refrigerators are large and have very large freezing compartments. Many Americans even own separate freezers. The typical German refrigerator is smaller and there is little room for frozen food; Germans are not used to frozen foods and even drink their beer warm. You have to request for ice in the restaurant. There are many food stands in front of grocery stores that sell sausages and french fries. Grocery stores sell plenty of fresh meat, fish, cheese, etc. There is plenty of help in the shops who give out samples and conduct demonstrations. But there is little refrigerator or freezer space."

"I showed the package to potential customers. We had forgotten to print instructions in German. Most packaging is printed in four or five languages, including German, English, French and Spanish. People said they could not follow the English instruction on our package. They were also not sure how large a pound or ounce was."

"The product also met with some advertising problems. A major problem exists with television advertising. The only advertising occurs between 6.30 and 7.00 p.m. There is an all advertising show that is one of the most popular shows; but to get space you have to bid for it at least 18 months in advance. There is no guarantee when the commercial will be shown. Comparative advertising is banned. The food industry will not let us use the theme 'better than fresh'. This is considered derogatory to the fresh food industry."

"I cannot find shelf space for our product. Stores do not have freezer space, nor do they want an untried product. Please advise what action should I take. What should I do with the product which is arriving?"

Questions

1. Summarise the problem involved in marketing frozen foods in Germany.
2. What should F Rozen advise NEW Market to do?
3. Should the product be introduced? What suggestions would you make if the product is introduced?

Notes

Legal

The legal aspects like trade barriers, legal constraints posed by government create hurdles in international sales. Some governments impose a very high duty for imports. 300% duty is charged when cars are imported into Columbia. Other nations like Japan pose a lot of restriction on certain products like medical equipments, agricultural commodities, telecommunication equipments, etc. Some countries impose a total ban on import-export because of political differences, e.g., Cuba - US, India and Pakistan. Some countries favour indigenous enterprise and discourage the use of foreign goods. Third world countries (specially Saudi Arabia and other Middle East countries) do not permit total ownership to foreigners but insist on partnership with local partners.

Political instability plays a damaging role in most transactions. The agreement reached with a government may be reversed and the prior commitments are not honored with the change of new government.

Task You and five classmates are working on the international marketing plan portion of an e-business. Working together, create a name and description of the e-business, then create an outline for a sales plan including advertising strategies.

Cultural

Culture can be defined as a distinctive way of life of people. It can also be the pattern of living of a group of people. The cultural differences include many factors like language barrier, multiplicity of languages, dress, food habits, tastes and lesser time and space. These factors have an importance on personal selling and sales management.

Business and private customs, too, can vary from culture to culture. North Americans tend to approach a business deal straight, personally, firmly and directly. Latin business people get to know a person first before they talk of business. Great amount of patience is required in dealing with them. Even in Japan preparation and patience is essential to do business successfully. Japanese ask many questions and if the sales person have the desired knowledge and conviction then the sale can take place.

The understanding of hand gesture and body language must be understood by sales managers for effective communication. American and European shake hands while greeting customers. Other countries like Japan and other Asian countries are comfortable with just a traditional bow from the waist or a Namastey. People of some countries do not do any work on holiday, Sabbath and prayer periods. The eating habits are also different in different countries. Some countries consume Kosher food. Some countries do not use pork and some avoid non-vegetarian altogether. These are important points to be noted by the sales manager for building international relationships.

Self Assessment

Fill in the blanks:

1. ..... is an important element of marketing.
2. ..... selling plays an important part in international markets.
3. ..... factor plays a very major role in global sales strategies.

Notes

4. The ..... aspects like trade barriers, legal constraints posed by government create hurdles in international sales.
5. ..... instability plays a damaging role in most transactions.
6. The ..... reached with a government may be reversed and the prior commitments are not honored with the change of new government.
7. ..... can be defined as a distinctive way of life of people.

14.3 Qualities of International Sales Force

The managing of the sales force is a difficult task for the sales manager. An expert salesman must posses many qualities, which are essential for his success.

Decision-making

He must be able to take decisions with limited information. There are risks which are dimension of much greater in international selling. The buyer cannot be kept waiting for the salesmen to refer to headquarter and delay the decision making process.

Knowledge

He should have enough knowledge to get proper advice and information and interpret data obtained. Research also forms a part of his task and duties.

Cultural Adaptability

The salesmen must have credibility so that he may be trusted by the buyer as well as by the employee. In the host country he has to work without supervision and there are many hurdles which he has to overcome. He should be able to discharge his duties and show a great amount of responsibility.

Physical Fitness

In the different climates, physical fitness is important as the travelling work is very laborious and demanding. There is a lot of strain on the salesmen and the food may also be of different types and be served at different times.

Language

He should be skilled in the appropriate language that may be required in the host country. He should be able to distinguish between the terminology used in different countries. There are many differences in terminology's used in USA and Britain, for example:

Americans say apartment	-	Britishers say flat
Americans say elevator	-	Britishers say lift
Americans say cookie	-	Britishers say Biscuits
Americans say living room	-	Britishers say Drawing room
Americans say Gas	-	Britishers say petrol
Americans say theatre	-	Britishers say Cinema

Notes

14.4 Issues for International Sales and Marketing

The international market is more complete than the domestic market because of various reasons cited earlier in the unit. One of the most important issue to be considered is whether the company should have the same marketing for all countries (global marketing) or change it accordingly to the local condition of the country. Global marketing is to have the same combination of P's worldwide. This is more economical but difficult to be followed by all companies. Companies successful in global marketing are Coca cola, Kodak, Sony, etc.

In many cases different sales strategies and marketing mix has to be adopted because of local competitive pressures or technical specification.

Another issue is to obtain detailed information about the country and markets. Information can be had from the chamber of commerce international trade fair or by customers doing business in that country. Directions and other printed material can be used for secondary data.

Some countries have developed National Trade Data Bank (NTDB) which has volumes and volumes of information. Company's sales fore can also be utilised for this purpose.

After determining the information the company has to decide the mode of entry into overseas market. This can be done in the following ways:

Passive Exporting

When orders are received from the overseas market these are unsolicited orders coming automatically when the company's name shows or is listed in Trade directories, etc.

Active Exporting

This can be done by the company's sales force or by intermediaries. The volume of sales increase and the company actively participates in exports. It can also be done by Export Management Company that is manufacturer's representative of foreign sales. This method is economical but does not give proper feedback.

Direct Exporting

Dealing directly with overseas buyers who can either be intermediaries or ultimate consumers.

Licensing

Granting the contractual permission to use in distinct property rights such as patents, trade marks to know-how during a specified time period in a given geographic area.

Counter Trade

Foreign sales that are at least partially conducted through bartering arrangement, i.e., sending the goods to foreign country for products in exchange.

Joint Ventures

This consists of participating with foreign partners. This helps the domestic firm to reduce the political problems and its alien character. Such joint venture is common in America and Japan.

Notes

Wholly Owned Subsidiaries

These are overseas units owned by a parent company. These are permissible in developed countries but require substantial investment.

Management Contracts

Home countries firms managing an operation for an overseas owner. This is common in international chains, i.e., Hilton, Sheraton, etc.

Notes A country's economic sources includes sources of domestic livelihood and the allocation of resources. Because not all of the world's economies operate at the same level of efficiency, it is necessary to form a clear idea of the economic situation of a particular host country in order to develop an appropriate marketing strategy.

Self Assessment

Multiple Choice Questions:

Complete the following sentences:

8. The international market is more complete than:
   (a) Domestic markets (b) Foreign market
   (c) Global Market (d) Local market.
9. Many smaller companies also get attracted to international markets and thereby increase their sales:
   (a) Double (b) Ratio
   (c) Percentage (d) Globally
10. The understanding of hand gesture and body language must be understood by sales managers for effective:
   (a) Management (b) Communication
   (c) Coordination (d) Situation

14.5 Advanced International Selling

There are many considerations and important points that effect international sales:

1. The sales person must speak clearly and give proper importance to the execution, quality to language, speed and delivery. This affects the comprehension of the listener.
2. The sales person must use visual aids as far as possible. He should choose the examples as illustrations and should be particularly careful about humour. Humour and jokes are risky in international setting because of social and cultural differences. When asking questions, alternative answers or multiple answer should be provided as many people are afraid of making an error because of language difficulty.

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3. Japanese customers pose special communication challenges. They are more reserved than Americans. The salesmen must be polite to Japanese customers who are not able to respond to open-ended questions.
4. Cultural differences make a different impact in many ways. French people don't talk about money and feel uncomfortable while discussing price. In contrast the Americans have no hesitation in talking about prices. French people do not want to offend any one take longer to make a request.
5. In Italy, the salesmen must allow plenty of time of appointments. Italians take several hours in chatting with the sales person; Swiss people have a great deal of respect for degrees and titles and welcome business cards. Arab world considers a sense of touch as a means of communication. Brazilians prefer talking in Portuguese and take great pride in it. French should be addressed as Monsieur or Madame unless invited to do otherwise. Japanese should be given plenty of time to gain trust. In Hong Kong salesmen should avoid the Navy blue suit and white shirt. This denotes mourning in Hong Kong.

International selling has gained importance because of the saturation in domestic markets. It is a broader field, therefore a very broad view should be taken. A lot of information is to be processed for making proper sales and marketing strategies. Environmental challenges have to be tackled in the best possible manner for successful international selling. The information needed for entering foreign markets and the decisions of global marketing have to be considered very seriously, as global marketing may not be feasible in countries having different requirements. The mode of entry into the international market is also an important aspect of these companies aspiring to become global. The training of the salesmen, their selection, recruitment, the emphasis on the language, the other cultural aspects should be considered. The process of selling however remains the same except for changes that have to be made keeping in mind the differences that exist from country to country. If these aspects are taken care of then there are great chances of success in international sales.

Business Models for International Selling through the NET

These notes present pure business models for international selling on the web. The term "business model", as used here, refers to how a website generates its revenue. In practice, many websites are hybrids that use combinations of these pure models. They generally apply to business-to-consumer e-commerce: business-to-business models may differ.

It is understood that each of the business models below applies to a website or collection of websites under centralized management for international selling.

Storefront Model

An organization offers products or services for sale. Many websites of this sort also have Customer Service Model features.

Example: Dell Computer at www.del.com (open a new window to avoid Dell's deliberate browser entrapment)

1. Customers can post opinion or not.

   yes: Barnes and Noble at www.bn.com (anyone can "review" any book)

   no : Egghead.Com at www.bn.com

Notes

2. Customers can conduct threaded discussions or not share opinions.

   yes: Motley Fool at http://boards.fool.com

   no : Barnes and Noble at www.bn.com

Caution Political problems related to foreign business occur mainly because of political sovereignty, a country's desire to assert its authority and political conflict – either internal ones such as civil war or external troubles with another country.

Mall Model

An intermediary offers products or services to consumers from a collection of distinct businesses that retain their individual identities and pay for inclusion in the mall (sometimes called a "gateway" site). They may also pay for special mall advertising or other mall services.

Example: Autoweb.com at www.autoweb.com targets auto businesses. Buy and sell used and new cars. Lots of services to buyers appear to be free (unless you want to place an ad). Dealers pay to join the Auto Web network, pay for virtual showroom services if wanted, and pay for advertising if wanted. There are Auto Talk forums (threaded discussion) for discussing car topics.

Self Assessment

State Whether True or False:

11. The salesmen must have credibility so that he may be trusted by the buyer as well as by the employee.
12. The cultural differences include many factors like language barrier, multiplicity of languages, dress, food habits, tastes and lesser time and space.
13. The understanding of hand gesture and body language must be understood by sales managers for effective communication.
14. The buyer must have credibility so that he may be trusted by the buyer as well as by the employee.
15. Dealing directly with domestic buyers who can either be intermediaries or ultimate consumers.

Image-Building Model

Establish a web presence that aims mainly to provide product/service/organizational information and enhance public awareness and/or image for some target group or groups - consumers, investors, potential employees, or even the public at large - but that does not sell anything or provide post-sales support. This includes, but is not limited to, brand-building. The usual hope is that revenues will increase through regular non-web channels, or that investors (current or potential) will be influenced favourably, or that superior employees will be attracted, or that the public's esteem or political favour will increase. Usually a site of this type justifies its budget using the type of arguments traditionally made by marketing/ public relations/ and human resources departments. Content can be blatantly self-promotional or subtle or rational or information-rich or emotional, etc.

Notes

In thinking about this business model from the consumers' viewpoint, it is essential to understand that studies show that a great deal of web shopping occurs where the intent is not to buy over the web, but rather to decide what brand and perhaps model to purchase through regular channels. In thinking about this business model from the investor viewpoint, we see that it subsumes what might otherwise have to be listed separately as an Investor Relations Model: e.g. the Sun Investor Resource site at www.sun.com/corporateoverview.invest. oi index, htm.

Example: Many sites are of this type, often because they have not yet enabled on-line sales. For example, the extremely simple Hanse's Juice site at www.thejuiceco.com has only the consumer in mind and for now is purely an exercise in image building. A more sophisticated example is the R J Reynolds Tobacco Company site at www.rjrt.com. For obvious reasons, this company is extremely interested in improving its image. Other sophisticated examples are Mattel at http: servce.mattel.com, Procter & Gamble's site at www.pg.com.

Caselet

International Marketing

Bharat Perfumes Ltd, a renowned company in India were manufacturing two types of perfumes, one based on essential oils and the other alcohol based perfumes. Perfumes were being exported to Middle East countries. Particularly the essential oil traditional perfumes, also known as Attars, were directed on the orthodox segment of the society. These customers believe in strong perfumes with heavy smell. The perfumes, which were supplied to the customer, were high priced, ranging from ₹ 40,000 to ₹ 50,000 a kilogram. Some special perfumes were also sold at a much higher price ranging up to ₹ four lakh/kg. These perfumes were in great demand by various sections of the society. The other type of perfumes are alcohol based and were in the form of sprays with very good packing and were sold in most of the modern stores. The company was concentrating on both types of perfumes. There was more competition in alcohol based western type of perfumes from the western countries and big names English Leather, Yardley, Channel, etc.

The company started its business by sending its own sales representatives for booking orders for both type of perfumes. The salesmen were able to procure a few orders but these orders were not followed up by the customers. After every few months the company had to send its representatives for booking fresh orders. Their procedure was very cumbersome and a lot of expenses were involved. The management then thought of appointing local dealers in foreign countries who would book orders and send them to the company and charge a suitable commission. Another problem was that the customers did not retire some of the consignments and heavy damages and other expenses were also incurred. If the goods were not retired for a long time there were chances of them being spoiled. The company tried to negotiate this aspect with the local agents but no suitable solution was coming forth. The company was keen to establish its business in foreign countries and was looking for suitable selling strategy.

Questions

1. What could have been the drawback in the approach and the knowledge of the salesman in not being successful?
2. Which method for selling would you recommend and what should be the strategy in promoting sales?

Notes

14.6 Summary

- Sales is an important element of marketing.
- International sales managers have to guide and coordinate in the efforts of sales organisations in countries where the company does business.
- Economic factor plays a very major role in global sales strategies.
- The legal aspects like trade barriers, legal constraints posed by government create hurdles in international sales.
- Political instability plays a damaging role in most transactions.
- The agreement reached with a government may be reversed and the prior commitments are not honored with the change of new government.
- The salesmen must have credibility so that he may be trusted by the buyer as well as by the employee.
- One of the most important issue to be considered is whether the company should have the same marketing for all countries (global marketing) or change it accordingly to the local condition of the country.
- International selling has gained importance because of the saturation in domestic markets.
- The mode of entry into the international market is also an important aspect of these companies aspiring to become global.
- The sales person must speak clearly and give proper importance to the execution, quality to language, speed and delivery.

14.7 Keywords

Active Exporting: This can be done by the company's sales force or by intermediaries. The volume of sales increase and the company actively participates in exports. It can also be done by Export Management Company that is manufacturer's representative of foreign sales. This method is economical but does not give proper feedback.

Counter Trade: Foreign sales that are at least partially conducted through bartering arrangement, i.e., sending the goods to foreign country for products in exchange.

Direct Exporting: Dealing directly with overseas buyers who can either be intermediaries or ultimate consumers.

Joint Ventures: This consists of participating with foreign partners. This helps the domestic firm to reduce the political problems and its alien character. Such joint venture is common in America and Japan.

Licensing: Granting the contractual permission to use in distinct property rights such as patents, trade marks to know-how during a specified time period in a given geographic area.

Management Contracts: Home countries firms managing an operation for an overseas owner. This is common in international chains, i.e., Hilton, Sheraton, etc.

Passive Exporting: When orders are received from the overseas market these are unsolicited orders coming automatically when the company's name shows or is listed in Trade directories, etc.

Notes

14.8 Review Questions

1. How does international sales management differ from domestic sales management?
2. What factors must be considered while preparing for international trade?
3. What qualities must be possessed by salesman engaged in international sales?
4. What are modes of entering into the overseas market and about considerations effect international sales?
5. What are the challenges faced by International Sales Manager?
6. Describe the Qualities of International Sales Force.
7. Explain the reason for International Sales.
8. Discuss the advanced International Selling.
9. Explain the Issues for International Sales and Marketing.
10. What do you know about passive Exporting?

Answers: Self Assessment

1.	Sales	2.	Personal
3.	Economic	4.	Legal
5.	Political	6.	Agreement
7.	Culture	8.	(a)
9.	(d)	10.	(b)
11.	True	12.	True
13.	True	14.	False
15.	False		

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