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SALES AND DISTRIBUTION MANAGEMENT, PAPER CODE-315

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UNIT- 1 INTRODUCTION TO SALES MANAGEMENT

Introduction

"Sales management" as the term implies means management of sales. Often it is considered synonymous with the management of personal sales. It involves an understanding of the effort that goes into the management of the sales force and the various processes of sales. Sales management initially was meant to be the direction of sales force personnel. Later the term took on a broader significance apart from personal selling and the term "sales management" included managing of all the sales related activities including below the line advertising, sales promotion, physical distribution, pricing and product merchandising. Sales management is a business discipline which is focused on the practical application of sales techniques and the management of a firm's sales operations. It is an important business function as net sales through the sale of products and services and resulting profit drive most commercial business. These are also typically the goals and performance indicators of sales management.

Sales management can involve any of the following activities:

(1) Formulation of sales strategy through development of account management policies, sales force compensation policies, sales revenue forecasts, and sales plan,

(2) Implementation of sales strategy through selecting, training, motivating, and supporting the sales force, setting sales revenue targets, and

(3) Sales force management through development and implementation of sales performance, monitoring, and evaluation methods, and analysis of associated behavioral patterns and costs.

Nature

1. Pervasive Function
2. Continuous Function
3. Part of Marketing Management
    a. Marketing research

   b. Market logistics
   c. Promotion
   d. Customer service
   e. Coordination
4. Exchange Relationships
5. Variety of Jobs

Scope

- Sales Planning

(a) Analyzing the environment of business
(b) Forecasting sales
(c) Sales budgeting decision
(d) Selecting the sales strategy

- Sales Organizing
- Sales Directing
- Sales Coordinating
- Sales Controlling

Importance of Sales Management

1**. Goal Setting:** To achieve sales goals, your company needs to set sales numbers or goals for the staff. One way for a company to achieve and maintain growth is to increase its sales numbers. Sales managers can set sales goals that will promote growth and are attainable by the sales staff. Many sales managers use cash bonuses or other incentives to motivate staff to achieve the goals.

2. Tracking: Sales management enables management to track the overall sales of the company as well as the individual sales of each employee. Using sales tracking, management is able to tell if the company is on track to meet its goals or if individual members of the sales team are not producing enough sales. By keeping the sales force constantly up to date on the status of their sales, you can help them to adjust their sales techniques and productivity to achieve the company's sales goals.

3. Reporting: Using sales management, a company can produce sales reports that can be used to track the performance of its sales force over different periods. For example, you can use sales reports to compare the sales of the company on different years over the same period. The sales reports can determine the direction your company must take based on the results. For example, if the sales reports determine that your company is experiencing substantial growth year after year, it may indicate that expansion is a possible direction for the company.

4. Sales System: As a company grows, it can become more difficult to track and manage the sales process without a system in place. Sales management provides companies with a system to train and manage employees while streamlining the sales process from the individual sales employee to the customer. This is beneficial because if there is a problem at any point of the sales process that may affect the company's bottom line, it can be quickly identified and corrected.

Background of Sales Management

Primitive family economy: In the initial days of economic life, a family produced whatever it required and consumed all that it produced. Therefore, there was neither the need for exchange nor any surplus to exchange. Every family was self- sufficient.

The Barter System: As people began to specialize in the occupations of their liking, need for exchange arose. Whenever a person makes more than he/she wants or wants more than he/she makes, the foundation for selling is laid. People became weavers, farmers, shoemakers, black smiths and so on. A farmer exchanged his grains with shoes made by the shoe – maker and clothes made by the weaver. This exchange of goods with other goods or services came to know as the barter system.

The rise of money: Introduction of money in the form of metals, coins and currency notes solved the problem of measurement of value of goods as suffered by Barter system.

Small Scale Manufacturing: Before the Industrial Revolution which began in 1760 AD manufactured the products on a small scale with the help of hand tools and simple machines. Manufacturing was the main problem and goods could easily be sold to nearby customers. Therefore, there was no need to employ professional sales people.

Industrial Revolution: After Industrial Revolution, large scale manufacturing started. It was no longer possible to sell the large quantities of goods manufactured in factories in nearby markets. It became necessary to expand markets. Wholesalers and retailers were needed to sell goods on a large scale. A separate marketing department was created in larger firms. This department began to use advertisement, personal selling, and sales promotion to increase the demand.

Role and Competencies of Sales Managers

Role of the Sales Managers:

- Lays down sales objectives, policies and strategies.
- Prepare a sales plan and programme to implement sales strategies.
- Design and administer suitable sales organization.
- Designing sales territories & deciding the size of sales force.
- Formulation of personal selling objectives, organizing sales forces selection, recruitment socializing (orientation) and placement.
- Training and development, career planning, transfers and promotion.

There are two opinions on the success of sales managers.

1. Sales abilities are inborn qualities

2. Sales abilities are developed. Some of the sales abilities like gift of gap, pleasing manner, extrovert nature are inborn. However, others like analytical ability, negotiation skills, leadership, etc. are developed.

Competencies of a Successful Sales Manager

(1) Conceptual and decision skills – these skills involves managers ability to see the organization as a whole and relationships among its parts. It is also involves thinking and planning abilities.

(2) People skills- Involve manager ability to work with and through other people and to work effectively as a group.

(3) Technical skills – Are the ability to perform a specialized task that involves a certain method or process. They included mastery of the methods, techniques & equipment involved in specific functions such as sales, training and recruitment.

Sales Strategies

There are 5 steps to a successful sales strategy:

1. Define your target market: Knowing this is critical to your sales success. You aren't going to do business with everyone. And even if you were, you have to start somewhere. You have to have a place where you can focus in order to build up that momentum we talked about. Once you have the market defined, create a list. This list should be large enough to give you the Opportunity to really delve in and repeat the process a couple of times. If your target market is too small your odds of success decrease. You may have to merge two similar target markets in order to have the numbers working in your favor.

2. Determine your outreach: Once you've defined your target and created the list, reach out to your networks to see if you are connected in any way to the person or organization you seek. This includes direct outreach – emailing or calling them – and exploring your LinkedIn contacts. Remember, you are looking for an introduction. That's it! You want the opportunity to meet with the prospect. When your friend or associate introduces you to the prospect, follow up and set up the meeting. Next, take the ones on the list you don't have a connection to and cold call them. This could mean sending them an introductory letter or postcard, or picking up the phone and calling them. If you send an introductory letter or postcard, you must tell them that you will call to follow up – and then follow up! You can't leave the action in their hands. The process is yours to conduct, not theirs.

3. Know your questions: Before you go on a sales appointment, create a list of questions to ask the prospect. This is the time for you to really get to know them, their needs, and their business practices. It is not the time for you to talk endlessly about your product or service. If they look like a qualified prospect, provide them with a quote. If they don't, walk away.

4. Deliver and build. Deliver on what you said you were going to do for the prospect. Then make

sure you build the relationship. Don't expect them to stay with you or use you for other needs if you aren't taking the time to build the relationship with them. The sales process doesn't end with the sale.

5. Monitor. This is one of the most critical aspects of a successful sales strategy. As you move Forward with your plan you must keep track of how well it is working. On the first day of each Month, take a look back at the previous month. Ask yourself these questions:

How did it go?

What worked?

What didn't work?

Did I hit my numbers?

Knowing what works and what doesn't give you the opportunity to tweak your process. Adjust or get rid of what doesn't work, and keep what does. If you hit your numbers, celebrate! Then prepare for the coming month. What's the goal? What's the plan?

If you didn't hit your numbers, determine what might need to be changed and change it.

Then add the missed amount to the coming month's goal. You don't want to give up on the overall goal by just letting the past month drop. You want to take the sales dollars you didn't get and add them to your goal for the coming month. Now plan for how you are going to achieve that – and get going.

Sales strategy formulation

1. Setting Organizations' objectives
2. Evaluating the Organizational Environment
3. Setting Quantitative Targets
4. Aiming in context with the divisional plans
5. Performance Analysis
6. Choice of Strategy

Emerging Trends in Sales management in context to Indian Market

• **Global perspective:** Global competition is intensifying. Domestic companies who never thought about foreign competitors are suddenly finding them in their backyard. This is a challenge which sales managers and salesperson must take on, they have to improve their personal selling efforts not only in their countries but also in foreign countries. Selling goods and services in global markets presents a challenge due to differences in culture, language, needs and requirements.

• **Revolution in technology:** Digital revolution and management information system have greatly increased the capabilities of consumers and marketing organizations. Consumer today can get information about products, compare it with other brand, place an order and place an order instantly over the internet. This has led to a different kind of sales force who collects information about internet users, markets and prospects of internet buyers. It is mandatory for all companies to have their website now.

• **Customer relationship management (CRM):** Combining information technology with relationship marketing has resulted in customer relationship management. Interestingly, the concept of relationship marketing came about earlier by bringing quality, customer service and marketing together. Relationship marketing aims in building long term satisfying relations with key customers distributors and suppliers in order to earn and retain their long term preference and business. CRM enable companies to provide excellent real-time service by focusing on meeting the individual needs of each valued customer, through the use of CRM software packages.

• **Sales force diversity:** The demographic characteristics of sales force is changing and becoming more varied. For example, more and more women are taking up careers in sales management and selling. Also the education level of sales people is going up most of them holding a college degree or a post graduate degree. Sales managers now have to handle a sales force of these varied demographic, expectations of each and every individual is different and sales manager needs to use different motivational tools against each one of them.

• **Team selling approach**: The practice of team selling is more widely followed by most companies in recent years. Team selling approach is used when company wants to build a long term mutually beneficial relationship with major customers, who have high sales and profitable potential. It is used for selling a technically complex product or a service to a potential customer. The composition of team may vary depending upon the customer from top management, technical specialist, customer service, etc

• **Managing multi-channels:** Multi-channel marketing system occurs when organization uses two or more marketing channels to target one or more customer segments. Major benefits of multichannel marketing system are:

1. Lower channel cost

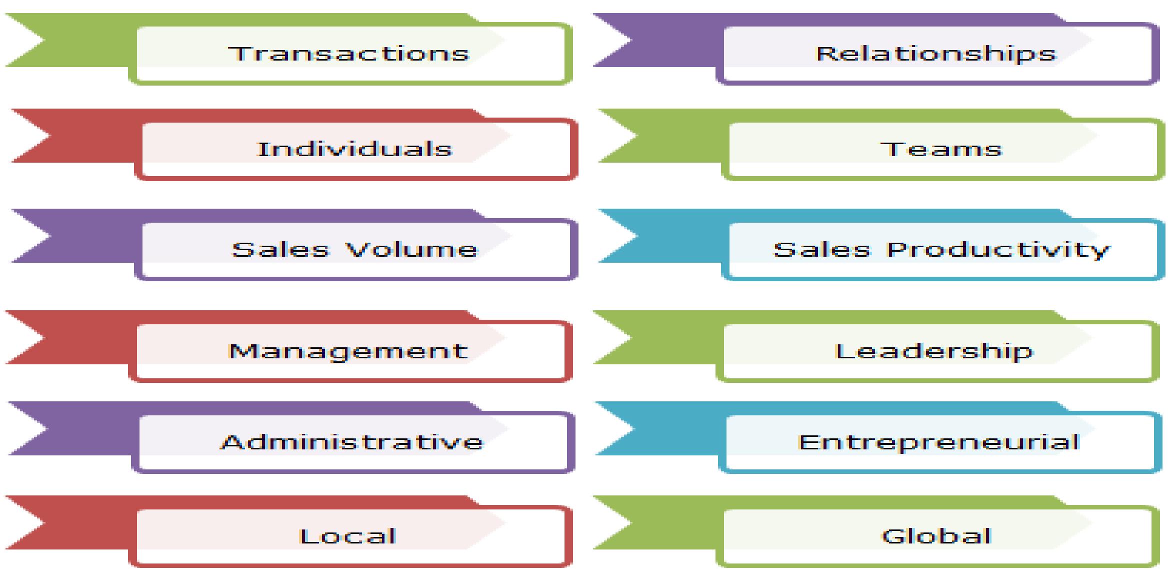
2. Increased market coverage

3. Customized selling

Multi-channel may also lead to conflicts and control problems, as two or more channels may compete for same customer. A successful sales manager will have to effectively manage conflict between the channels.

• **Ethical and social issues:** Sales managers have ethical and social responsibilities. Sales people face ethical issues such as bribery, deception (or misleading) and high pressure sales tactics. Today's sales managers have no choice but to ensure ethical standards from sales force otherwise they may be out of business or even land up in legal problems.

Changing trend in Sales Management



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UNIT II PERSONAL SELLING CONCEPT

Personal selling is a method in which salesperson uses his skills and techniques for making personal relationships with the customer. According to American marketing Association, "Personal Selling is an oral presentation in a conversation with one or more prospective purchaser for the purpose of making sales". Personal selling involves personal contact, face-to-face meetings or via a telephone conversation, Internet including using video conferencing or text messaging (e.g., online chat).

Personal Selling Process

8Follow– up-Post Sale Action
7Closing the sales
6Handling Objectives
5Demonstration
4. Presentation
3. Approach- Panning the call
2. Pre- approach
1. Prospecting – Identify and Qualify Potential Customers

Importance and challenges

Importance:

Benefits to Consumers	**Benefits to Businessmen**	**Benefits to Society**
Provides knowledge and education about new products and new uses of existing products.	Helps locate prospective customers and create demand by winning the confidence of customers.	It stimulates consumption and accelerates the rate of production
Helps consumers in selecting products best suited to their	Explores new markets and makes new products popular	It creates employment opportunities for a large

needs, tastes and preferences.	in the market	number of people.
Communicates grievances and suggestions of consumers to producers and traders.	Enables businessmen to secure the economies of large scale production and marketing.	It increases the national income of the country.
Enables consumers to get quality products at fair prices.	Creates continuous demand thereby reducing seasonal fluctuations in demand cut – throat competition in the market.	It helps to raise the standard of living of people.

Challenges:

1. The face-to-face interaction between a seller and a buyer is very flexible but the flexibility comes at a cost. Salespersons run huge bills besides their salaries. In industrial marketing, 70 % of the marketing budget is spent on the sales force. This is due to the technical nature of products and he need to maintain close personal relationship between the selling and the buying organization.

2. A sale on an average takes six visits but good salespersons visit their clients even when they know that the client is not going to buy in the near future. Maintaining relationships with clients between their purchases is as important as the interaction that takes place when the salesperson is trying to sell. A salesperson learns of the impending purchases of the buyer and is likely to be considered favorably by the buyer when the salesperson maintains a relationship with him.

3. Few salespeople sell products that ore clearly superior to the competitors on most criteria. Salespeople need to capitalize on what advantage their products have over similar competitive offerings. Under such conditions of product parity, salespersons who understand the requirements of their buyers better will exaggerate the benefits that the buyer requires and win on order. The relationship that the salesperson has developed and

maintained with the buyer will hold him in good lead when his product is not superior to his competitors'.

4. As buyer needs are becoming more complex, salespeople need to be able to produce a package of products and services to provide a solution. Buyers do not want to buy many sub-components from many suppliers and then assemble these themselves. They want their suppliers to do this job. They want total solutions to their needs.

5. Industrial buyers are experts in their area of operations and ore very clear about what they ore looking for in the product. Their choice criteria are clear and precise. Customers in the consumer market are also developing clarity and precision in their choice criteria. Customers are technology savvy, are linked to other customers who might have used the product and are generally more willing to consider alternative solutions to their needs.

Types of Selling

Transactional Selling: It is a one – time exchange with the purpose of getting sales or orders from customers with low profits potential. Its main tools are availability of products and services at low cost with minimum selling efforts.

Relationship Selling: Here, the objective of the seller is to become the preferred supplier. In order to achieve this objective, efforts are made to build a strong and ever lasting relationship with the customer.

Value- Added Selling: it focuses on correctly understanding the current and future needs of the customers and meeting those needs better than the competition.

Transactional and Relationship Selling

Basis	Transactional Selling	Relationship selling
Purpose	To get sales	To become sole or preferred supplier

No. & types of customers	Several customers with low profit potential	Few customers with high profit potential
Sales Team	1 or 2 junior sales persons	3 to 5 junior and senior sales persons
Selling Efforts	Low to medium involving few functions	High involvement of several functions
Pricing strategy	Lowest or competitive price to get sales	Mutually acceptable prices
Length of Relationship	Short (days)	Longer (years)

Sales Forecasting Methods

1. Jury Of Executive Opinion Method:

In the Jury of executive opinion method of Sales Forecasting, appropriate managers within the organization assemble to discuss their opinions on what will happen to sales in the future. Since these discussion sessions usually resolve around hunches or experienced guesses, the resulting forecast is a blend of informed opinions.

A similar, forecasting method, which has been developed recently, is called the DELPHI Method. Delphi Method also gathers, evaluates, and summarizes expert opinions as the basis for a forecast, but the procedure is more formal than that for the jury of executive opinion method.

The Delphi Method has the following steps:

STEPS 1 – Various Experts are asked to answer, independently and in writing, a series of questions about the future of sales or whatever other area is being forecasted.

STEP 2 – A summary of all the answers is then prepared. No expert knows, how any other expert answered the questions.

STEP 3 – Copies of summary are given to the individual experts with the request that they modify their original answers if they think it necessary.

STEP 4 – Another summary is made of these modifications, and copies again are distributed to the experts. This time, however, expert opinions that deviate significantly from the norm must be justified in writing.

STEP 5 – A third summary is made of the opinions and justifications, and copies are once again distributed to the experts. Justification in writing for all answers is now required.

STEP 6 – The Forecast Is Generated From All Of The Opinions And Justifications That Arise From Step

2. Sales Force Estimation Method:

The Sales Force Method Is A Sales Forecasting Technique That Predicts Future Sales By Analyzing The Opinions Of Sales People As A Group. Salespeople Continually Interact With Customers, And From This Interaction They Usually Develop A Knack For Predicting Future Sales. As With The Jury Of Executive Opinion Method, The Resulting Forecast Normally Is A Blend Of The Informed Views Of The Group.

The Sales Force Estimation Method Is Considered Very Valuable Management Tool And Is Commonly Used In Business And Industry Throughout The World. This Method Can Be Further Improved By Providing Sales People With Sufficient Time To Forecast And Offering Incentives For Accurate Forecasts. Companies Can Make Their Sales People Better Forecasters, By Training Them To Better Interpret Their Interactions With The Customers.

3. Time Series Analysis Method:

The Time Series Analysis Method Predicts The Future Sales By Analyzing The Historical Relationship Between Sales And Time. Although The Actual Number Of Years Included In A Time Series Analysis Will Vary From Company To Company, As A General Rule, Managers Should Include As Many Years As Possible To Ensure That Important Sales Trends Do Not Get Undetected.

4. Projections Of Past Sales:

This method of sales forecasting takes a variety of forms. This is very simple. To set the sales forecast for the coming year either we choose the same figures as the current year's actual sales or forecast may be made by adding a set percentage to last year's sales or to several past years. The formula of calculating the next year's sale is:

Next year's sales = this year's sales/ Last year's sales.

5. Econometric Model Building and Simulation

This is very attractive method of sales forecasting. This stimulation method is used for companies marketing durable goods. In this, set of equation is used which represent the relationship between sales and demand. By "plugging in" various for each independent variable sales are forecasted.

Econometric Model

It shows the relationship among a set of variables and parameters are estimated by statistical analysis of past date. It is expressed in equation form. For e.g. the sales equation of durable goods can be written as follows:

S= R + N

S= Total Sales R= Replacement Demand N= New Owner Demand

Total sales of durable goods consist of purchase made to replace units that have been scraped and purchases by new owners.

UNIT III SALES FORCE RECRUITMENT AND SELECTION PROCESS

The recruitment and selection of a sales force often is the key to success for an organization. A successful sales team leads to profitability and future growth. Most organizations that hire sales professionals use a very detailed, well-orchestrated process to ensure that the candidates selected will meet or exceed targeted sales goals.

Recruitment means the process of searching for needed employees and encouraging them to apply for jobs in the company. It involves the sources of recruits that are consistent with the type of person desired, selecting the sources to be used, and contacting the recruits.
Selecting the sources of recruits entails an evaluation of the costs and potential effectiveness of different sources. Thus recruitment includes all activities involves in securing individual who will apply for the job.

Sources of Recruitment

Internal: (A) Transfers (B) Promotions (C) Re- employment of former employees.
External: (A) Advertisement (B) Employment Agencies (C) Educational Institutions (D) other firms (E) Referrals.

Recruitment Process

Establish policy concerning responsibility for recruitment and selection.

- Who will participate in the process?
- Who has authority to make hiring decisions?

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Analyze the job and determine selection criteria.

- Conduct a job analysis.
- Write a job description.
- Develop a statement of job qualifications.

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Find and attract a pool of applicants.

- Internal sources.
- External sources.

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Develop and apply selection procedures to evaluate applicants.

- Application blanks.
- Interviews.
- Reference checks.
- Formal tests.

Selection Process (Method / Procedure of Selection)

1) Application Blank
2) Personal Interviews – types (patterned, unpatented, semi structured, stress interview)
3) Psychological tests – types (intelligence tests, Aptitude tests, interest tests, personality tests, trade test)
4) Medical testing
5) Reference Check
6) Job Offer
7) Socialization and orientation

Sales Force Training

Training is the process of increasing the knowledge, skills and other traits of individuals for performing a particular job. It involves finding the facts, coaching, practice with the purpose of developing selling skills.

It is an ongoing process for new and seasoned salespeople

It covers more than selling practices

On-the-job training is the most popular

Individual instruction taught by experienced salespeople.

Principles of Sales Force Training

1) Clearly recognized purpose
2) Proper Contents
3) Good trainers
4) Clarity of Presentation
5) Planned Repetition
6) Systematic Review
7) Orderly Development of Material

Methods:

1) Lecture
2) Conference
3) Demonstration
4) Role playing
5) Case Discussion
6) Internship training
7) Committee
8) Panel method
9) Brain Storming
10) Each – one train one method

Importance and Role of Training Programmes

Training is crucial for organizational development and success. It is fruitful to both employers and employees of an organization. An employee will become more efficient and productive if he is trained well.

Training is given on four basic grounds:

1. New candidates who join an organization are given training. This training familiarizes them with the organizational mission, vision, rules and regulations and the working conditions.
2. The existing employees are trained to refresh and enhance their knowledge.
3. If any updating and amendments take place in technology, training is given to cope up with those changes. For instance, purchasing new equipment, changes in technique of production, computer impartment. The employees are trained about use of new equipments and work methods.
4. When promotion and career growth becomes important. Training is given so that employees are prepared to share the responsibilities of the higher level job.

The Importance of training

1. **Improves morale of employees**- Training helps the employee to get job security and job satisfaction. The more satisfied the employee is and the greater is his morale, the more he will contribute to organizational success and the lesser will be employee absenteeism and turnover.

2. Less supervision- A well trained employee will be well acquainted with the job and will need less of supervision. Thus, there will be less wastage of time and efforts.

3. Fewer accidents- Errors are likely to occur if the employees lack knowledge and skills required for doing a particular job. The more trained an employee is, the less are the chances of committing accidents in job and the more proficient the employee becomes.

4. Chances of promotion- Employees acquire skills and efficiency during training. They become more eligible for promotion. They become an asset for the organization.

5. Increased productivity- Training improves efficiency and productivity of employees. Well trained employees show both quantity and quality performance. There is less wastage of time, money and resources if employees are properly trained.

Role:

Generating income and revenue are the primary roles of the sales force. A sales team must work together to increase brand awareness and drive sales forward. Small businesses hiring salespeople for the first time must overcome the challenges of finding a cohesive team to work well together.

Motivation and Compensation of Sales Personnel

Motivating:

1) Motivation is derived from Latin word “movere”, which means “ to move ”

2) Motivation is the effort the salesperson makes to complete various activities of the sales job

3) 10-15 percent salespeople are self-motivated

4) Majority of salespeople are not adequately motivated

5) Importance of motivating salespeople is recognized, because financial performance of the Company depends upon the achievement of sales volume objective

Motivational tools in a motivational mix

Financial Motivation Techniques:-

1) Salary

2) Commission/Incentive

3) Bonus

4) Combination

5) Sales contests

6) Benefits in kind ("fringe benefits")

7) Time-rate pay

8) Piece-rate pay

9) Commission

10) Shares and options

11) Pensions

Non-financial methods of motivation:-

1. Promotion
2. Sense of accomplishment
3. Personal growth opportunities
4. Recognition
5. Job security
6. Sales meetings
7. Sales training programmes
8. Job enrichment
9. Supervision
10. Financial compensation plan

Compensating:

A good compensation plan should consider objectives from the company's and salespeople's Viewpoint

Objectives of compensation plan from the company's viewpoint

• To attract, retain, and motivate competent salespeople

• To control salespeople's activities

• To be competitive, yet economical: It is difficult to balance these two objectives

• To be flexible to adapt to new products, changing markets, and differing territory sales Potentials

• Connect Individual with Organization

• Influence Work Behavior

• Organizational Choice

• Influence Satisfaction

• Feedback

• Reinforcement

Objectives of compensation plan from salesperson's viewpoint

• Regular income by fixed salary to take care of living expenses

• Incentive income for above average performance

To have a simple plan, for easy understanding

• This is in conflict with the objective of flexibility

• To have a fair payment plan

To have both regular and incentive income

• Fair or just payment to all salespeople is ensured by selecting measurable and controllable Factors

Designing An Effective Sales Compensation Plan

Designing a new compensation plan or revising an existing plan consists of the following steps:

1) Examine job descriptions

2) Set up specific objectives for salespeople

3) Decide levels of pay / compensation

4) Develop the compensation mix

5) Decide indirect payment plan or fringe benefits

6) Pretest, administer, and evaluate the plan

Decide levels of pay / compensation

• It means the average pay or money earned per year (or month)

• It is important to decide levels of pay for all sales positions

It is decided based on the following factors:

• Levels of pay for similar positions in the industry

• Levels of pay for comparable jobs in the company

• Education, experience, and skills required to do sales job

• Cost of living in different metros and cities

• Annual average pay levels vary between industries, within the same industry, and sometimes within the company

• Firms decide a range of average pay, instead of a specific pay

• Salespeople earn pay depending on their and company performance

Develop the compensation mix

• Widely used elements of compensation mix are: (1) salaries, (2) commissions, (3) bonuses, (4) Fringe benefits (or perquisites)

• Expense allowances or reimbursements like travel, lodging, etc are not included

• Basic types of compensation plans are:

1. Straight salary
2. Straight commission
3. Combination of salary, commission, and / or bonus

• 68 percent companies use combination plan and balance 32 percent firms use straight salary or Straight commission

1. Straight – Salary Plan

Characteristics:

- 100 percent compensation is salary, which is a fixed component
- No concern for sales performance or salesperson's efforts
- This plan is suitable for sales trainees, missionary salespeople, and when a company wants to introduce a new product or enter a new territory

2. Straight – Commission (or Commission Only) Plan

Characteristics:

• It is opposite of straight-salary plan

• Most popular commission base is sales volume or profitability

• Commission rate is a percentage of sales or gross profit

• This plan is generally used by real estate, insurance, and direct-sales (or network marketing) industries

3. Combination Plan

Characteristics:

1. Combines straight salary & straight commission plan

2. Four types of combination plans used by companies:

a) Salary plus commission: suitable for getting improved sales and customer service

b) Salary plus bonus: a bonus is a lump sum, single payment, for achieving short-term objectives. This plan is used for rewarding team performance

c) Salary plus commission plus bonus: suitable for increasing sales, controlling sales force activities, and achieving short-term goals. Also suitable for selling seasonal products like fans

d) Commission plus bonus: Not popular. Used for team selling activities for selling to major customers

Sales Territories

A sales territory is the customer group or geographic district for which an individual salesperson or sales team holds responsibility. Territories can be defined on the basis of geography, sales potential, history, or a combination of factors. Companies strive to balance their territories because this can reduce costs and increase sales.

The purpose of a sales force coverage (or sales territory) metric is to create balanced sales territories. There are a number of ways to analyze territories. "Most commonly, territories are compared on the basis of their potential or size. This is an important exercise. If territories differ sharply or slip out of balance, sales personnel may be given too much or too little work. This can lead to under- or over servicing of customers."

"When sales personnel are stretched too thin, the result can be an under-servicing of customers.

This can cost a firm business because over-taxed salespeople engage in sub-optimal levels of activity in a number of areas. They seek out too few leads, identify too few prospects, and spend too little time with current customers. Those customers, in turn, may take their business to alternate providers."

Benefits of sales territories

• Increase market / customer coverage

• Control selling expenses and time

• Enable better evaluation of sales force performance

• Improve customer relationships

• Increase sales force effectiveness

• Improve sales and profit performance

Sales Quotas

Sales quotas are sales goals or targets set by a company for its marketing / sales units for a time period

• Marketing / sales units are regions, branches, territories, salespeople, and intermediaries

• Generally, company sales budget is broken down to sales quotas for various marketing units

A quota refers to an expected performance objective. Quotas are routinely assigned to sales units, such as regions and districts. Quotas also are assigned to individual sales people.

Objectives of sales quotas are:

To use quotas as performance standards or performance goals

• To control performance

• To motivate people by linking quotas to compensation plans

• To identify strengths and weaknesses of the company

Types of quotas

Organizations set many types of sales quotas:

1. Sales volume,

2. Financial,

3. Expense Quotas

4. Activity,

1. Sales volume quotas

• For effective control, sales volume quota should be set for the smallest marketing units, such as salesperson, districts / branches, product items / brands

• Sales volume quotas can be stated in (a) rupees / dollars, (b) units, or (c) points • Rupees / dollars sales volume quotas are appropriate when salespeople are required to sell many products

• Unit sales volume quotas are suitable when salespeople are selling a few products

• Prices of the product fluctuate rapidly • Price of each product / service is high • Point sales volume quotas are appropriate when the company wants salespeople to sell products that contribute more to profits

2. Financial Quotas

• Financial quotas control (a) gross margin or net profits, and (b) expenses of marketing units

•Gross-margin / Net-profit quotas

• Calculate gross margin by subtracting 'cost of goods sold' (i.e. cost of manufacturing) from sales volume. Sales managers are not responsible for cost of manufacturing

• Net profit quotas are generally accepted by sales mangers as it is calculated by subtracting direct selling expenses from the gross margin

3. Expense Quotas

In many companies, expense quotas are stated as a percentage of sales Expense quotas to be administered with flexibility, to make salespeople cost conscious, allowing reasonable expenses

4. Activity Quotas

• These are set when salespeople perform both selling and non-selling activities • Objective is to direct salespeople to carry out important activities

- For effective implementation, activity quotas are combined with sales volume and financial quotas
- e.g. Calling on high potential customers, payment collection from defaulting customers

UNIT IV ROLE AND IMPORTANCE OF SALES PERSONNEL

A company's sales force consists of its staff of salespeople. **The role of the sales force** depends to a large extent on whether a company is selling directly to consumers or to other businesses. In consumer sales, the sales force is typically concerned simply with taking and closing orders. These salespeople are not responsible for creating demand for the product, since, theoretically, demand for the product has already been created by marketing efforts such as advertising campaigns and promotional activities. Salespeople may provide the consumer with some product information, but individuals involved in consumer sales are often not concerned with maintaining long-term customer relationships. Examples of consumer sales forces include automobile salespersons and the sales staffs found in a variety of retail stores.

Traditional Sales Force Roles

The conventional model on which sales management is conducted with the sales force has been one of "pushing the numbers." Quotas are set for salespeople and the salespeople are expected to meet them. The sales manager regularly checks to see if the reps are making those quotas and pushes them along, and also checks to see that there are enough leads for salespeople to work. The reps are simply expected to sell, to enter data into CRM and to provide reports; they have little to do with analysis, forecasting, or innovation when it comes to creating their own sales. Forecasting and analysis rest on the shoulders of the sales manager, reps are told how to sell and given very little latitude, and it's very much a "leader-follower" type of arrangement.

Revealing the Inner Entrepreneur

An entrepreneur is a highly unusual, innovative and creative person. If you take a closer look at the qualities of a sales rep, you'll see that salespeople and entrepreneurs share much in common. Both are "self-starters" in the extreme. Either would rather live or die by their own self-created incomes. Both can see opportunity that most others would miss. Thus you can see that sales reps are actually "entrepreneurs in the enterprise."

Given that sales reps possess these characteristics, it can be seen why it is that forward-thinking organizations are beginning to treat salespeople as such. They are being allowed input into marketing and sales campaigns, and even product development.

CRM Solution

Without a leading-edge CRM solution, this kind of salesperson empowerment is impossible.

First, such a CRM must allow a clear view of a sales rep's pipeline. In order for that to happen, the CRM application must be highly flexible and reflect the company's sales process. With such a solution in place, the sales force—and anyone else who needs it—are given a highly useful tool for management of their own sales. The data they do have to enter is data that is truly useful, so the "data-entry clerk" aspect of their jobs disappears.

Second, such a CRM solution provides analytic capabilities so that sales reps can quickly analyze and forecast their own sales. Not only does this functionality lead to far more control for the salesperson, it also ultimately leads to a changing of roles for the sales rep and sales manager.

The Changing Roles

If the members of a sales force are fully in charge of managing, analyzing and forecasting their sales, where then does that leave sales management?

Forecasting and analysis have traditionally been the purview of sales managers only, and have been a great portion of their responsibility. It has required weekly meetings with sales reps and compilation of all the data collected. But with sales reps now being able to easily perform these functions, a sales manager can simply take forecasts and analyses sent them by the sales reps, automatically combine them into one report and forward it on—another another feature of leading-edge CRM solutions.

The sales manager becomes more of a coach. Where needed, the sales manager also tags. In short, the sales manager is seeing to the quality of the salespeople and their performance, not simply worrying about the quantity of their numbers. The combination is far more effective moving a company toward its goals.

Sales Budgets

A sales budget is a budget that indicated the anticipated sales volume and selling expenses for the coming year.

• It includes estimates of sales volume and selling expenses
• Sales volume budget is derived from the company sales forecast – generally slightly lower than the company sales forecast, to avoid excessive risks
• Selling expenses budget consists of personal selling expenses budget and sales administration expenses budget
• Sales budget gives a detailed break-down of estimates of sales revenue and selling expenditure

Objectives:

1) Planning
2) Coordination
3) Control

Procedure:

1) Situation Analysis
2) Identification of Problems and opportunities
3) Development of Sales forecast
4) Formulation of Sales Objectives
5) Determination of Sales Task
6) Specification of Resources Requirements
7) Finalization and projection
8) Presentation and review
9) Modification and Revising
10) Budget Approval

Sales Audits

The Sales Audit is an objective review of the structure, systems, style, staff, skills, strategy, and shared values of your sales effort, with special emphasis on people and motivation (including compensation). The focus of a Sales Audit is to advise sales management on how to hire, how to evaluate, how to coach people, how to develop effective sales strategies, how to design and implement appropriate departmental structures and systems, how to teach selling skills, and how to develop effective sales management styles.

Types:

Audits can be internal, external, or a combination of both. Some companies choose to combine technology with the audit process and install audit software on sales staff computers as a means to "audit on demand" using information from daily or weekly reports. This can be especially useful in a highly competitive market.

An external or third party auditor normally looks at how the on-paper sales process meshes with what is actually happening. The objectivity supplied by an annual external audit can help discover opportunities for improvements that may otherwise remain unseen.

Process:

Auditing the people factor involves meetings with both management and the sales staff. Meetings with management assess the organization of the structure, department divisions, and support staff. Meetings with sales staff members focus on depth of product knowledge, skills assessment, determination of factors that differentiate the successful from the mediocre, identify areas requiring further training.

Auditing the customer factor involves asking questions to determine how well the company and sales staff know their prospects. Surveys sent to randomly chosen customers can reveal a great deal, individual or group meetings with members of the sales staff can help identify just how the sales staff perceives the customer, their wants and needs, their motivation to buy. Taken altogether, members of the sales management team have the information they need to ensure an accurate and complete customer profile.

Auditing the sales plan involves taking a look back and a look forward. Sales plan audits track progress toward long-term strategies, sales tactics put in place to help achieve these goals, and the progress toward, or overall success of short-term goals. Reports and historical data from numerous departments such as finance, product development, and human resources give sales managers information they need for comparison. Information gathered in the first two phases of the sales audit combine to reveal opportunities for change to help ensure the realization of company goals.

Legal and Ethical Issues in Sales Management

Legal:

1) Price Fixing
2) Price Discrimination
3) Bribes
4) Consumer Protection

Ethical:

- Gifts
- Misrepresentation
- Entertainment
- Damaged Merchandise
- Inflated Expenses
- Taking Away Customers

Role of Information Technology in Sales Management

IT simply means the technology used to collect process and transmit information.

Role:

It helps in reducing the time involved in selling.

It helps in the reduction of cost involved in selling

It helps to improve the quality services to customers.

Way Technology Changes the role of Sales Management:

1. **Collaborative customer relationship management (CRM):** Organizations must assemble and integrate customer relationship management (CRM) systems that enhance customer collaboration and build customer loyalty and exit barriers.

2. **Outsourcing sales and marketing functions:** Organizations must strategically outsource sales and marketing budgets to a new generation of businesses, including marketing agencies, e-commerce utilities and service providers, and e-channel partners to obtain talent, technical expertise, and cost efficiencies.

3. **Customer-centric organizations:** Organizations must recast their familiar organizational and functional models, transforming them into a natural extension of customer segmentation, enterprise selling processes, and complex demand chain partnerships.

4. **Operational zing e-care:** Organizations must adopt enterprise-wide management of the customer care processes to ensure seamless service and enhanced intimacy across multiple-channel interfaces and throughout the customer lifecycle.

5. Hybrid distribution systems: Organizations must build multi-channel, hybrid distribution systems that leverage low-cost, high-touch technologies to improve cost efficiency, market coverage, and overall selling performance.

6. Value-added direct sales: Organizations must migrate the role of direct sales to better align high-touch, face-to-face selling interactions with high-value and high-margin products and services.

7. Demand chain remediation: Organizations must restructure demand chain relationships to maximize value creation and customer access while leveraging costs and value-added channel partnerships.

8. Customer interaction centers: Organizations must consolidate and integrate call center, Web, e-mail, fax, and marketing technology assets to better manage selling resources, technology infrastructure, and customer interactions.

9. Product channel readiness: Organizations must design modular, "channel-ready" products optimized for specific sales channels, partners, and customer segments, improving personalization, ease of doing business, and transaction costs.

10. Dynamic pricing and trading: Organizations must creatively manage the impact of buy- and sell-side technologies and trading communities on margins and pricing.

11. Changing role of branding: Organizations must aggressively build brand equity in e-channels, in virtual communities, and across multiple selling partners, channels, and points of interaction (POI).

12. Interactive direct marketing: Organizations must deploy new tools, approaches, and strategies for anticipating or influencing the way customers buy.

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