SALES MANAGEMENT

(DBSM31)

(BACHELOR OF BUSINESS ADMINISTRATION)

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LESSON - 1

INTRODUCTION -EVALUATION OF SALES MANAGEMENT, PLACE OF SALES MANAGEMENT

1.0 Objective :

After reading this lesson you should be able to :

- Explain the evaluation of sales management
- Define the sales management
- Describe the place of sales management is business organizations

Structure :

1.1 Introduction :

Today's Sales executives are professionals. They plan, build and maintain effective organization and design and utilize efficient control procedures. The professional approach requires thorough analysis, market efficient qualitative and quantitative personnel selling objectives, appropriate sales policies, and personnel selling strategy. It calls for skillful application of organizational primiples to the conduct of sales operations. In addition, the professional approach demands the ability to install, operate, and use control procedures appropriate to the firms situation and its objectives. Executives capable of applying the professional approach to sales management are in high demand today. This lesson deals with the sale management nature, responsibility, functions, phases of evaluation of sales management. It also gives a general framework of sales management, objectives and place of sales management in business organizations.

1.2 Sales Management Nature, Responsibility and functions :-

Sales Management constitutes one of the most important parts of marketing management. Exchange is the core, aspect of marketing and it is the sales and distribution management which facilitates it. Sales management has been defined as the management of a firm's personal selling function. A significantly broader meaning is assigned to sales management recently to the extent is encompasses following two broader areas :

a) Managing the sales function.

b) Managing the sales force

The exchange process i.e. the sales and delivery of goods/ services from the manufacturer to the consumer can be consummated directly i.e. by the firm itself through its own sales force. The importance of the sales functions varies across organizations depending upon its nature and variety of products, target market, consumer density and dispersion, and the competitive practices among other things. The sales functions is organised internally, externally or jointly, the following essential tasks need to be performed in order to consummate successful exchange i.e. contact, prospecting, Negotiation and transaction, promotion, physical distribution and collection of relevant consumer information and revenue.

Responsibilities :-

Today's Sales executives are competent professionals. Their activities are multifold and they are responsible to their organization, the customers and society.

- Top Management holds then responsible for (i) Obtaining sales volume (ii) Providing profit contribution and (iii) Content business growth.
- The customers (most often, whole sales, retailers, or industrial users) Expect them to supply easily resalable products and services, backed up by supporting activities (eg., training dealers sales personal, help in preparing local advertising, and the provisions of credit) and assure that the products and services are wise investments in the competitive market place.
- Society looks to them to assure the delivery of goods and services that final buyer want at prices that final buyer are willing to pay and of increasing importance to develop and market products whose potentials for damaging the environment are minimal.

Ultimately a business's earnings depend upon how well, or how poorly, the interests of the firm, the final buyers, and society are blended. To the extent that these interest are in harmony, the firm experiences sales volume, net profits, and business growth.

Functions of Sales Management: The functions of sales management can be three fold :

-Managerial Functions

-Staff Function

-Advisory / Liaison Function.

1) Managerial Function :

This include the following:

a) Planning : The involves, forecasting demand, sales territory planning, personal selling, and promotional efforts

b) Organising : The involves, structure, resource allocation, responsibility assignment and delegation of authority etc.

c) Direction : This involves, leadership motivation, communication, and promotional steps including personal selling.

d) Control : This involves, delegation, quota fixing, performance evaluation, incentives and budgets.
e) Co-ordination : This involves, liaison, integration of various elements, internally, P.R. and goodwill by contact with customer/ general public.

2) Staff Functions :

This is related to staff functions of sales force such as the following.
Recruitment and Selection.
Deployment and evaluation of performance
Training and development
Career development.
Compensation and incentives.
Motivation and empowerment.

3) Advisory/ Liaison functions :

a) Advisory Functions :

Assist management in taking policy decision by rendering specialist advice on the following :

- Product attributes/ quality aspects.
- Pricing policies
- Promotional steps and personal selling aspects
- Distribution policies and channel selection criteria
- Advertisement policies such as media selection and target audience.
- Transportation and warehousing aspects.

b) Liaison Functions : Liaison with departments such as the following :

- Production Department.
- Finance Department.
- Marketing Department
- R& D Department.
- Distribution network and
- After Sales Service department.

1.3 PHASES OF EVOLUTION OF SALE MANAGEMENT:-

Broadly speaking evolution of Sales Management developed under the following four phases :

- Pre-industrial Revolution Period.
- Production Oriented Period.
- Sales Oriented Period

These are briefly discussed in subsequent paragraphs.

1. Pre-industrial Revolution Period : Small scale industries/ crafts existed prior to industrial Revolution period. The owner / craftsman turned entrepreneur, looked after all areas and functions of management. These areas are production, finance and design and development. Sales and marketing was never a serious problem in those days since demand far exceeded supplies. Selling was only a part-time job for these entrepreneurs. This job is mostly confined to display or demonstration of their craftsmanship.

2. Production Oriented Period : Industrial Revolution in 1760s heralded this period. Mass production technique introduced during this period, increased the production level manifold. Following were the characteristics of this period.

Prevailed in developed nations in the west till 1930s.
Focus was on manufacturer and production capacity.
Emphasis was laid on production process which yielded higher volumes.
Marketing means “Sell what is produced.” It consists of sales and distribution.
Environment is that of a “Sellers’, Market”.

3. Sales Oriented Period : Economic recession of 1930s was the starting point where demand declined. Mass scale production and unprecedented prosperity, encouraged many to enter into the manufacturing field. Modern factories sprung up in thousands. Supplies far exceeded demand. When competition became a reality – soliciting customers became the major preoccupation of entrepreneurs. Corporate structure was formed when size became large. Specialists were appointed to man different areas of business like manufacture, finance and marketing. Marketing, itself was subdivided into “Sales” and “marketing” to take advantage of specialized knowledge in each field. Following are the characteristics of this period.

Prevalent in developed nations in the past. However still prevalent in developing nations.
Focus is on sales and sales promotion.
Emphasis is on sales volume.
Marketing means “Product does not sell by self –It has to be pushed. Customers are to be manipulated.
Environment is highly competitive where “Supplies are in excess and production capacity is more.”

4. Customer Oriented Period : Globalisation and liberalisation have further increased the competition manifold. In severe competition, high quality and low cost determine survivability of firms. Firms are forced to refocus their attention from that of product (inward looking) to customers (outward looking). Customer satisfaction, loyalty “customer is the king” etc. have become the modern slogans. Importance of technology was realized. Successful industries have become “knowledge based” and “Skill intensive.” Sales department has become more important. Many tasks such as advertisement and sales promotion became increasingly complex. Further specialization has become a reality in marketing department. Sales department activities are supplemented by newly developed specialist departments like advertisement, M.R., export, sales-promotion, merchandising, transport and shipping, credits and collection. Inspite of growing fragmentation of marketing, sales department still occupies a strategically important position. Sales department still continue to be strategically important position. Sales department still continue to be referred to as the "Income-Producing divisions" of the business Following are the characteristics of this period.

- Prevalent in developed nations after 1960s. Developing nations are also following this approach by 1980s.
- Focus is on "Customer satisfaction."
- Emphasis is no "problem-solving" on customer "needs" and "wants" to achieve customer loyalty.
- Marketing means customer satisfaction before, during and after sales.
- Environment is that of "buyers' market" having severe competition.

1.4 Sales Management :-

Sales Management Originally referred exclusively to the direction of sales force personnel. Later, the term took on broader significance-in addition to the management of personal selling, sales management, of all marketing activities, including advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising. In time, business, adopting academic practice, came to use the term marketing management rather than sales management to describe the broader concept. Then the definition committee of AMA agreed that sales management meant the planning, direction, and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying, and motivating as these tasks apply to the personal salesforce".

The AMA'S definition mode sales management synonymous with management of the sales force, but modern sales managers have considerably broader responsibilities. Sales managers are in- charge of personal selling activity, and their primary assignment is management of the personal sales force.

Sales managers are responsible for organising the sales effort, both within and outside their companies. Within the company the sales manager builds formal and informal organization structures that ensure effective communication. Outside the company the sales managers serves as a key contact with customers and other external publics and is responsible for building and maintaining an effective distribution network. They are also responsible for participating in the preparation of information critical to the making of key marketing decision, such as those on budgeting, quota and territories. They participate in decisions on products, marketing channels and distribution policies, advertising and other promotion, and pricing.

1.5 Objectives of Sales Management :-

From the company view point there are three general objectives of sales management.

- Generate sufficient sales volume.
- Contribute towards current profit.
- Ensure continuous growth of the organization.

Top management has ultimate responsibility for the above objectives. However, by authority delegation, top management entrusts this task, through marketing division, to sales department who are the ultimate operational level managers.

1. Sales Volume : This is the sum of sales of all salesmen, put together. By proper planning, sales territories are assigned to salesmen based on sales potential and sales forecast made in the planning stage. Sales volume depends on a number of sales persons. By proper O.R. techniques, optimum sales force is fixed, so that desirable outcome in terms of sales volume is obtained. Top management fixes the economic level of production above break-even point to ensure profitable operation. Sales force must ensure the volume is sufficient to sustain economic production cycle. Techniques used by sales department are many; like personal selling and promotional steps etc. Sales persons are motivated by various methods so that targets are achieved such as quotas, incentives like commissions and sales management by objectives (MBO) etc. Their efforts are supplemented by other marketing efforts like price, product quality, production and distribution.

2) Current profit : Sales Management and financial results are closely linked to each other as evident from the following formulae :

Sales – Cost of Sales	=	Gross Margin	— (1.1)
Gross Margin – Sales Expenses	=	Net Profit	— (1.2)
Cost of Production + Cost of Distribution	=	Cost of Sales	— (1.3)

Sales revenue has been directly linked to the performance efficiency of the sales force. Cost of sales include salary, commission and traveling expenses of sales person. In order to minimize these, all expenses are budgeted and controlled. Secondly optimum level of sales force is determined through scientific methods. Sales force has little control on cost of sales. However, as the sales volume increases this overhead cost per unit comes down. Sales revenue, is related to sales calls, which in turn depends on its frequency and effectiveness of each call.

3) Continued Growth : Survival and success is the basic objectives of any organization. A number of growth strategies are available such as the following :

- Diversification - Concentric or conglomerate.
- Integration - Vertical or horizontal
- External Growth - JV, merger or acquisition.

In all such cases reliable market intelligence is needed on the following :

- Competitive products and customer responses.
- Own products and customer responses.
- New product information
- Customer loyalty and goodwill.

In all these, performance of sales force and quality of their information feedback is vital to know the "needs" and "wants" of customer

1.6 Place of Sales Management :-

Sales Management is a key function in many kinds of enterprises. Manufacturing and wholesaling enterprises encounter a wide range of problems in sales management. Retail Institutions, small and large, have sales management problems, even though the differences (when compared to the problem of manufactures and wholesale)s are so great that retailing problems (at least is the academic world) are ordinarily considered separately. But some retailers have sales management problems more akin to those of manufacturers and whole salers than to those of other retailers, so the sales management is vital in performing the sales activities of the enterprises.

The main perspective in the earlier is that of sales executive as a participant in the marketing management team. Sales executives participate in, and sometimes are primarily or jointly responsible for, formulating strategies on product line, on pricing on physical distribution, on marketing channels, and on promotion. But their focus and primary responsibility consists of either the management of sales personnel or the maintenance of relationships with distributive organizations or both. Thus sales executives play roles both as planer of sales, Operations and as key figure programs but also important aspects of marketing strategies. In marked contrast to other marketing executives, the time orientation of the sales executives, the time orientation of the sales executives stresses the present in getting things done, in marketing plans come true, in turning dreams into reality.

1.7 Summary :-

Sales management is a challenging profession. Top management holds sales executives responsible for obtaining sales volume, handing the selling operations so as to make contributions to profits, and seeing to it that the business continues to grow. Society looks to them to assure the delivery of products that final buyers want and can pay for and to use their influence to see to it that products are "socially responsible".

Sales managers have broad responsibilities. They recruit, select, and train sales personnel, provide them with reasonable assignment and goals, and motivate them to optimum effort. They coordinate the personal selling operation with other order getting methods (such as advertising), with marketing activities of distributive network, and with the implementation of the overall marketing strategy.

1.8 Key words :-

Sales Volume : The Sum of sales of all salesmen put together.
Exchange : Transfer of goods/ services from manufacturer to customers.
Liaison : Interacting with other departments of organization and other institutions
Territory : The geographical area a sales person is assigned.

1.9 Self Assessment Questions :-

1. What do you mean by sales management ? What are the various phases of evaluation of sales management.
2. What are the nature, responsibilities and functions of sales management ? Explain them briefly
3. What are the objectives of sales management ? Explain the role of sales management in business enterprise.

1.10 Further Readings :-

1. Eugene M. Johnson, David Kurtz and Elurand Scheubarg, sales Management, MC Grow- Hill
2. G. David Hughes and charles H. Singler, Strategic Sales Management, Mass Addison Wesley.
3. Richard R. Still, Adward, W. Cundiff and Norman AP. Govoni Sales Management, Decisions, strategies and cabes, Prentic Hall. Inc.
4. Nair N.G and Latha Nair, sales and Distribution Management, Himalaya Publishing House, Mumbai.

- Dr. V. Tulasi Das

LESSON – 2
SALES ORGANISATION AND PURPOSE – BASIC TYPES OF SALES ORGANISATION

OBJECTIVES:

After studying this lesson you should be able to:

- Understand the functions of sales of organization.
- Analyzing organizing the field force.
- Evaluate deferent types of Sales organization.

STRUCTURE :

2.1 INTRODUCTION:

Production, Finance and marketing are the most basic functions in every business firm. Marketing is an important function in every firm, irrespective of whether it is marketing a product or a service. Broadly speaking, marketing is concern with all aspects of the product, pricing, promotion and distribution. In the functional organization, various functions performed as part of the overall marketing function are the basis for organizing the marketing setup. Each function is assigned to a specialist who reports to the marketing manager. The most common functions in marketing are:

- ❖ Sales
- ❖ Distribution
- ❖ Advertising and sales Promotion
- ❖ Marketing research
- ❖ Marketing information system

- ❖ Dealer Development
- ❖ Customer service
- ❖ New product Development
- ❖ Marketing Planning.

The Sales function is performed by a team of sales people who are responsible for actually selling the product or service. The product may be sold directly to the actual customers and this is known as direct sales. Or else the product may be sold to distributors, wholesalers, retailers or other middlemen who in turn sell to the actual customers. This is known as direct selling. A firm may sell either directly or indirectly or use a combination. There are three basic methods in which the sales force may be organized: Geographic division, Product division and Customer or marketing channel division.

2.2 SALES ORGANISATION:-

A good sales organization is a foundation for effective execution of sales policy and sales programme. A sales organization must be planned in detail and all activities should be well co-ordinate and integrated to secure united efforts and maximum efficiency. A sales organization is the medium to execute a sales plan.

Sales organization is used to stain the qualitative and quantitative objectives of personal selling. These objectives are related to sales volume, profitability and market share. Sales organization is used not only to achieve the present objectives, but also to attain a particular future position. Sales organization is a second priority when a typical company starts its operations. It first concentrates on the production and financial aspects. As it evolves it keeps on evolving the production and finance departments, but somehow tends to overlook the sales function. It is kept constant without much alternation as the company evolves. What changes are the selling style and the size of the sales force. Sales organization must be adapted to the changing environment.

Sales and marketing may continue to be organized as two separate departments and there may be frequent clashes between the two. The sales department may feel that its existence is being threatened by the marketing department which has grand designs for its takeover. The marketing department, in its place may feel that the sales people are unnecessarily putting obstacles in the way of integrating all the marketing activities including sales. The root cause of all such conflicts is the lack of understanding that sales is a part and parcel of marketing and needs the support of other departments to be truly effective.

Sales organization is the counterpart of factory. Just as the factory produces goods on a mass scale. In the same manner, the sales department with the help of salesmanship, advertising and sales promotion, produces mass markets and brings about mass distribution through multiple channels of distribution. In a good sales organization, all departments are carefully planned. There is adequate coordination among all the departments. Each department or section should be self-contained and there should not be overlapping of functions. Division of labour and proper delegation of authority create a sound sales organization. At the top, we have a general sales manager, the chief executive of the sales organization incharge of planning, organizing, directing and controlling all the activities relating to the selling function. He may have an assistant sales manager to relieve him of some of his responsibilities which can be delegated to his deputy.

2.3 IMPORTANCE OF SALES ORGANISATION

The sales manager is responsible for coordinating and controlling all the activities of the department with the help of competent executives.

A sales organization is like a power station sending out energy which is devoted to the advertising and selling of particular lines and there is tremendous loss of energy between the power station and points where it reaches the consumers. Therefore, there arises the great necessity of planning, organizing and controlling all sales efforts through a sound sales organization to prevent wastage in distribution.

Sales manager must be skilled in planning, organizing, co-ordinating and controlling all sales operations and must assure the optimum contribution of personal selling efforts to the overall marketing objectives of the company.

2.4 FUNCTIONS OF SALES ORGANISATION

The basic function of sales organization can be categorized into three groups.

1. Administrative functions
2. Operating functions
3. Staff functions.

1. Administrative Functions: The administrative functions of sales organization are:

- Sales policies
- Sales planning
- Sales programme
- Evaluation of performance
- Controlling cost
- Direction and motivation
- Dealer relations
- Co-ordination and communication

2. Operating Functions: The operating functions of sales organizations are included:

- Recruitment
- Selection
- Training
- Routing
- Controlling
- Equipping and leading
- Supervising
- Evaluating sale quotas
- Sales territories
- Physical distribution problems
- Coordinating sales and advertising.

3. Staff Functions: The following are the staff functions of sales organization specialist acting as guides and advisers:

- Marketing research
- Advertising
- Sales promotion
- Merchandising and product development
- Sales analysis
- Dealer relations
- Sales personnel
- Transportation and warehousing problems
- Sales planning programming
- Counseling to sales people.

2.5 KINDS OF SALES MANAGER

1. The administrative sales manager:- He is just like marketing manager. In a larger company, a sales organization usually has an administrative sales manager. He has to develop the structure of the sales organizations lay down procedures and policies, direct the staff, hold sales meetings, coordinate marketing with other company activities. He is also responsible for planning and control of all marketing activities.

2. The operating of field sales manager:- He is line manager reporting directly to marketing manager or administrative sales manager. He is responsible for management and development of sales personnel. He has to execute the sales plan. A successful salesman usually becomes a field sales manager. He looks after recruitment, selection, training, supervision, evaluation and control of sales force.

In a small firm, we have a sales manager who looks after both administrative (planning) as well as operating (doing) duties and responsibilities.

2.6. PURPOSES OF SALES ORGANISATION

Good organization avoids overlapping of wok load and wastage of efforts. It also avoids the friction involved, and results in organizational cooperation. As in any organization, there are informal groupings in a formal sales organization. These should be used strategically for the benefit of the formal organization.

1. Sales organization allows delegation of authority and assignment of responsibility. Specialized tasks are performed by persons best suited to do so.

2. Sales organization is used to achieve coordination and balance. These should be team work. Motivation to strive towards the common goal in the individuals also enables coordinated functioning.

3. In a sales organization the authority flows from the top down to the field level salesmen. The reporting is upwards. This is essentially a line structure. In line structure, there is unity of command – One subordinate report to one boss only. In a growing organization however, there is a need to have functional specialists like distribution manager, logistics manager, marketing research manager, product manager and promotion manager.

4. A good sales organization economizes on executive time. Top executives manage by exception. In a good organization, the proper span of control is expected. A large span is possible when the coordinator is having skills to co-ordinate such a large number. Lower level sales executives have a larger span. Higher level executives have to devote time to planning and conceptualization. The spans are therefore, kept narrow. The span also depends upon the abilities of the subordinates. Structured tasks enable a wider span. Concentration of subordinates' one location also enables us to have a wider span. Good communication system allows us to widen the span.

2.7 . TYPES OF SALES ORGANISATION

1. Line sales organization: Mostly sales is a line function. There is a chain of command running from the top sales executive down to the level of a sales representative. The executive here enjoys line authority over subordinates. The subordinates are accountable to their immediate superiors. There is a vertical line of command. All functions are therefore autonomous in respect of their work on the same level.

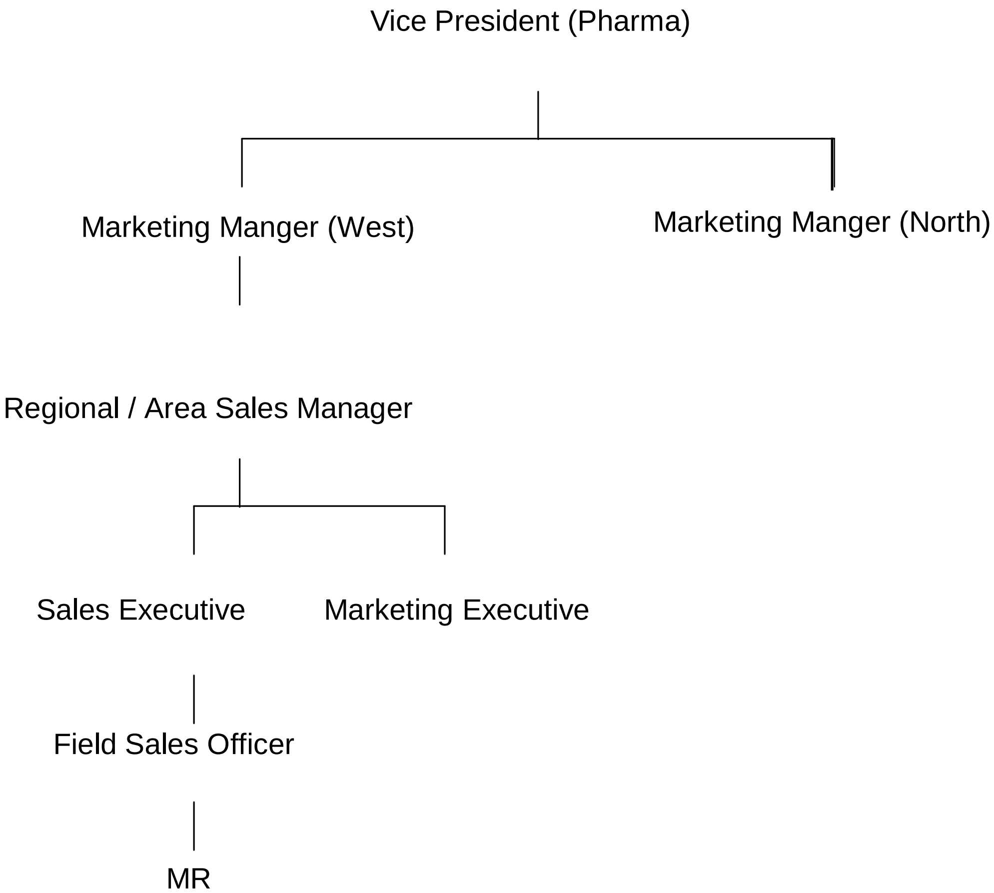

Fig : Line Sales Organisation

2. Line and staff sales organization: Here diversified product range is sold. The organization has grown too. The line executive needs staff advising assistance. The advisors are competent experts in their own field, e.g. sales training, sales analysis planning, sales promotion, marketing research etc. These experts do not have line authority or command the subordinates. They just provide competent advice to the line executives. The line gets unburdened to some extent. The line executives leave complicated problems at the door of staff specialists for solution. Even planning activity can be shared. There is a problem of co-ordination in this type of structure. There are sometimes problems of inter-personal conflict between line and staff.

Line executives are in command, and have power. Staff does not enjoy the power to command. They may become back room boys. However, the staff does not have to share the responsibility for results. These problems can be minimized by properly allocated the work load between them, and a sense of mutual respect and understanding.

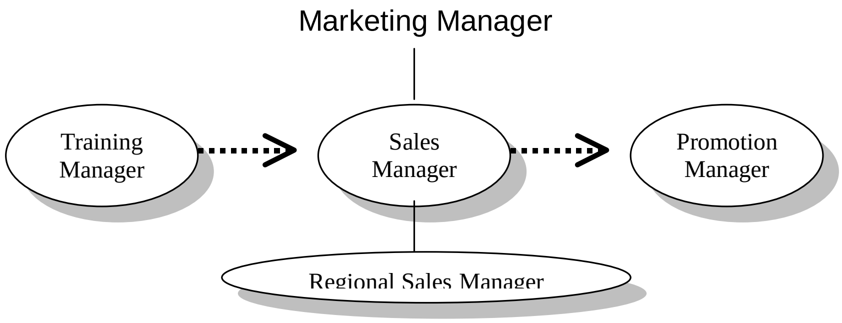

Fig. Line and Staff Structure

3. Functional sales organization:-

In industrial selling, companies sometimes separate their sales forces into development and maintenance sales teams. The development sales people are highly trained in handling very technical new products. They will spend considerable time over coming commercial, technical and installation problems for new customers.

A major reason why companies have moved to a development/maintenance structure is the belief that one of the causes of new-product failure is the inadequacy of the sales force to introduce the product. Perhaps the cause of this failure is the psychological block each salesperson faces interms of possible future problems with the buyer-seller relationship if the product does not meet expectations. Because of this, the salesperson is likely to doubt the wisdom of giving an unproven product his/her unqualified support. Employment of a development sales team can reduce this problem, although it is often only large companies which can afford such a team. Its use can provide other advantages, including clarity of purpose, effective presentation and reliable feedback from the marketplace. Some pharmaceutical companies use this form of sales force organization.

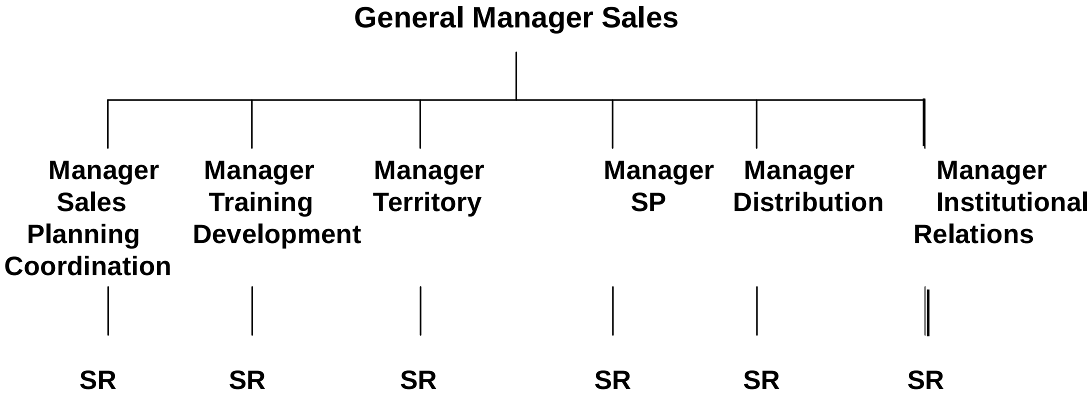

Fig: Functional Sales Organization

2.8. ORGANISING THE FIELD FORCE

There are several ways to organize the sales representatives – on the basis of products, on the basis of customers and products, on the basis of geographical territories.

1. Geographic organization:- It is the most extensively used methods. An advantage of this form of organization is its simplicity. Each salesperson is assigned a specific geographic area. These activities are kept limited to that area. The organization is in a better position to respond to local needs. This organization is flat (rather than tall), and there is a short-line of communication. Proper routing makes travel plans easier. However, administrative burden of offices and coordination are problems. This type is suitable when the line is limited.

A potential weakness of the geographical structure is that the salesperson is required to sell the full range of the company's products. They may be very different technically and sell in to a number of diverse markets. In such a situation it may be unreasonable to expect the salesperson to have the required depth of technical knowledge for each product and be conversant with the full range of potential applications within each market. This expertise can only be developed if the sales person to have the required depth of technical knowledge for each product and be conversant with the full range of potential applications within each market. This expertise can only developed if the sales person is given a more specialized role. A further related disadvantage of this method is that, according to Moss, salespeople in discrete geographical territories, covering all types of customer, are relatively weak in interpreting buyer behaviour patterns and reporting about changes in the operational circumstances of customers compared with salespeople organized along more specialized lines.

Marketing Manager (All India)

Sales Manager (All India)

Area Sales Manager North: Delhi-based	Area Sales Manager South: Chennai based	Area Sales Manager West: Mumbai-based	Area Sales Manager East: Calcutta-based

Area Sales Officer

SRs

Fig: Geographic Organisation

2. Product organization:- When a firm has a wide range of products, each significantly different from the other in terms of its physical or technical characteristics, the sale force is usually organized around each distinct product or product group. The basis for differentiating the products may be the technical process involved or the customer characteristics so that the sales man specialized knowledge of technology or the customers can be efficiently used. Thus there is a separate sales force for each product. Johnson and Johnson Ltd. In India markets a range of baby care products soap, cream, oil, lotion and a range are marked by two separate divisions each having its own sales force.

Sales Manager: (All India)

Regional Manager (South)

SRs for Medical Instruments	SRs for Diagnostic equipment	SRs for Pharma ceuticals	SRs for bulk drugs	SRs for Home remedies	SRs for insecticides

Fig: Product Organization

3. Customer organization:- Another basis for organizing the sales force is different customer groups served or the marketing channel used to reach the customers. A company marketing television sets has two distinct sales teams. One team serves the distributor and whole sales while the other team is engaged in selling to institutions such as hotels, schools and universities which buy in large numbers. The company finds it useful to have this distinction because the methods and channels used for selling to these two customer groups are totally different. Many companies also find it useful to have separate sales teams to sell to the private sector and to the public sector and government bodies.

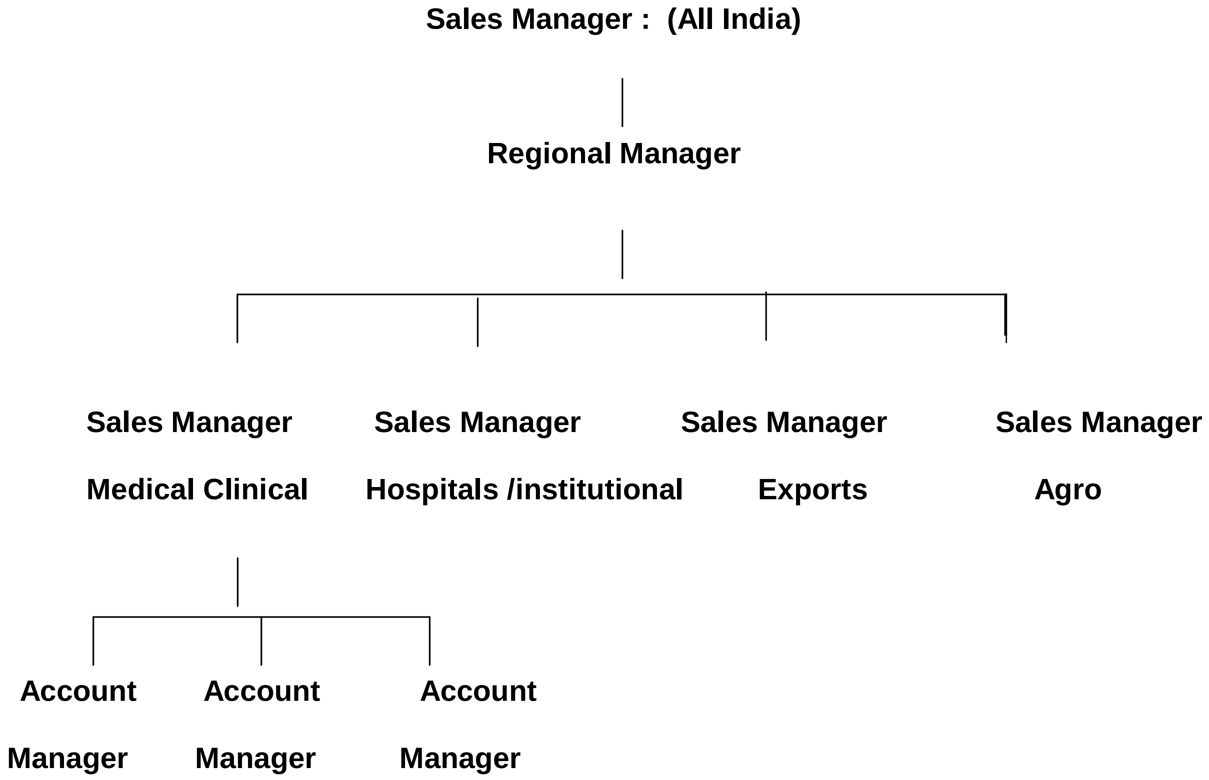

Fig: Customer organisation

4. Combining more than one basis of organization:- Most companies use a combination of the above to divide the line authority. The selling task is sub-divided to permit greater specialization. Mostly, all large companies have geographic sub-division. In addition, there can either be product-type or customer-type system. To signify greater emphasis of geographical differences, the primary sub-division at the top is geographic, with product or customer type system at the lower level. In case we want to underplay the geographic differences, we can have product or customer type system at the top and geographic sub division at the lower level. The most important factor in marketing is the primary basis for sub-division at the top, and the lesser factors account for further sub-division down below.

5. **Centralization vs. Decentralization:** In a highly centralized organization, the sales function and the tasks associated with it are managed from corporate head quarters. In a decentralized organization, field sales managers mostly do recruitment, training, evaluation and compensation of sales representatives. The degree of centralization and decentralization depend upon the size of operation, effectiveness and competitive necessity. In a growing organization, there is a tendency to decentralize. Medium-sized firms have both centralized and decentralized portions computerization and IT has recently led to some amount of centralization.

2.9 SUMMARY:

A good sales organization is a foundation for effective execution of sales policy and sales programme. A sales organization must be planned in detail and all activities should be well co-ordinate and integrated to secure united efforts and maximum efficiency. A sales organization is the medium to execute a sales plan.

Sales organization is the counterpart of factory. Just as the factory produces goods on a mass scale. In the same manner, the sales department with the help of salesmanship, advertising and sales promotion, produces mass markets and brings about mass distribution through multiple channels of distribution. In a good sales organization, all departments are carefully planned. There is adequate coordination among all the departments. Each department or section should be self-contained and there should not be overlapping of functions. Division of labour and proper delegation of authority create a sound sales organization.

Sales manager must be skilled in planning, organizing, co-ordinating and controlling all sales operations and must assure the optimum contribution of personal selling efforts to the overall marketing objectives of the company.

The basic function of sales organization can be categorized into three groups. 1) Administrative functions 2) Operating functions 3) Staff functions.

Good organization avoids overlapping of wok load and wastage of efforts. It also avoids the friction involved, and results in organizational cooperation. As in any organization, there are informal groupings in a formal sales organization. These should be used strategically for the benefit of the formal organization.

Types of Sales Organization such as: 1) Line sales organization 2) Line and staff sales organization 3) Functional sales organization.

There are several ways to organize the sales representatives – on the basis of products, on the basis of customers and products, on the basis of geographical territories.

2.10 KEY WORDS:

Sales Organisation: A good sales organization is a foundation for effective execution of sales policy and sales programme. A sales organization must be planned in detail and all activities should be well co-ordinate and integrated to secure united efforts and maximum efficiency. A sales organization is the medium to execute a sales plan.

Line sales organization: Mostly sales is a line function. There is a chain of command running from the top sales executive down to the level of a sales representative. The executive here enjoys line authority over subordinates. The subordinates are accountable to their immediate superiors. There is a vertical line of command. All functions are therefore autonomous in respect of their work on the same level.

Functional sales organization: In industrial selling, companies sometimes separate their sales forces into development and maintenance sales teams. The development sales people are highly trained in handling very technical new products. They will spend considerable time over coming commercial, technical and installation problems for new customers.

Product organization:- When a firm has a wide range of products, each significantly different from the other in terms of its physical or technical characteristics, the sale force is usually organized around each distinct product or product group.

2.11 SELF ASSESSMENT QUESTIONS:

1. What is the importance of sales organization? Discuss various functions of organization.
2. Discuss various types of sales organization.
3. What are the ways to organize the sales representatives?
4. What is the purpose of sales organization?

2.12 FURTHER READINGS:

1. Marketing Management, SA. Sherlekar, Himalaya Publishing House, New Delhi.
2. Sales Promotion and Advertising management, MN. Mishra, Himalaya Publishing House, Hyderabad.
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LESSON – 3

SALESMANSHIP

3.0 Objectives:-

After going through this lesson you should be able to:

- Define salesmanship
- Explain the seller-buyer dyads
- Describe the theories of selling
- Describe the prospecting and sales resistance

Structure :

3.1 Introduction :

Sales management, personnel selling, and salesmanship are all related. Sales management directs the personnel selling effort, which, in turn, is implemented largely through salesmanship. In managing personal selling, the sales executive must understand the many activities comprising the sales persons job (including salesmanship) know the problems sales personnel meet, (including many is slaes man ship) and suggest solutions (including ways to handle problems in salesmanship). Personal selling is a broader concept than salesmanship. Salesmanship is one of the skills used in personal selling. "It is the art of successfully persuading prospects or customers to buy products or services from which they can derive suitable benefits, there by increasing their total satisfaction".- Irving J. Shapiro

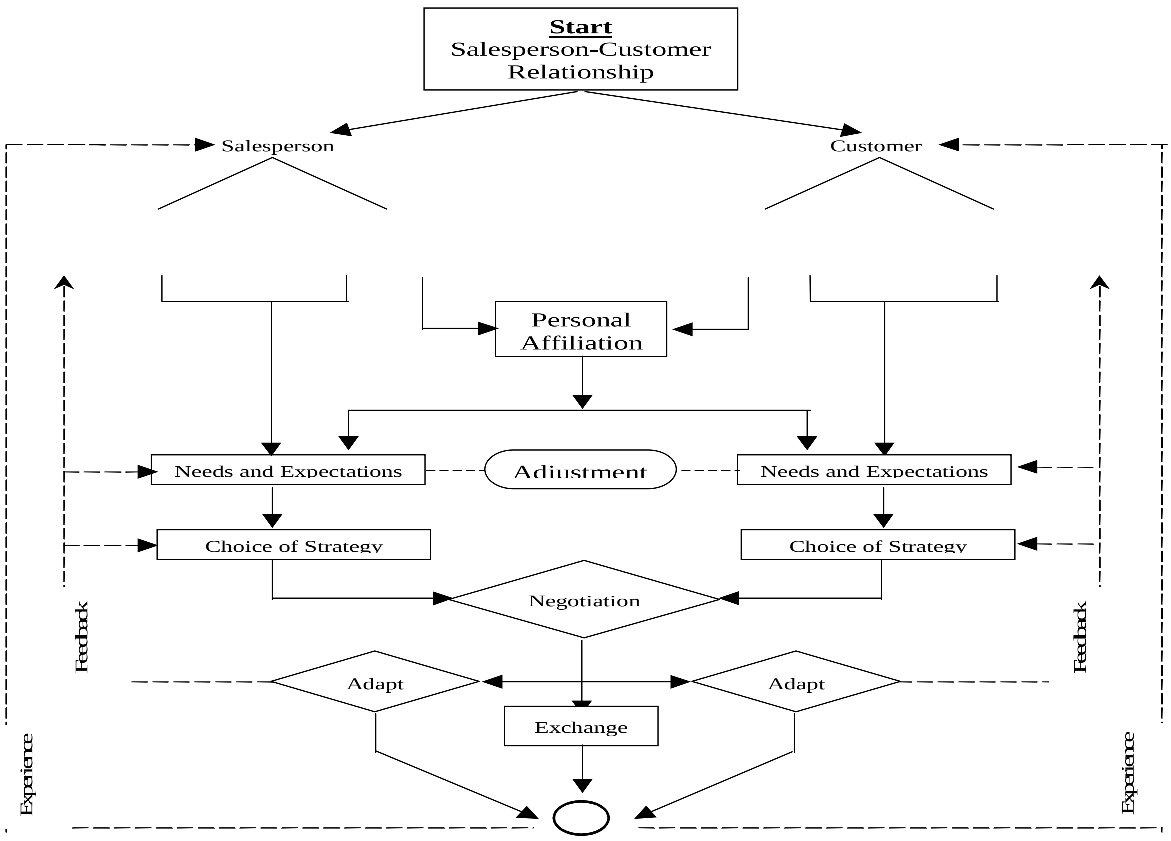
Salesmanship, then, is seller –initiated effort that provides prospective buyers with information and other benefits, motivating or persuading them to decide in favor of the seller's products or service. Sales personnel interact in diverse ways with the different customer's personnel. Effective sales personnel adjust their personalities on every call, making sure that what they say and do is compatible with each prospect's personality. The sales executives needs to know a great deal about personal selling and salesmanship. Successful sales executives know the theoretical aspects and have learned, usually through field experience, how the theories related to and workout in practice. So, sales executives must be in close enough touch with actual selling situations – and the continual changes in them-to under stand the problem that sales personnel face daily.

3.2 Buyers-Sellers Dyads the Concept and Process :-

Fundamental to understanding salesmanship is recognition that it involves buyer-seller interactions. The term 'dyad' is a situation in which two persons interact. Salesman and prospective customer (prospect) meeting is an example of 'dyad'. Advertisement is another attempt of dyad where a prospect reads the product. Through advertisement and personal selling the supplier tries to influence the buyer to buy the product. This is an act of influencing in favour of the sellers. Whether this influence leads to actual buying (favourable response) depends on the effectiveness or otherwise of the nature of interaction Viz., the "dyad'.

Figure 3.1 is a conceptual model of sales 'person-buyer' dyadic relationship. This model developed after an extensive literature search, views the sales process as being influenced by both sales person and buyer, each focal person influenced by personal characteristics and role requirements. Personal characteristics including personality, values, attitudes, past experiences, and the like. Role set requirements interact with personal characteristics to shape needs and expectation. Focal persons' perceptions of each other' needs may lead to adjustments of their own. Based on individual needs and expectations, each focal person develops a strategy aimed to negotiate a favorable exchange. That strategy may embrace persuasion, ingratiation, communication of facts or offers, friendship, and other elements. If the strategies are compatible, an exchange takes place other wise, the salesperson and the buyer may stop interacting, or based on feedback from the successful negotiation, either or both may adopt by altering strategy, attempting to adjust needs and expectations or modifying role requirement.

Figure : 3.1 Conceptual Model of "Salesperson-Buyer" Dyadic Relationships



SOURCE : "The Personal Selling Process : A Critical Review and Model," by Rosann L. Spiro, William D. Perrault, Jr., and fred d. Reynolds, Industrial Marketing Management, Vol. 5, p. 353. Elsevier Science Publishing Co., Inc.

3.3 Diversity of Personal Selling Situations :

Considerable diversity exists among personal-selling situations, and it is helpful to distinguish between service and developmental selling. Service selling aims to obtain sales from existing customers whose habits and patterns of thought are already conducive to such sales. Developmental selling aims to convert prospects into customers.

Different sales positions require different amounts and kinds of service and developmental selling. McMurry and Arnold classify positions on a spectrum ranging from the very simple to the highly complex. They categorize sales positions into three mutually exclusive groups each containing subgroups, a total of nine subgroups in all :

Service Selling :

1. Inside Order Taker- "waits on" customers; for example, the sales clerk behind the neckwear counter in a men's store.

2. Delivery Salesperson – mainly engages in delivering the product; for example, persons delivering milk, bread, or fuel oil.

3. Route or Merchandising Salesperson – Operates as an order taker but works in the field- the soap or spice salesperson calling on retailers is typical.

4. Missionary – aims only to build goodwill or to educate the actual or potential user, and is not expected to take an order; for example, the distiller's "missionary" and the pharmaceutical company's "detail" person.
5. Technical Salesperson – emphasizes technical knowledge; for example the engineering salesperson, who is primarily a consultant to "client" companies.

Developmental Selling:

6. Creative Salesperson of Tangibles-for example, salespersons selling vacuum cleaners, automobiles, siding, and encyclopedias.

7. Creative Sales person of Intangibles – for example, salespersons selling in surance, adverting services, and educational programs.

Basically Developmental Selling, but Requiring Unusual Creativity

8. "Political," "Indirect" or "Back-Door" Salesperson- Sells big-ticket items, particularly commodities or items with no truly competitive features. Sales are consummated through rendering highly personalized services to key decision makers in customers' organization.

9. Sales person Engaged in Multiple Sales – Involves sales of big-ticket items where the salesperson must make presentations to several individuals in the customer's organization, usually a committee, only one of which can say "yes".

The more developmental selling required in a particular sales job and the more complex it is, the harder it is to make sales. The amount and kind of developmental selling depends upon the natures of prospects and customers, on the one hand, and the nature of products, on the other hand.

3.4 Theories of Selling :

In this section we examine four theories. The first two, the "AIDAS' theory and the "right set of circumstances" theory, are seller oriented. The third, the "buying-formula" theory of selling, is buyer oriented. The fourth, the behavioral equation, exphasizes the buyer's decision process but also takes the sales person's influence process into account.

1) AIDS Theory of Selling :

This theory-popularly known as the AIDAS theory, after the initials of the five words used to express it (attention, interest, desire, action, and satisfaction) –is the basis for many sales and advertising texts and is the skeleton around which many sales training programs are organized. During the successful selling interview, according to this theory, the prospect's mind passed through five successive mental states: attention, interest, desire, action, and satisfaction. Implicit in this theory is the notion that the prospect goes through these five stages consciously, so the sales presentation must lead the prospect through them in the right sequence if a sale is to result.

This theory implies a successful salesman must be able to induce these five mental states' in their proper sequence, which leads to purchase by the customer. Introduction by known friends, affiliation in common organization like Lions, Rotary Clubs etc., assist securing attention and starting conversation. Interest is created by presenting sample or focusing a product attribute which is of special interest to the prospect. This is called selling appear which vary with type of customer depends on their age, status, sex and other democratic characteristics. Desire must be kept up by continuing conversation and focusing on the product even against intentional or otherwise obstructions like interruption diversions and objection. Action is buying. When customer reaches the right level of mental state this must be initiated. Choosing right time to get an 'yes' is very important. Getting order is the starting point of serving the customer. Customer should be re-assured that he made a right decision. After sales support is an important activity have to get customer satisfaction.

2. "Right set of Circumstances" Theory of Selling :

Every thing was right for that sale" sums up the second theory. This theory, sometimes called the "situation –response" theory, had its psychological origin in experiments with animals and holds that the particular circumstances prevailing in a given selling situation cause the prospect to respond in a predictable way. If the sales person succeeds in securing the attention and proper stimuli or appeals, the desired response (that is, the sale) will result.

Furthermore, the more skilled the salesperson is in handling the set of circumstances, the more predictable is the response. Proponents of this theory tend to stress external factors and at the expense of internal factors. They seek selling appeals that evoke desired responses. Sales personnel who try to apply the theory experience difficulties traceable to internal factors in many selling situations, but the internal factors are not readily manipulated. This is a seller-oriented theory : it stresses the importance of the salesperson controlling the situation, does not handle the problem of influencing factors internal to the prospect, and fails to assign appropriate weight to the response side of the situation-response interaction.

3. " Buying Formula" Theory of Selling:

In contrast to the two previous theories, the third emphasizes the buyer's side of the buyer-seller dyad. The buyer's need or problems receive major attention, and the salesperson's role is to help the buyer find solutions. This theory purports to answer the question : What thinking process goes on in the prospect's mind that causes the decision to buy or not to buy?

The buying formula is a schematic representation of a group of responses, arranged in psychological sequence. The mental processes involved in a purchase are.

need (or problem) → solution → purchase

Because the outcome of a purchase affects the chance that a continuing relationship will develop between the buyer and the seller, and because nearly all sales organizations are interested in continuing relationships, it is necessary to add a fourth element. The four elements then, are

need (or problem) → solution → purchase → satisfaction

Whenever a need is felt, or a problem recognized, the individual is conscious of a deficiency of satisfaction. In the world of selling and buying, the solution will always be a product or service or both, and they will belong to a potential seller.

In purchasing, then, the element " Solution" involves tow parts : (1) product (and/or service) and (2) trade name (name of manufacturer, company, or sales person).

In buying anything, the purchaser proceeds mentally from need or problem to product or service, to trade name, to purchase, and upon using the product or service, he or she experience satisfaction or dissatisfaction. Thus, when a definite buying habit has been established, the buying formula is :

need or → Product and /or trade name→ purchase → satisfaction/
Problem service dissatisfaction

To ensure purchase, the product or service and the trade name (that is, the source of supply) must be considered adequate, and the buyer must experience a (pleasant)feeling of anticipated satisfaction when thinking of the product and/or service and the trade name. In many cases, an item viewed as adequate is also liked, and vice versa, but this is not always so. With adequacy and pleasant feelings included, the buying formula becomes.

Adequacy Adequacy

need or → Product and /or trade name→ purchase → satisfaction/
Problem service dissatisfaction

Pleasant feeling Pleasant feeling

When a buying habit is being established, the buyer must know why the product or service is an adequate solution to the need or problem and why the trade name is the best one to buy. The buyers also must have a pleasant feeling toward the product or service and the trade name.

The primary elements in a well-established buying habit are those connected by solid lines, on the central line of the formula. Most purchases are made with scarcely a thought as to why, and with a minimum of feeling. And it should be the constant aim of the salesperson and advertiser to form such direct associations. Reasons (adequacy of solution) and pleasant feelings constitute the elements of defense in the buying habit. As along as they are present, repeat buying occurs.

4. "Behavioral Equation" Theory :

Using a stimulus-response model (a sophisticated version of the "right set of circumstances" theory), and incorporating findings from behavioral research, J.A Howard explains buying behavior in terms of the purchasing decision process, viewed as phases of the learning process.

Four essential elements of the learning process included in the stimulus response model are drive, cue, response, and reinforcement, described as follows :

1. Drives are strong internal stimuli that imple the buyer's response. There are two kinds :
   a. Innate drives stem from the physiological needs, such as hunger, thirst, pain, cold and sex.
   b. Learned drives, such as striving for status or social approval, are acquired when paired with the satisfying of innate drives.

2. Cues are weak stimuli that determine when the buyer will respond.
   a. Triggering cues activate the decision process for any given purchase.
   b. Nontriggering cues influence the decision process but do not activate it, and may operate at any time even though the buyer is not contemplating a purchase. There are two kinds:
      1. Product cues are external stimuli received from the product directly, for example, color of the package, weight, or price.
      2. Informational cues are external stimuli that provide information of a symbolic nature about the product. Such stimuli may come from advertising, conversations with other people (including sales personnel), and so on.

   c. Specific product and information cues may also function as triggering cues. This may happen when price triggers the buyer's decision.

3. Response is what the buyer does.
4. A reinforcement is any event that strengthens the buyer's tendency to make a particular response.

Prof. Howard incorporates these four elements into an equation:

$$B = P \times D \times K \times V$$

Where

B = Response or the internal response tendency, that is, the act of purchasing a brand or patronizing a supplier

P = Predisposition or the inward response tendency, that is, force of habit

D = Present drive level (amount of motivation)

K = "Incentive Potential," that is, the value of the product or its potential satisfaction to the buyer.

V = intensity of all cues : triggering, product, or informational

The relation among the variables is multiplicative. Thus, if any independent variable has a zero value, B will be zero and there is no response. No matter how much P there may be, for example, if the individual is unmotivated (D=0), there is no response.

Each time there is a response –a purchase – in which satisfaction (K) is sufficient to yield a reward, reinforcement occurs and technically, what is reinforced is the tendency to make a response in the future to the cue that immediately preceded the rewarded response. After reinforcement, the probability increases that the buyer will buy the product (or patronize the supplier) the next time the cue appears–in other words, the buyer has learned.

a) Buyer-seller dyad and reinforcement :- In the interactions of a sales person and a buyer, each can display a type of behavior that is rewarding, that is reinforcing, to the other. The salesperson provides the buyer with a product (and the necessary information about it and its uses) that the buyer needs; this satisfaction of the need is rewarding to the buyer, who, in turn, can reward the salesperson by buying the product. Each can also reward the other by another type of behavior that of providing social approval. The salesperson gives social approval to a buyer by displaying high regard with friendly greetings, warm conversation, praise, and the like.

b) Salesperson's influence process : The process by which the salesperson influences the buyer is explainable in terms of the equation B = P X D X K X V. The salesperson influences P (Predisposition) directly, for example, through interacting with the buyer in ways rewarding to the buyer. The greatest effect on P however, comes from using the product. The salesperson exerts influence through D (amount of motivation), this influence being strong when the buyer seeks information in terms of informational cues. If the ends to be served are not clearly defined, by helping to clarify these, the buyer's goals, the salesperson again exerts influence through D. When the buyer has stopped learning-when the buyer's buying behavior becomes automatic-the salesperson influences D by providing triggering cues. When the buyer has narrowed down the choices to a few sellers, the salesperson by communicating the merits of the company brand, can cause it to appear relatively better, and thus affect K(its potential satisfaction for the buyer). Finally, the salesperson can vary the intensity of his or her effort, so making the difference in V(the intensity of all cues).

c) Salesperson's role in reducing buyer dissonance : According to Festinger's theory of cognitive dissonance, when individuals choose between two or more alternatives, anxiety or dissonance will almost always occur because the decision has unattractive as well as attractive features. After decisions, people expose themselves to information that they perceive as likely to support their choices, and to avoid information likely to favor rejected alternatives.

Reducing pre-and post decision anxiety or dissonance is an important function of the salesperson. Recognizing that the buyer's dissonance varies both according to whether the product is an established or a new one, and whether the salesperson-client relationship is ongoing or new, these are four types of cases involving the salesperson's role.

1. An established Product : An ongoing salesperson-client relationship. Unless the market is unstable, the buyer tends toward automatic response behavior, in which no learning is involved and thus experiences little, if any, dissonance; but insofar as it does occur, the salesperson is effective because the salesperson is trusted by the buyer.

2. An established product - A new salesperson-client relation ship : The salesperson, being new, is less effective in reducing dissonance.

3. A new product – an ongoing salesperson – client relationship. : Unless the buyer generalizes from personal experience with an established similar product, the buyer experiences dissonance, especially if it is an important product. Because of the established relationship with the buyer, the salesperson can reduce dissonance.

4. A new product – a new salesperson-client relationship: The buyer needs dissonance reduction, and the salesperson is less capable of providing it.

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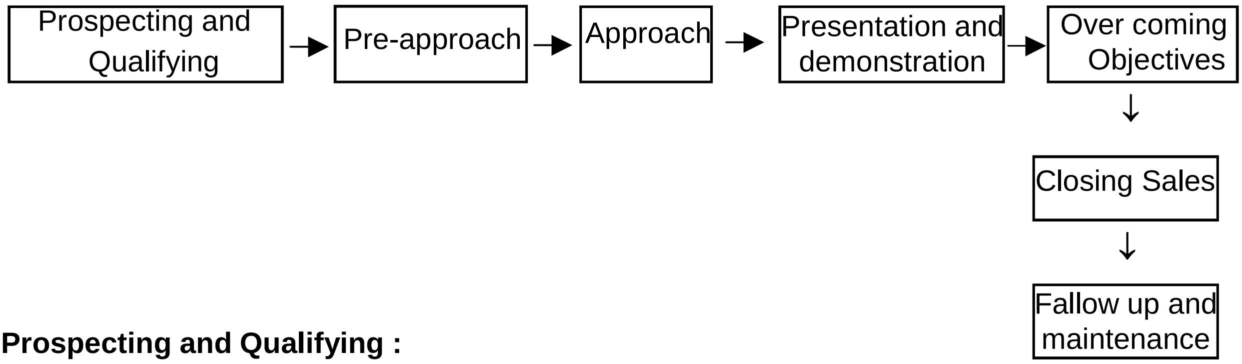
3.5 Major steps is effective selling :-

Efficient organization of time and thorough planning of work are earmarks of above average sales persons. They look for ways to stretch productive selling time. They arrange travel and call schedule to economise on time. Spent on route and distance traveled. Effective sales persons have more than instinct; they are trained in methods of analysis and customer management. The effective selling process consists of the fallowing steps :

Figure 3.2 : Steps in Effective Selling.



Prospecting and Qualifying :

The first step in selling is to identify and qualify prospects. Potential buyers are prospects. Finding and identifying them is called prospective. Prospects must have characteristics like unsatisfied needs, ability (disposable income) and willingness to buy the product Identifying the right prospect assist the salesman's efficiency in the sales very much.

Pre-approach : Before actually visiting the prospects, sales people must know the present consumption and usage needs, problems, preferences, alternatives, interest, weakness if any, of prospects.

Approach : Each prospect is unique. Here separate/ unique strategy (approach) is planned for each prospect based on knowledge gained in pre-approach stage. The various types of approaches are; preference approach, Getting reference/ introduction, by known friends of buyers, benefit approach. This indicate sharing benefit of product, sample approach. By offering samples to influence prospect, Mutual approach. Here prospect is considered supreme.

Presentation and Demonstration:

There are certain modern methods like AIDAS (Attention, Interest, Design, Action and Satisfaction) in influencing prospects. In addition to that the following approaches are following

Canned Approach: Memorised sales talk convincing the buyer. This is stimuli-reaction approach,

Formulated Approach : Identify buyers need and style and meet both. Need satisfaction: The sales person hold discussion and debate with buyer and convince him.

Handling Objectives:-

Buyers may have objection-psychological or rational. Psychological objections may be subjective or attitudinal. Rational objective is on quality, price and utility sales executive must convince the prospect by cogent argument.

Closing : He should look for the right movement to clinch the deal. This is called ' Closing'. Proper gestures/ gesticulation or body language must be read carefully. Unnecessary prolonging presentation may be counter productive.

Follow up and Maintenance :

Begins when prospect signs order. He dispatches the item, arranges delivery, arranges grant of Credit, assures about his wisdom of buying and ensures after sales service. Proper fallow up assists second purchased and recommendation to friends. Successful sales person never stop serving customers. In addition to handling complaints they keep customer informed about the latest products or services, fulfil reasonable request, and provide other forms of assistance. The sales people should also appreciate the customers by thanking customers for their business. Small gifts cam be given after sales and at appropriate times during the years. Sales person should try to make self analysis for evaluating their own selling performance and methods. A sales person should analyse every call to determine what factors influenced its eventual outcome. Self analysis is a very useful tool in improving overall sales effectiveness.

3.6 Summary :-

Sales executives must understand the jobs of those reporting to them. Of the tasks assigned to sales personnel, among the most important are those requiring application of selling techniques. When sales executives understand the tasks assigned to sales personnel, and have insight into how these tasks affect the thought processes and behavior patterns of sales personnel, they are ready to manage sales personnel. They have the necessary background to train sales personnel, to direct the sales force's efforts, and to evaluate individual salesperson's achievements.

3.7 Keywords :-

Trade Selling : Long term business relationship with a stable group of customers like wholesalers or retailers.

Missionary Selling : When salesman presses indirect customers to buy projects.

Technical Selling : Providing technical advice assistance as part of sales job.

Prospect : Potential customer

Stimulate Demand : Increasing demand by ways of introducing product to consumer to reduce reluctance.

Dyad : Is a situation in two persons interact.

3.6 Self Assessment Questions :-

1. What do you mean by the term “ Theories of selling” ? Explain them briefly
2. Define Dyad. Explain the process of ‘Dyad’.
3. Define salesmanship bringing out clearly the concept process of salesmanship in selling.

3.9 Further Readings :-

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- Dr. V. Tulasi Das

LESSON – 4

CHARACTERISTICS OF SUCCESSFUL SALESMAN

4.0 Objectives :

After reading this lesson, you should be able to :

- ❖ Outline the duties responsibilities and functions of sales executives.
- ❖ Identify in detail the important personality traits to perform sales job effectively.
- ❖ Elaborate how to improve personality to suit sales job.

Structure :

4.1 INTRODUCTION :

Sales Job vary from company to company and from position to position within companies, but all are responsible for making decisions and seeing to it that others carry them out. However, in marked contract to the Jobs of other marketing executives, the Job of sales executive is more action oriented and less planning oriented. The sales executives plans cover rather short periods and concerns near-term personal-selling objectives and how to attain them. To perform all, what qualification, qualities and characteristics must sales executives have to make Job Success ? They require a base of experiential and other knowledge, much of which may not be very explicit; this base provides a 'feel' for problems and possible solutions. They need keen awareness of company and sales department goals. They must recognise the key features distinguishing the sort of company that top management trying to build and they must visualise the nature and type of contributions the sales department can make towards realising the future "Company image".

4.2 DUTIES AND RESPONSIBILITIES OF SALES EXECUTIVES :

In working towards achievement of the Primary Job activities, the sales executive is expected to be concerned with.

1. **Sales Program :** He formulates the sales objectives both short term and long term in consultation with the marketing department; sets sales, profit growth, market share and other goals. He arranges for the development of detailed sales programs designed to improve competitive position, reduce setting and other expenses. He formulate and review and policies related to sales, pricing, distribution, promotion and designed sales strategies.

2. **Organization** : The sales manager establishers and effective plan of an organisation and methods of controlling the activities of subordinates, that will provide sufficient time for caring out responsibilities.

3. **Sales Force Management :** The sales manager identifies promising sources for the recruitment of new sales personnel, sets standards for selection and provides training for the new personnel so as to active high level performance in the shortest possible time. The sales manager insures that sales personnels are property motivated to achieve optimum sales performance and establishes a system of sales supervision that controls waste and inefficiency.

4. **Internal and external relation :** The sales manager coordinates with the other departments and the CEO so as to attain corporate objectives through sales objectives and establishes a rapport with the trade and helps the trade to train its manpower.

5. **Communications :** The sales manager keeps the marketing manager informed on sales results, and future plans of operations. He also establishes a system of two way communication with his sales force.

6. **Control :** Sales being a key input in production planning and control, the sales manager keeps in touch with the POM department. The sales manager reviews and approves sales and expenses budgets and evaluates periodically the performance of all sales activities in relation to budget and sales goals and takes such corrective actions. He also sets the performance standards and undertakes performance appraisal.

Now let us discuss the duties and responsibilities of Regional Sales Manager / District Sales Manager. He is responsible for the effective deployment of selling efforts and the maintenance of good trade relations in the assigned areas. He reports to the sales manager. He performs supervisory and control function. He is an administrator who control the regional logistics, ware housing, depots and officers. He also develops rapports with social bodies, professional bodies in the community activities. He has to attain the regional /district targets, controls the expenditure and maintain a sales force turn over rate.

4.3. FUNCTIONS OF A SALES EXECUTIVE :

Many sales executives get promoted into their position because of their previous performances as salespersons. The assumption is that outstanding sales person will be outstanding sales executives. Nothing could be farther from the truth. A successful sales manager must possess administrative, conceptual technical and human relations skill of course, selling experience is an asset because a sales manager, manages the sales force that performs the selling job. But both these are two different aspects. A successful salesman may not always make a successful sales manager.

Basically, the sales executive has two sets of functions: Operating and Planning.

1. **Operation Functions :**

- Fixing Sales quotas / targets
- Manage sales force by proper direction and control
- Liaison with other organisations and coordinating their actives for affecting sales.
- Control sales performance, sales activities and expenditure.
- Promote healthy relations with distributors and customers.
- Prepare sales communication and reports.
- Liaison with marketing department and Director Marketing.
- Contribute Personal selling by promoting and maintaining some accounts of his own.

2. **Planning Functions :**

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

In each organization, sales management, positions may vary. However, certain duties and responsibilities are assigned to them irrespective of their positions. Nature and character of functions vary with type of product size and nature of business.

4.4. QUALITIES OF EFFECTIVE SALES EXECUTIVES :

Sales executives' jobs cover a gamut of products, markets and marketing channels, and there would seem to be few, if any, qualification in common. Nevertheless, five qualities (or abilities) common to effective sales executives, whatever their fields, can be identified.

1. Ability to define the position's exact functions and duties in relation to the goals the company should expect to attain. Sales executives calculate what is entailed in their responsibilities. Whether or not the company provides them with a job description, they draw up their own descriptions consistent with the responsibilities assigned by higher management. Revisions are necessary whenever changes occur in the assigned responsibilities or in company goals.

2. Ability to select and train capable subordinates and willingness to delegate sufficient authority to enable them to carry out assigned tasks with minimum supervision. Ability to delegate authority is a must. Effective executives select high caliber subordinates and provide them with authority to make decisions. Within existing policy limits, decisions are made by subordinates; when an exception falling outside these limits occurs, the superior decides. The more capable the subordinates, the wider policy limits can be and the more the superior's time is freed for planning.

3. Ability to utilize time efficiently. The time of sales executives is valuable, and they budget it and use it carefully. They allocate working time to tasks yielding the greatest return. They arrive at an optimum division between office work and field supervision. Even the use of off-duty hours is important. Excessive work time and too little leisure reduces efficiency. Successful sales executives balance such leisure time activities as community service and professional meetings against personal social activities, recreation and self – improvement.

4. Ability to allocate sufficient time for thinking and planning. Able administrators make their contributions through thinking and planning. They know how and are willing to think. They recognize that reviewing past performances is a prerequisite to planning. They strive to gain new insight that will bring problems into better focus. Effective sales executives shield themselves from routine tasks and interruptions. Failing this, they retreat to Shangri-Las where surroundings are conducive to thinking and planning.

5. Ability to exercise skilled leadership. Competent sales executives develop and improve their skills in dealing with people. Although they rely to a certain extent on an intuitive grasp of leadership skills, they depend far more on careful study of motivational factors and shrewd analysis of the ever-changing patterns of unsatisfied needs among those with whom they work. Skilled leadership is important in dealing with subordinates and with everyone else.

4.5. THE IMPORTANT PERSONALITY TRAITS OF SALES EXECUTIVES :

Sales personality is the total of everything about a salesman which makes its impression upon the customer. Personality can be produced and improved by developing qualities and traits are positive and not negative. Every positive characteristic has its corresponding negative aspect. For achieving success in the vocation, the positive qualities should be developed in order to increase and improve the sales man's personality. Some of the important traits which ought to be developed by a salesman to achieve success are:

i. **Physical Traits :**

– Health
– Breath
– Posture
– Appearance and
– Voice

ii. **Mental Traits :**

– Accuracy
– Alertness
– Ego Drive
– Observation and Memory

- Imagination and resource fullness
- Initiative
- Listening Ability
- Self - Confidence

iii. **Social Traits :**

- Ability to meet the public
- Effective Speech
- Tact
- Courtesy
- Cooperation and helpfulness
- Good Manners
- Avoidance of unpleasant
- Mannerism
- Likable disposition
- Empathy etc.,

iv. **Character Traits :**

- Honesty and reliability
- Enthusiasm
- Industry
- Persistence, and
- Gratitude
-

4.6. IMPROVING THE PERSONALITY :

The nature of one's personality depends to certain extent on heredity and environment. Perhaps it is not possible to change the 'type' of one's personality from subjective but a person can, for example, increase his knowledge, cultivate his voice and speech, improve his manner and mannerisms, dress in good taste and develop certain attributes. A person many not possess all the qualities that compensate for those that are lacking. It cannot be denied that personality can be improved by conscientious efforts. The modern tendency amongst sales managers is that they realise the possibility of developing the sales personality of the sales man by proper management procedure. Sales manager today believe that firing a salesman is generally an unnecessary expense. This is because the ability to sell as well as the development of selling poise can be developed whereas the undesirable weaknesses of character difficulty to remove or discernible before the salesman is employed. Thus a sales man should strive to improve his personality for advancement in the profession. Knowledge of the goods, of the channels of the distribution and of the customer are no doubt very necessary to the salesman but the power and driving force which makes the machine more is selling is the salesman's personality.

4.7. SUMMARY :

Sales executives jobs very from company to company and from position to position within companies, but all are responsible for making decisions and seeing to it that others carry them out. All sales executives, from the top to bottom, spend most of their time on managing personal selling activities. Lower ranking sales executives, denote nearly all their time to direct supervision of sales person. Thus, while sales executives need qualification similar to those of effective executives in other fields, they must be adopt at leading people. The higher their positions are in the organisational hierarchy the more sales execution must work with decision makers in other marketing areas, since all marketing decisions impact on the personal selling situation.

4.8. SELF ASSESSMENT QUESTIONS :

1. What are the essential qualities which a sales executive should possess to order to be successful ?
2. What is sales personality ? How should one improve his sales personality.
3. Explain the duties and responsibilities of effective sales executive.
4. What are the functions of sales manager ?

4.9. FURTHER READINGS :

– Richard R. Still, Edward W. Cundiff, Norman A.P. Govoni, Sales Management, Decisions, Strategies and Cases, Prentice – Hall, Inc, Englewood Cliffs, N.J., U.S.A.
– Eugene M. Johson, David L. Kurty, Ebahard E. Scheving Sales Management concept practices and Cases, Mc Grow Hill, Inc., U.S.A.
– S.A. Chunawalla, Advertising, Sales and Promotion Management, Himalaya Publishing House, Bombay.

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LESSON – 5

SALES PRESENTATION

5.0 Objective:

After going through this lesson you should be able to

- define what is a presentation and describe types of sales presentations.
- describe the structure of a presentation,
- identify in detail each of the variables affecting effective presentation strategy and
- elaborate how to develop appropriate presentation skills.

Structure :

5.1 Introduction :

"You can have excellent content with good presentation technique and win the business. You can have good content with excellent presentation technique and win. But you may not have ever heard of a poor presentation skill and good or excellent contents winning anything". Poor presentations are consistently losers irrespective of purpose or the business for which a presentation is made. We will draw some lessons from winning presentations and some from losers to help you to plan your business presentation successfully.

In our daily routine we speak more often than write. A majority of us still have not overcome the fear of a speaking to a group. Each one of us have stage-fright. It is a matter of degrees that it varies amongst individuals. Yet an oral presentation is an important part of the business routine and each one has to deal with such challenges successfully. There are industries in which sales presentations are the most important marketing tools. Pharmaceutical industry, information technology industry, advertising agencies, insurance sector are some examples of the same where success in business depends on the success in presentation.

5.2 What is a Presentation :

A presentation is a commitment by the presenter to help the audience to do something for solving a problem. An interesting thing to note is that in a presentation commitments are made by the presenter and the audiences are making judgement, simultaneously. The presenter advocates and audience evaluate, to render a verdict. In terms of content and structure, presentations and speeches have a good deal in common with formal reports-many of them are oral version of a written document.

5.3 Types of Sales Presentation :

Typically, all sales people use one of the following types of sales presentations.

Canned Presentation : Canned presentations are those presentations where text of the presentation is carefully worded, tested and finally written down. Each sale person is expected to memorise it and strictly follow the contents in the defined order, while making a presentation. This presentation method is most commonly used in non-technical product selling, like, pharmaceuticals, telephone selling, door to door selling, etc. The specific advantages of this technique are that one can finish the presentation in a short time and still have a successful close. The other advantage of this method is that it require lesser time in training the field sales personnel. The disadvantage of such technique is that the prospect has limited participation. He might view it, as a high pressure selling and defer taking a purchase decision.

Planned Presentation : It is, no doubt carefully planned and organised but still it has a personal touch of the individual making the presentation. In this method, the training department provides just a format and the individual sales person then writes explanations, descriptions and illustrations. The advantage of this presentation method is that it appears more conversational and less formal, as the sales person is using his own wordings. As a result, in this presentation method the prospect also gets involved and his doubts and questions can be carefully handled.

Audio-Visual Presentation : For such presentation the sales persons heavily depend on the AV aids. These aids range from charts, slides, video films, prototypes, computer based presentations to the use of actual product. In advertising industry, computer software industry, such presentation methods are used. In these presentations the speaker or the sales person takes the back seat and the prospect's attention remains centred around the AV aids. Such aids are typically used, not only to gain the attention but in the absence of these it might be difficult to explain or demonstrate.

Problem Solving Presentation : This is a two-step presentation method. The first stage is to study the individual prospect's needs and the second is suggesting a proposition. Thus helping the prospect to solve the problem. Such method is commonly used in insurance sector where the insurance agent ask the prospect about the requirements and accordingly, he proposes a specific policy, its advantages and benefits. Similar methods are also used in management consultancy assignments relating to all functions or high-tech customised products.

5.4 Typical Structure of a Presentation

It is a problem for a person to structure the Accentuation appropriately so as to clearly decide from where to start and where to end. A presentation has four parts : Opening, body, closing and question and answer. It is suggested that in a presentation first, tell what you will tell, secondly, actually tell them and thirdly, tell the audience what you have told them.

Opening or Introduction of a presentation : The opening of a presentation is very important. It is in the first a few minutes you gain or lose the audience. The major purpose of the introduction are.

v to catch the audience attention and arouse their interest
v to relate the speakers' purpose with the audience interests
v to build the focus for the contents.

Although these points appear so simple, but spending say ten per cent time of your presentation on this phase of the presentation would help you considerably in providing clarity to your audience.

Body of Presentation : The body of the presentation should relate to the selected important point (3-4) you want to make. You want the structure of you presentation to be clear and you don't want to lose the audience's attention. At times, during your presentation you realise that you have started loosing audience. From their body-language you can able to make out that they are not with your. Some of body positions suggesting their lack of attention. You have to adopt a strategy to gain their attention. Some of the suggestions for gaining audience attention are as follows :

· Emphasising structure and help the audience follow your presentation by summarising your remarks as you go along and by Emphasising the transition (links) from one idea to the next.

· Holding the audience's attention not only by relating the subject to the audience's needs or by using clear language but by introducing variety in your speech or presentation.

· You may pause for questions and comments as it shifts the audience from listening to participating.

· Visual aids can be used to provide clarification and stimulation.

· Variety in your tone and gestures will help in breaking the monotony of your voice.

· Consider the use of humour. Sometimes humour helps in steering through difficult situations.

It is interesting to observe that when you are going deeper into the subject, the audiences start drifting away from you. It is rather difficult to retain the audience attention through-out the presentation, unless you make deliberate efforts.

Ending a Presentation : As the audience's attention peaks at this stage it helps in further clarity. The final summing is not a place to introduce new ideas. It is suggested that you should begin your conclusions by telling listeners that you are about to finish. They will make one final effort to listen to you, intently. It is also suggested that during the concluding stage restate the next step. Some presentations require the audience to reach a decision or to take specific action. In these case the summing must cover the specific action to occur and who would be responsible for doing what. Take for example, in a sales presentation sales person may be required o ensure on time delivery and installation. Thereafter, the final installment of the payment will be made by the customer.

Your final words should round up the presentation. You want to leave the audience with a satisfied feeling, feeling of completeness. It is, therefore, important that you should always end on a positive note. Your final remarks should be enthusiastic and memorable.

Question and Answer period : Majority of the speakers avoid or discourage this period, with out realising that providing opportunity for questions and answers, facilitates interactions. The thumb rule is to encourage questions throughout, in a smaller group and ask a large audience to defer questions until later. But do provide time for this stage as it shifts the audience from listening to participating.

Type of Question	**How to Handle**
Confused Question	Reformulate/ Paraphrase the question. Ask the question to restate the question.It also gives you time to think and it can be followed by all. Be clear, a confused question can never be answered
Hostile Question	Don't be defensive or hostile. Rephrase it and unload emotions from it to understand the message.
Two-part Question	Separate the parts and prioritise them before answering
Off Topic Question	Suggest the audience that you would not handle an off topic question
Can't Answer Question	Admit it and say that you would answer it later. You may not be authorised to take a decision about the question. Take time from the audience, check with your superior, and get-back.

5.5 Planning the Presentation Strategy :

Developing a strategy for delivering an oral message is just as crucial as developing a strategy for a written message. You have to put information in an easily understandable form. For maximum impact, therefore, it is important that one must define the purpose, analyse the audience, construct or develop the message with due estimate of time and appropriate length decide on the most appropriate style and media for presentation. These are some of the important variables, which one has to keep in mind to develop an appropriate strategy for a presentation.

Define the Purpose : The first reason of failure in a presentation is not thinking through the purpose of the presentation and focussing it sharply. The amount of audience interaction varies from presentation to presentation, depending on the speaker's purpose (keen a speaker accomplishes more than one purpose simultaneously. The purpose of a presentation could vary form informing, persuading, exploring to changing behaviour/attitude etc. The specific purposes for a presentation are

a) To motivate : You do most of the talking and the audience essentially plays a passive role. You control the content of the message and the audience listen.
b) To inform or analyse : A group of people meet to hear the oral equivalent of a written report, then members of the audience offer comments or ask questions.
c) To persuade or collaborate : The most interaction occurs when you aim to persuade people to take a particular action or to collaborate with tem to solve a problem or reach a decision. You generally begin to provide facts to increase the audience's understanding of the subject.

Analysing the Audience : Your choice of a strategy for composition your purpose must take into account those who will be attending it. The nature of the audience affects your strategy for achieving your purpose. You should know your audience and size them up in advance. You must look for characteristics that will affect your speech e.g., audiences

Developing Message : A message should be carefully developed with a view to generating a desired response. It is, therefore important that while developing message one should define the main idea, construct an outline and estimate the appropriate length. A number of times a speaker is required to carefully choose the words, particularly while handling sensitive subjects. In such situations if you loose control on what you speak, your message will not be understood in the right spirit. If it, therefore, important that we define the main idea and construct a concrete outline around the identified idea. Then collect sufficient information which should be adequate for the available time you have to make the presentation. Having decided the sequencing of information for developing an appropriate message, the next step is how to deliver it. Knowing your abilities, time available for preparation, audience size, etc., would influence your presentation method.

Determination of Presentation Method : We may follows any of the following presentation methods depending on our own abilities, subjects, purpose, etc.

1. Extemporaneous : Extemporaneous presentation is that which is prepared in advance and delivered afresh. The exact wordings are figured out, as the speaker goes along. It combines prior organisation and spontaneity. The audience prepare an outline, may write down, at best, full opening and closing sentences, and prepare visual aids to promote a set sequence of thoughts and contents,

2. Impromptu : Impromptu is that when you are given no time to think and organize. You never know when your superior will ask you for a two minute update on your field experiences of the previous day

3. Memorising : Memorised is a presentation which is learnt by heart. If a link is broken while speaking the whole presentation gets affected. Typically in Pharma-selling canned presentation are used.

4. Reading : Reading is yet another method. In paper reading it is said that even the speaker looks at his notes for 35% of time and for the remaining 65% to the audience, it is still apaper-reading. In business this method is followed least.

5. Speaking from Notes : Speaking from notes is similar to the first method with a difference that the speaker has his points, with explanations written down and he speaks from the notes. To prepare these notes normally reference cards are used which the speaker can hold in one hand

There is no hard and fast rule suggesting in which situation what method should be used. As a speaker it is up to you to decide which method is the best suited for you in the given situations. But you must practice it in advance before making a presentation.

Deciding the Presentation Media : In an oral presentation which is an interactive medium, you can choose from a wide range of audio-visual (AV) materials. Here also you require carefully planning. A number of times, a presentation gets killed because of over emphasis on AV material. Always keep in mind while selecting any AV material that to what extent the selected media would help supplementing or reinforcing your message. You can select audio-visual material out of a large variety, ranging from, brochures, leaflets, slides, prototypes, actual product, audio tapes, video material, computer based aids, etc.

5.6 Presentation Skills :-

All preparations on the 'structure' and 'strategy' of your presentation will have limited impact on your customers or audience if you don't have the right presentation skills. For example, it is very important that you should be able to have control on yourself. The moment you rise to speak you convey come signals to yourself, which might decide ultimately the success or failure of your presentation.

Personal Aspects : A logical step in preparing a presentation is to analyse yourself. You are an integral part of the message. You should seek following characteristics :

i) Sincerity is vital. Project an image of sincerity by being sincere to your self, to your subject and to your audiences.
ii) Thoroughness-giving the listeners all they need.
iii) Confidence in yourself is important so as to gain your audience's confidence. You must earn the confidence of your audiences. Project the right image, and talk in a strong, clear voice.
iv) Friendliness –help your communication effort by creating the right environment.

Non-Verbal Behaviour : In any presentation non-verbal also plays a major role to supplement your message. Let us take up some typical examples to identify the variables elements o non verbal communication. Although, it is not all that easy to suggest a definite set of Do's about your body language during presentations, however, one can easily identify some Don'ts'.

Posture : Sagging shoulders, dropped head forward and sloppy casualness are indicative of depression, while standing upright with square shoulders and head held high are indicative of the confidence. Your outword appearance mirrors your inner mood. Posture may also be adopted to the size of the audience. An informative talk to a group of 50+ size would demand more formality, postural variety, particularly during transitions, to suggest a change in topic. An address to a group of 10-12 managers working under you, could be given while sitting in the edge of the chair. However, all formal presentations in advertising industry or I.T. industry are typically given while standing.

Movements : While presenting a topic, your physical movements can help you in the following ways

- to hold attention
- to get rid of nervousness
- to suggest transitions
- to increase emphasis

The above discussion clearly suggests that plan your movements and don't just walk around when you make a presentation.

Gestures :- Gestures relate to movements of fingers, wrist, arm, elbow and shoulder. Here are some examples of situations where gestures can help you.

1. To emphasis : Clenched fist of one hand hitting the palm of the other hand, emphasizes the point you want to make
2. To point : The index finger calls attention of the audience

3. To reject : Hand may go on a side in an act of rejection
4. To describe : You may communicate and describe everything through hands. Even an approximation of the verbal message through gestures is worthwhile than non.

Eye Contract : It is suggested that you should have eye contact with your audience. Although, it is not possible to have eye contact with each and very person sitting amongst the audience but it is suggested that you may identify, select persons sitting spread across amongst the audience and establish eye contact with tem. Don't look at one person all the time. Eye contact helps you in gaining confidence in yourself and it also conveys to the audience that whatever you are saying, you are very sure of it.

Facial Expression : It is said that rather having a "cheese" smile all the time, your facial expressions should be natural. It is also said that the smile which comes on your face actually originates in your brain on recollecting something pleasant. You can easily build rapport with you audience using good, natural pleasant facial expressions.

Oral Delivery : How confident, you appear through your voice, how effective you become through the use of your voice, how successful you emerge, by speaking clearly and holding the attention of your audience are the issues related to the oral delivery. Every aspect of the oral delivery, i.e., rate, pitch, volume, vocal quality, etc., all are important.

i) Pitch : It is highness or lowness of your voice. Voice too high or low can add to word value. A monotonous voice may drift the audience away from the speaker.

ii) Rate : It relates to the number of words released per minutes. The purpose is to synchronizing speaking with listening pattern of the audience. The rate should also relate to the subject matter. Often you might have felt that if you speak a sentence at a higher rate you can create a better impact.

iii) Volume : It relates to the loudness or softness of the voice and by contrast in volume one can give emphasis on the spoken words

iv) Vocal Quality : It is difficult to define it but we come across so many words to describe voice quality. Some of these words which describe voice quality are: Throaty, loud, vibrant, dynamic, moving, weak, strong, harsh, shrill, effeminative, gentle, clear, flexible, vibrant, colourful, etc.

v) Pronunciation : It should be your constant endeavour to find out the right pronunciations of each word. You may not get any advantage for correct pronunciation but you are certainly at in disadvantage when it is incorrect. You would be surprised to know, how carefully your audience are observing your mistakes, and on every mistake they drift away from you.

There are some suggestions to help you in enhancing your non-verbal while you speak to a group. These suggestions are :

- Sincerely like your audience
- Know your subject thoroughly in order to appear confident
- Be well dressed (not overdressed0
- Look your listeners in the eye (not too long at any one) and talk with tem

- Avoid excessive, meaning less, gestures and nervous movements
- Keep calm
- Remain objective, no matter what the provocation
- Speak clearly and pleasantly, make sure that you can be easily heard

5.7 Effective Presentation Some Principles :

Ron Hoff, a hard core advertising professional, head of Ron Hoff and Associates, based on his presentations to the clients, has suggested some basic guidelines for effective presentation. The guidelines are :

1. **Start Half Way :** In preparing your presentation, may be you should start about halfway through.
2. **Plan Out Content** : Content is always the first requirement of any presentation. Once content breaks down, delivery is never far behind.
3. **Clarity :** It's impossible to be too clear.
4. **Partial Receptivity :** Keep in mind that your audience is going to remember about one quarter of what you say.
5. **Encourage Participation** : Participation by your audience will help them remember you and your message but "handle with care". Participation can backfire.
6. **Control Nervousness** : Nervousness is not all bad, but it can become serious when your audience becomes more concerned about your nerves than your subject.
7. **Eye contact** : Eye contact is the strongest force in your favour during a "Live" presentation.
8. **Body Language** : "People may lie, but body language never does".

5.8 Summary :

To summarise the discussion on the structure of a presentation, we can say that the first thing in any presentation is the preparation you do in advance. You research the information, club the information under subtopics, subheads etc., sequence these subheads appropriately. You identify specifically what you would say in the opening section of your presentation, you decide the core i.e., the main body and you also plan your closing remarks. You have not started speaking to your audience but you have spent considerable time in preparing. In fact, those who overlook this phase they find it difficult to make a winning presentation.

While developing any presentation you have to progress very systematically. Each of the strategic variables should be considered in as much detail as possible. Knowing your purpose, understanding of audience, development of a message, identification of presentation method, and integration of various media are all important in development a presentation strategy. In addition, there are eight golden rules, although sound and simple, but you need long years to fully practice them. Body language is fascinating. And you can practice just about anywhere. Even if you make a commitment to follow these rules to the extent you can, you have already improved your presentation ability.

5.9 Key Words :

Presentation : A presentation is a commitment by the presenter to help the audience to do something to solve a problem.

Presentation structure : It relates to the three main phases of a presentation, opening, body and closing.

Presentation Strategy : It is a mix of all the presentation variables, like, objectives, audience profile, message contents, media available, time at the disposal, which are adjusted to achieve a success.

Presentation Skills : These are the abilities of an individual in making successful presentations.

5.10 Self- Assessment Questions :

1. What do you understand from the structure of a presentation ? Do you need it in a sales presentation? Discuss.
2. What presentation strategy you would adopt if you have to sell personal computers, door-to-door ?
3. "Why overall appearance and body language are important, when to a prospect your contents are more important than anything else"? Discuss.

5.11 Further Readings :-

1. Ron Hoff, "How to Make Your Next Presentation a Winner", In, Strategic Advertising Campaigns by Don E. Schultz. (Illinois : NTC Business Books, 1996).
2. R.L. Bhatia, Development Presentations Skills, (New Delhi : Wheeler Publishing, 1994)

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Lesson 6

SALES FORECASTING

6.0 Objective:

After studying this lesson you should be able to:

- Evaluate Deferent Methods of Forecasting
- Analyzing the approaches of the Sales Forecasting
- Identifying the role of Sales Forecasting

Structure:

6.1 WHAT IS A SALES FORECAST?

Sales forecasting is done to decide the sales objective and sales process. The volume of sales, the quality, design of the product are forecast for the total market and for each market. The sales forecast is made on the basis of records of past years, sales records by territory, local conditions in each market, information on one's strengths and weaknesses. The data are complied at the head office, and specific forecasting is done about the sales volume expected. The probable effects of all the factors are assessed to determine their influence on the sales volume in each territory.

Salesmen are a very useful source in sales forecasting. They collect all the information bearing on the customers, competition, potential markets, and products and so on. They base their forecasts on realistic assumptions and factual information. The sales manager makes the necessary modifications in the salesmen's forecasts. He prepares a useful and final sales forecast on the basis of the information and those data.

A sales forecast predicts the value of sales over a period of time. It becomes the basis of marketing mix and sales planning. We now examine the applicability and usefulness of the short-term, medium-term and long-term forecasts in so far as company planners are concerned and look at each from individual company departmental viewpoints.

A short-term sales forecast say for a period of one year) when linked to the sales budget helps in the preparation of an overall budget for the firm as a whole. The short-term sales forecast in effect also provides the essential financial dimension to sales in terms of expected sales revenue and expenses required. Also, it helps in assessing the cash inflow and outflow needs and their sources.

Medium-term sales forecasts have direct implications for planners. They are of most importance in the area of business budgeting, the starting point for which is the sales forecast. Thus if the sales forecast is incorrect, then the entire budget is incorrect. If the forecast is over-optimistic, then the company will have unsold stocks which be financed out of working capital. If the forecast is pessimistic, then the firm may miss out on marketing opportunities because it is not geared up to produce the extra goods required by the market. This serves to re-emphasize the point that sales forecasting is the responsibility of the sales manager. Such medium-term forecasts are normally for one year ahead.

A long-term sales forecast (say for a period of five years or so) on the other hand, focuses on capital budgeting needs and process of the firm. It provides for changing the marketing strategy of the firm; if needed, and includes reference to emerging product market needs new market segments to be catered, review-of distribution network and promotional programmes, organization of sales force and marketing set up. The long-term sales forecast triggers the task of aligning the production, procurement, financial and other functional needs of the firm with the finalized sales forecast.

6.2 FACTORS INVOLVED IN DEMAND FORECASTING

There are at least six factors involved in demand forecasting:

1. How far ahead? The problem is solved by having both short-run forecasting, usually defined as covering any period up to one year, and long-run forecasting covering a period of 5, 10 or even 20 years.

How far ahead can the long-term forecast go, depends upon the nature of the industry but, beyond ten years, the future becomes so uncertain that the projection becomes rather dubious. However, because of the close link with capital expenditure forecasting, it may be necessary to look 20 years ahead in case of certain industries. For example, petroleum companies, shipping companies, and paper mills, in view of the long life of the fixed assets, the very high capital costs involved and the possibility of profit in the distant future, do have to forecast well deep into the future.

Short-term forecasting may cover a period of three months, six months or one year, the last being the most usual. Which period is chosen depends upon the nature of the business; when demand fluctuates from one month to another, a very short period should be taken. However, here too, depending upon the nature of the business, if stocks can be built up in the slack sales period, this may be preferable to a fluctuating level of products. The latter may cause problems of labour and machine utilization which could be avoided if production is continued during the slack period.

Instead of defining short-term and long-term forecasting in terms of different periods of time, and alternative method is to associate them with certain types of decisions or objective to be met. Accordingly, short-term forecast is one which provides information for tactical decisions; it is there fore concerned with day-to-day operations within the limits of resources currently available. A long-term forecast is one which provides information for major strategic decisions it is concerned with extending or reducing the limits of resources. For example, if it is intended to establish a factory, and it is thought that the time required to build, equip and bring it into operation will be five years, then the forecast of the demand for the products to be made in the factory must start five years ahead, and may be projected for further five years in order to establish the viability of the project. Thus the time period involved will be ten years.

When it is intended to replace plant, or to buy new or Improved machines, the period chosen will depend upon the expected life of the plant or machinery, the time required to purchase and to bring it into use, and the time required for the capital outlay to be recovered.

2. Demand forecasting may be undertaken at three different levels:

a) Macro-level concerned with business conditions over the whole economy measure by an appropriate index of industrial production, national income or expenditure. Such external data constitute the basic assumptions on which the business must base its forecasts.

b) Industry-level prepared by different trade associations.

c) Firm-level which is the most important form managerial viewpoint.

3. Should the forecast be general or specific? The firm may find a general forecast useful, but it usually needs to be broken down into commodity forecasts and forecasts by areas of sale.

4. Problems and methods of forecasting are usually different for new products from those for products already will established in the market, for which sales trends are known and the competitive characteristics of the product well understood.

5. It is important to classify products as producer goods, consumer durables, or consumer goods and services. Economic analysis indicates distinctive patterns of demand for each of these different categories.

6. Finally, in every forecast, special factor peculiar to the product and the market must be taken into account. The nature of the competition is the market, how far the situation is complicated by uncertainty or non-measurable risk and the possibility of error of inaccuracy in the forecast must be seriously considered. Sociological factors are of great importance in some markets, e.g., in the case of women's dresses. Like wise, the role of psychology in demand can hardly be understated. What people think about the future, their own personal prospects and about products and brand are vital factors for firms and industries.

6.3 PURPOSES OF FORECASTING

The purposes of forecasting differ according to types of forecasting such as (1). short-term forecasting, (2).long-term forecasting.

(i) Purpose of Short-Term Forecasting:

Evolving suitable production policy so as to avoid the problem of over-production and the problem of short-supply. For this purpose, production schedules have to be geared to expected sales.

Helping the firm in reducing costs of purchasing raw-materials and controlling inventory.

Determining appropriate price policy as to avoid an increase when the market conditions are expected to be weak and a reduction when the market is going to be strong.

Setting sales targets and establishing control and incentives: If targeted are set too high, they will be discouraging salesmen who fail to achieve them, if set too low, the targets will prove meaningless.

Forecasting short-term financial requirements: Cash requirements depend on sales level and production operations. Moreover, it takes time to arrange for funds on reasonable terms. Sales forecasts will therefore, enable arrangement of sufficient funds on reasonable terms well in advance.

(ii) Purpose of Long-Term Forecasting:

Planning of a new unit or expansion of an existing unit: it requires an analysis of the long-term demand potential of the products in question. A multi-product firm must ascertain not only the total demand situation, but also the demand for different items. If a company has better knowledge than its rivals of the growth trends of the aggregate demand and of the distribution of the demand over various products, its competitive position would be much better.

Planning long-term financial requirements: planning for raising funds requires considerable advance notice, long-term sales forecasts are quite essential to assess long-term financial requirements.

Planning man-power requirements: Training and personnel development are long-term proposition taking considerable time to complete. They can be started well in advance only on the basis of estimates of man-power requirements assessed according to long-term sales forecasts.

6.4 APPROACHES TO SALES FORECASTING

There are two general approaches to sales forecasting at the level of the firm- the break down approach (also called top down approach) and the market build-up approach.

- **Breakdown Approach**:

Under this approach, the head of the marketing function initially develops a general economic and market sales potential for a specific period. The firm's sales potential is then derived from it. The example of a colour television receiver company developing its sales forecast given in the beginning of this unit relates to the use of the breakdown approach.

- **Market Build-up Approach:**

In this approach the task of sales forecasting begins by first estimating the sales at the product, product lines customer groups or geographical areas are then aggregated and reviewed in the light of the firm's objectives, available resources, as well as competitor's activities before the sales forecast is finalized. The example of leading automobile engine manufacturing company given in the beginning of this lesson relates to the use of both a break down approach and a market build-up approach.

While both are approaches have their own usefulness, the breakdown approach is less time consuming and costly when it can use aggregate data made available by others. It may, however, lack the advantages of greater realism and reliability which result from the use of market build-up approach. Combination of both the approaches though time consuming seems ideal worth the effort expended.

6.5 USES OF SALES FORECASTING

Sales forecasting is an estimate of sales, in monetary or physical units, for a specified future period under a chosen marketing plan or programme and under an assumed set of economic and marketing environmental forces outside the business organization, for which the forecast or estimate is made. The forecast may be for a specified item of merchandise or for an entire line of products. Most business forecasts are economic. Sales forecasting is an important branch of economic forecasting. Estimate of sales revenue has the following uses:

- Production planning
- Manpower planning
- Cash-flow planning
- Inventory control
- Purchases planning
- Capital investment planning
- Dividend policies
- Pricing policies
- Promotion policies
- Sales quotas for salesmen and distributors.

In short, entire business is turned to the anticipated sales revenue and patters of expected sales. When the actual sales turnover approaches very close to the sales forecast, it would mean that our marketing efforts, production and financial decisions are really well planned. Sales forecast and demand measurement constitute the building blocks of marketing planning. The key figure of sales forecast is the basis of integrated customer-oriented business planning and corporate operating plans.

6.6 ROLE OF SALES FORECASTING

There can be no effective business planning without estimates of sales. Sales forecast or demand forecast is the starting point in customer-oriented business planning. A business once converted to formal planning, adopts the formulation of the estimate of sales ahead as the first natural step. Then only it can have the second step, viz., a detailed consideration of what the customer really wants.

Sales forecasts of present product plus sales estimate of new products indicate a planning gap when related to provisional sales objectives. The top management will have to devise ways and means to fill the gap through suitable sales planning or marketing planning.

Sales forecast is the core or keystone of marketing management. On the basis of the reliable sales forecast, we can, have:

- The required number of sales men to achieve our sales objective.
- Allocation of sales quota for each salesman
- Determination of sales territories

- Advertising and sales promotion programme
- Scheme of distribution
- Fixing of sales price
- Production plan
- Regulating inventories and purchasing
- Estimating standard costs
- Budgeting and controlling expenses and
- Planning requirements.

In fact our entire marketing mix, viz., product, price, promotion and physical distribution revolves round the sales forecasts. Sales forecasting acts as the basis not only of production planning and marketing planning but also of financial planning and manpower planning. The master plan or budget of the company as well as the functional or departmental plan and budget are ultimately based on sales forecasts.

Sales forecasting is a device by means of which management may integrate its objectives, its operating programmes, and its targets with potential market opportunity. This is done by translating the sales forecast into specific profit and sales volume goals to be realized in the given period. The sales forecast thus becomes a basis for marketing programmes, purchasing plans, financial budgets, personnel needs, production schedules, plant and equipment needs, expansion programme and many other aspects of management programming. In short, sales forecasting acts as an invaluable guide for deciding almost all aspects of the business and has an all pervading influence.

6.7 METHODS OF FORECATING

It should first of all be emphasized that there is no easy method or simple formula which enables an individual or a business to predict the future with certainly or to escape the hard process of thinking. Moreover, two dangers must be guarded against. First, one may be blinded by a mathematical formula. One may be led to believe that it presents an eternal truth and the whole truth. Though statistical techniques are essential in clarifying relationships and providing techniques of analysis, they are not substitutes for judgment. The other danger is that we may go to the opposite extreme and regard forecasting as something to be left to the judgment of the so called experts. What is needed is some common sense mean between pure guessing and too much mathematics.

Let us new consider various methods used for preparing the sales forecast. These methods are commonly grouped into five categories: (1) Executive judgment, (2) Surveys, (3) Time series analysis, (4) Correlation and Regression methods, and (5) Market tests.

Executive Judgment/ Opinion of Executives: The oldest type of sales forecasting is a broad guess made by executives in charge of business. One or more top executives forecast future sales based on personal knowledge from talking to other managed inside and outside the company; through customer’s contacts or through reading published reports relating to national economy and industrial conditions. Although the forecasts can be made quickly and at little costs, the greatest weakness of these methods is its subjectivity and hence, the sales estimate lacks scientific validity. It can not give us objective or unbiased sales estimate.

Customer Survey Method:

A second way of sales forecasting is by surveying the customers, sales force, experts etc. and ascertaining their predictions. Customer surveys can provide information relating to type and quantity of products which customers intend purchasing. Sales force surveys can provide estimates of overall territory off take, company's share and the share of the major competitors. Dealers survey may also form part of the sales force survey is a firm so desires. Expert surveys provides sales forecast as the experts and industry consultants look at it. They bring in an outsider's view to the company's internal forecast and help many a times by adding new dimensions for consideration of management.

Time Series Analysis:

Using the historical sales data, this method tries to discover a pattern or patterns in the firms' sales volume over time. The identification of the patterns helps in sales forecasting.

The only variable that the forecaster considers is time. These techniques are relatively simple to apply, but the danger is that too much emphasis might be placed upon past events to predict the future. Time series analysis helps locate the trend, seasonal, cyclical and random factor changes associated with the past sales data. In this way, it improves the production from the past sales data. In other words, it is not possible to predict down turns or upturns in the market, unless the forecast to incorporate such a downturn or upturn.

Some of the popular techniques of time series analysis are; (1) moving averages (2) exponential smoothing (3) time series extrapolation and (4) box-Jenkins technique.

Correlation and Regression Methods:

When there is a close relationship between sales volume and a well-known economic indicator or index, we can conduct correlation study. A high correlation means that the extrapolated index values will indicate future sales volume. The use of regression analysis is done in order to determine whether any relationship exists between the past sales and changes in one or more economic, competitive or internal variables to a firm. For instance, political development within and without the country may affect our sales. Unseasonable weather may affect demand for seasonal clothing. The accuracy of forecasts made by using correlation and regression methods is generally better than the other methods. Typical forecasting applications of these methods are sales forecasts by product class. Though the correlation method helps in identifying the association between the factors, it does not explain any cause and effect relationship between them.

Some more advances forecasting methods explaining cause-effect relationship besides regression method include econometric model, input-output model and life-cycle analysis method. The life-cycle analysis method is used for forecasting of new product's growth rate based on S-curves. The phases of product acceptance by the various groups of customers such as innovators, early adopters, early majority, and laggards are central to the analysis.

Market Tests/Product Testing and Test Marketing:

This technique is of value for new or modified products for which no previous sales figures exist and where it is difficult to estimate likely demand. It is therefore prudent to estimate likely demand for the product by testing it on a sample of the market beforehand. Product testing involves placing the pre-production model with a sample of potential users beforehand and noting their reactions to the product over a period of time by asking them to fill in a dairy noting product deficiencies, how it worked, general reactions etc. The type of products that can be tested in this manner can range from household durables. However, there is a limit to the number of pre-production items that can be supplied and the technique is really of value in deciding between a 'go' or "no go" decision.

Test marketing is perhaps of more value for forecasting purposes. Market tests are basically used for developing one time forecasts particularly relating to new products. A market test provides data about consumer's actual purchases ands responsiveness to the various elements of the marketing mix. On the basis of the response received to a sample market test and providing for the factor of a typical market characteristic as well as learning from the market test, product sales forecast is prepared. Substantial fluctuation that one finds in reality from market to market limit the accuracy of sales forecasts made by this method, unless the market test is designed systematically.

Combining Forecasts and Using Judgment:

Experience bring out that the forecasts resulting from the use of multiple methods in a combined way greatly surpass most individual methods of sales forecasts. Research also supports the combined use of quantitative and qualitative methods of sales forecasting in a given situation rather than using either of the two. Application of judgments to quantitatively arrived forecasts should be done in a structured manner with a view to adding insights and realism to the forecasts so arrived at, since a forecast is a prediction and needs the subjective perception too.

Several studies have shown how combining forecasts by using one or the other methods can improve accuracy of the forecasts. The methods which can be used for combining forecasts are; (1) a simple average of two or more forecasts and (2) by assigning historical or subjective weights to such forecasts which more closely reflect the changing reality. In short, being aware of the changing reality. In short, being aware of the conditions under which some forecasting methods work better than others enables the firm to prepare for different alternative forecasts. By monitoring which alternative works better, the firm can learn to achieve its goals more effectively.

Computerized Sales Forecasting:

The rapid developments in computer hardware and software has made it possible for managers to make sophisticated forecasts with the help of computers, The greatest advantage of this is that managers can introduce subjective inputs into the forecast and immediately teat their effect.

Specifically, the last few years have seen sophisticated forecasting models being rewritten using spread sheet software programmes for personal computers. Lotus 1-2-3 and micro cast programmes are new available at reasonably affordable prices. Developments in the computer field especially in computer artificial intelligence systems have also enabled the development of expert systems models i.e., the model that the experts use in making a decision. These are of great use when judgment is an important part of the forecast. In future, we are going to see greater use of computers in sales forecasting in India.

6.8 CRITERIA OF A GOOD FORECASTING METHOD

1. **Accuracy**: It is necessary to check the accuracy of past forecasts against present performance and of present forecasts against future performance. Some comparisons of the model with what actually happens and of the assumptions with what is borne out in percentage of times it is correct but also by evaluating how closely its forecasts change, particularly changes in directions.

2. **Simplicity and Ease of Comprehension**: Management must be able to understand ad have confidence in the techniques use. Understanding is also needed for proper interpretation of the results. Elaborate mathematical and econometric procedures may be judged less desirable if management does not really understand what the forecaster is doing and fails to understand the procedure.

3. **Economy**: Costs must be weighed against the importance of the forecast to the operations of the business. A question may arise: how much money and managerial effort should be allocated to obtain a high level of forecasting accuracy? The criterion here is the economic consideration of balancing the benefits from increased accuracy against the extra cost of providing the improved forecasting.

4. Availability: The techniques employed should be able to produce meaningful results quickly: techniques which take a long time to work out may produce useful information too late for effective management decisions.

5. Maintenance of Techniques: The forecast should be capable of being maintained on an up-to-date basis. This has three aspects: a) the relationships underlying the procedure should be stable so that they will carry into the future for a significant amount of time, b) Current data required to use these underlying relationships should be available on timely basis, c) The forecasting procedure should permit changes to be made in the relationships as they occur.

6.9 SUMMARY

The purposes of forecasting differ according to types of forecasting such as 1. short-term forecasting, and 2.long-term forecasting. There are two general approaches to sales forecasting at the level of the firm- the break down approach (also called top down approach) and the market build-up approach. Let us new consider various methods used for preparing the sales forecast. These methods are commonly grouped in to five categories: (1) Executive judgment, (2) Surveys, (3) Time series analysis, (4) Correlation and Regression methods, and (5) Market tests. Most business forecasts are economic. Sales forecasting is an important branch of economic forecasting. Estimate of sales revenue has the following uses: 1) Production planning, 2) Manpower planning, 3) Cash-flow planning, 4) Inventory control, 5) Purchases planning etc., Sales forecast is the core or keystone of marketing management. On the basis of the reliable sales forecast, we can, have: The required number of sales men to achieve our sales objective. 1) Allocation of sales quota for each salesman 2) Determination of sales territories 3) Advertising and sales promotion programme 4) Scheme of distribution. The Criteria of a Good Forecasting Method is based on the following aspects, such as 1) accuracy, 2) simplicity and ease of comprehension, 3) economy, 4) availability, 5) maintenance of timeliness.

6.10 KEY WORDS

Sales Forecast: A sales forecast predicts the value of sales over a period of time. It becomes the basis of marketing mix and sales planning. We now examine the applicability and usefulness of the short-term, medium-term and long-term forecasts in so far as company planners are concerned and look at each from individual company departmental viewpoints.

Short-term forecasting: Short-term forecast involving a period up to twelve months, are useful for determining sales quotas, inventory control, production schedules, budgeting and planning cash flows.

Medium-term sales forecasts: Medium-term sales forecasts have direct implications for planners. They are of most importance in the area of business budgeting, the starting point for which is the sales forecast. Thus if the sales forecast is incorrect, then the entire budget is incorrect. If the forecast is over-optimistic, then the company will have unsold stocks which be financed out of working capital. If the forecast is pessimistic, then the firm may miss out on marketing opportunities because it is not geared up to produce the extra goods required by the market. This serves to re-emphasize the point that sales forecasting is the responsibility of the sales manager. Such medium-term forecasts are normally for one year ahead.

Long-term sales forecast: A long-term sales forecast (say for a period of five years or so) on the other hand, focuses on capital budgeting needs and process of the firm. It provides for changing the marketing strategy of the firm; if needed, and includes reference to emerging product market needs new market segments to be catered, review-of distribution network and promotional programmes, organization of sales force and marketing set up. The long-term sales forecast triggers the task of aligning the production, procurement, financial and other functional needs of the firm with the finalized sales forecast.

6.11 SELF ASSESSMENT QUESTIONS

1. What is the meaning of Sales Forecast?
2. What is the role of Sales Forecast?
3. What are the uses of Sales Forecast?
4. What are the elements of a Good Sales Forecast?
5. What is the purpose of Sales Forecast?
6. What are the types of Sales Forecast Methods?
7. What are the approaches to Sales Forecasting?
8. What are the factors Involved in Demand Forecasting?

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LESSON - 7

SALES QUOTAS

7.0 Objective :

After reading this lesson you should be able to understand:

- Role of quotas in control the sales effort
- Sales Quotas importance and its relationship with the sales forecast
- Various types of sales quotas and settings procedure
- Administering the quota system for system's effectiveness

Structure :

7.1 Introduction.
7.2 Meaning & Importance of sales Quota.
7.3 Objective & purpose of Quotas.
7.4 Types of Quotas and setting procedure.
7.5 Quotas, sale forecast and the sales Budget.
7.6 Maintenance of Quota System.
7.7 Summary.
7.8 Keywords
7.9 Self Assessment questions
7.10 Further Readings.

7.1 INTRODUCTION :

Sales Quota is a goal in terms quantity gives to sales representative or a group of sales personnel over a period of time. Sales Quotas are based on sales forecasts and sales potentials of deferent markets. The more accurate the data used in formulating the sales quotas, the more effective quotas become from the sales forecasts, study of markets and cost estimates. Soundly administered quotas based on thorough market knowledge are effective devices for directing and controlling sales operations. Sales effort is controlled by using Quotas. Quotas provide a quantitative performance standards – they quantify what management expects within a given period.

7.2 MEANING AND IMPORTANCE OF SALES QUOTAS :

A sales quota is a quantitative goal assigned to a sales unit relating to a particular time period. A sales unit may be a sales person, territory, branch office, region or distributor sales quotas are used to plan, control and evaluate selling activities of a company. They provide a source of motivation, a basis for incentive compensation, standards for performance evaluation of sales person and uncover the strengths and weakness in the selling structure of the firm. For example a company manufacturing electronic office equipment discovered that it took twice as long as to sell on electronic type writer than to sell other similar products in the product ..... Quotas on the electronic type writer were set and the result was that a sales person in rigid group of electronic typewriter quotas outsold the uncontrolled quota group. This example shows that generally speaking sales persons are Quota achievers and their motivation my fall of if easy or no Quotas are set for them to achieve.

7.3 OBJECTIVE AND PURPOSE OF SALES QUOTAS :

Objectives :

1.To provide quantitative performance standards :

Quotas provide a means for determining which sales personal other units of the sales organisation or distributive outlets are doing an average, below arrange, or above average job Comparison of quotas with sales performance identify weak and strong points, but management must dig deeper to uncover reason for variations sales performance vary product by product, territory by territory and sales person by salesperson. Additional analysis uncovers performance differentials.

2.To obtains Tighter Sales & Expense Control :

Control over expenses and profitability is tightened through quotas some companies reimburse sales expenses only upto a certain percentage of sales volume, the expense quota being expressed as a percentage of sales. Quotas are established for rupee profit or profit percentage on sales. profits increase only with improved selling efficiency (lower selling expenses or more profitable sales).

3.To Motivate Desired performance :

Quotas motivate sales personnel, distributive outlets and others engaged in the sales operation to achieve assigned performance levels. Sales executives agree that Quotas should be attainable goals, achievable with justifiable pride and confident that management recognize their achievements. For maximum effectiveness in motivating desired performance, quotas cannot be based solely on judgement or on sales potentials.

4. To use in connection with Sales Contests :

Companies frequently use “performance against quota” as the main basis for making awards in sales contests. Sales contests are more powerful incentives if all participants feel they have a more or less an equal chance of winning. Generally, contest quotas are designed solely for contest use, “special quotas” to stimulate special effort, causing average sales personnel to turn in above average performance.

Purpose :

Sales Quotas serve several purposes : The principal purposes include.

1.Providing Goal and incentives : Quotas provide sales persons, distributive outlets and other engaged in selling activities, goals & incentives to achieve certain performance level. As incentives sales force increasing their compensation through commission or a bonus if the quota is surpassed and/or recognised for superior performance. Needless to mention, to be true motivation sales quotas, set should be perceived as being realistic and attainable.

2.Controlling sales persons activities : Quotas provide an opportunity to direct and control the selling activities of sales persons. Sales persons are held responsible for certain activities of customer per day, calling of new accounts, demonstration & realisation of Co-account. If sales persons fails to attain these quotas Co. account can take corrective action to rectify the mistake.

3.Evaluating performance : Quotas enables the company to evaluate the performance of sales person, territory etc and identify strong & weak points of sales persons.

4.Controlling the selling expenses : Quotas keeps selling expenses within limits and reimburse upto a certain percentage of sales quota expense quota helps companies to set profit quotas.

5.Making Effective compensation plan : Quotas play an important role in sales compensation plan. Sales person get commission when they exceed their assigned quotas basing on this Bonus is determined.

7.4. TYPES OF QUOTAS :

There are four types of Quotas.

1. Sales Volume quota
2. Financial Quota
3. Activities Quota
4. Combination Quotas

I. Sales Volume Quotas :

The most commonly used quotas are those based on Sales Volume. These are set for a sales representative, for a product line, or for a Geographical area (or) for a distributor sales volume quotas may be.

1. Units of products to be sold.
2. Rupee Sales
3. Or both

Sales volume quotas are set on as over all basis and on the basis of each product. The combination of these two enables some companies to set quotas on point basis. Points are awarded on the attainment of a certain specific level of sales in units and rupee terms for each product / customer. To illustrate, a company might set one point for each 1,000 rupees simultaneously, product A's unit sales may attract 3 points and product B's unit sales may attract 5 points. Rupee sales volume quotas are proper for Sales Representatives selling multiple products unit sales volume quotas are suitable in a market with fluctuating prices, or high unit prices.

The setting procedure of sales volume quotas :

Past Sales : Percentage increase in the market is determined and added to the best year's quota. The last year should be typical year. Alternatively average of three previous year may be taken and then expected growth is added.

Total market Estimates : The company determines the total market size for a year the volume quota is derived from it

II.Financial Quotas : Financial quotas are set to gain a desired net profit as well as to control the sales expenses incurred.

(a) Net Profit Quota : Net profit quotas are particularly useful in multi product companies where different products contribute varying level of profits. It emphasises sales persons have to spend their time on profitability.

(b)Expense quota : Expense quotas make the sales representatives conscious of keeping their expenditure within reasonable limits. Expense quotas may demoralise the sales representatives and so are used only as supplementary quotas.

III.Activity Quotas : Sales representatives have not only to generate sales, but also to develop the market too by doing certain activities for which quotas are set.

Number of distributors / dealers called on
Number of new customers visited
Number of calls for recoveries of dues
Number of customers called on
Number of institutions called on

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

7.5. QUOTAS, SALES FORECAST AND SALES BUDGET :

Relationship among quotas, the sales forecast and the sales budget vary from company to company. Relationships depend not only upon the procedures used in forecasting, budgeting and the quota setting but alto upon how the planners integrate these three procedures. The greater the integration the more effective quotas are as devices for controlling sales efforts. Planning a company sales effort begins with a sales forecast and evolves naturally into a sales budget. Thus setting the stage for the controlling phase, which involves, among other things, determination of quotas for use as performance standards.

Sales forecast is a sales estimate it has, in effect divided the sales volume objective; then after management determines expenses, net profit it brings all these figures together into a sales budget and sets the objective for the net profit. Management now decides quantitative objectives such as quotas, to assign to individual sales personnel, organisational units of sales dept, outlets etc.

7.6. MAINTENANCE OF QUOTA SYSTEM :

Skill in administering the quota system is basic not only to realizing the full benefit for control purposes, but also to securing cooperation in making the system work. Most critical is securing and maintaining acceptance of the quotas by those to whom they are assigned. Few people take kindly to having yard sticks applied to their performance and few of them oppose quotas for the accuracy fairness or attainability.

Accurate, Fair and Attainable Quotas :

Good quotas are accurate, fair & attainable. Obtaining accurate quotas is a function of the quota setting procedure. Accurate quotas result from skilful blending of planning and operating information with sound judgement. Setting a fair quota involves determining the proper blend of sales potential and previous experience. Management believes that it quota setting procedure produces accurate quotas and is confident that fair quotas are being assigned, then they should be attainable.

Sales personnel's Acceptance of quotas :

Management must make certain that sales personal understand quotas and the quota setting procedure and securing staff acceptance of quotas. Quotas are technique to obtain extra effort from them at no cost to the company. Quotas as communicators of "how much for what period" and the method should be simple enough for sales personnel to understand.

a) Participation by sales personnel is quota setting: 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 or to the sales staff but when sales personnel participate in quota setting they are more easily convinced of the fairness of quotas.

b) Keeping sales personnel informed: Effective sales management keeps sales personal informed of their progress and receive frequent reports detailing their performance till date. Preparing full benefit from keeping sales personnel informed requires frequent personal contacts by supervisors, as well as regular reports.

c) Need for continues managerial control: In administrating any quota system, there is a need for continuous monitoring of performance. Arrangements must be made to gather and analyze performance statistics with minimum delay charts recording each sales person's performance against quota facilitates this analysis.

7.7. SUMMARY :

A sales forecast constitutes a critical component of the sales planning task of the company. To do this with desired accuracy a detailed market knowledge and the existence of a comprehensive marketing information system are required.

Development of sales forecasts on product, segment, customer and geographical are basis enables a company to keep sales as planned. This leads to establishments of a quantitative goals relating to an identified sales unit for a specific period of time. The sales quotas so determined facilitate the caring of profitable sales territories and their management in the most productive manner.

7.8. KEYWORDS :

Sales Quotas : Sales targets given to individuals salesman as their quota from the total sale forecast. Such targets may be given in the form of units sales goals or revenue goals.

Financial Quota : Financial quotas are those which set for desired net profit as well as to control the sales expenses incurred.

Sales efficiency : A measure of performance to evaluate the relationship between sales volume or value and individual and total selling cost.

Sales targets : A performance standard against which the degree of achievement can be measured targets are usually set on a geographical, product or customer basis is either selling quantities or sales performance terms.

7.9. SELF ASSESSMENT QUESTIONS :

1. What do you mean by sales quotas ? What are the objectives in using quotas ?
2. What are the various types of sales quotas / explain the procedures in setting sales quotas.
3. How do you administrating the sales quotas ?

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Lesson – 8

SALES TERRITORIES

8.0 Objective :

After reading this lesson you should be able to :

- Describe the concept of Sales territory.
- Explain the reasons for establishing or revising sales territories.
- Discuss some of the managerial dimensions of effective territory management.

STRUCTURE :

8.1 INTRODUCTION :

Establishment of sales territories facilitates matching selling efforts with sales opportunities. Sales personnel are assigned the responsibility for serving particular groupings of customers and prospects and provide contact points with the markets. Territorial assignments lend directions to the planning and control of sales operations. In establishing sales territories, management is taking an important step towards accumulating knowledge on the company's strengths and weaknesses in serving different markets. Through utilization of this knowledge in planning sales operation, managerial efforts to improve competitive position become increasingly effective.

Breaking down the total market into smaller units makes control of sales operations more effective. Assigning responsibility for achieving specific objectives to subordinate line executives and individual sales personal brings selling efforts into alignment with sales opportunities. It also provides sound bases for appraisal. This lesson converse the concept, purpose, designing sales territories and improving productivity of sales territory.

8.2 THE CONCEPT OF SALES TERRITORY

The emphasis in the sales territory concept is upon customers and prospects rather than upon the area in which and individual sales person works. Operationally defined "a sales territory is a grouping of customers and prospects assigned to an individual sales persons". Many sales executives refers to sales territories as geographic areas. But, in contrast in some companies, particularly those in which the technical selling style is predominant, geographical consideration are ignored and sales personnel are assigned entire classes of customers, regardless of their location. Whether designated geographically or not, a sales territory is a grouping of customers and prospects that can be called upon conveniently and economically by an Individual sales person.

To emphasizes the point that designations of territories should not be closely along geographical lines, consider the following situations.

When sales personnel sell mainly to personal acquaintances, as in selling property insurance, investment securities and automobiles, little logical basis exists for dividing the market geographically.

In selling real estate, where the market is localized and where the customer usually seeks out the firm rather than the sales person, geographically defined territories are meaningless.

In some cases, sales personnel are, for the most part, Inside order takers ; customers seeks out the suppliers. But even, as in life insurance selling, where sales personnel are outside order gathers and seek out prospects, the personal and localized nature of the market makes geographically assignment of territories inappropriate.

Certain companies have highly specialized sales personnel, each with responsibility for serving customers who need his or her special skills.

Small companies, and companies introducing new products requiring the use of different marketing channels, often do not use geographically defined territories at all or, if they do, use rough decisions.

In most marketing situations, however, it is advantageous to ‘assign’ sales personnel to territories. Determining the territorial assignments requires considerations of customers service requirements and the cost of providing services. Geography affects both a company’s ability to meet customers services requirements and the costs of meeting them. Even when territorial boundaries are geographical, each sales person assignment is a grouping of customers and prospects, and only for reason of convenience and economy a geographical cluster the emphasis is on the customers, not on their locations.

House Accounts : A house account is an account not assigned to an Individual sales person but one handled by executives or home office personnel. Many are extremely large customers, most of whom prefer-indeed, sometimes demand to deal with the home office. Frequently house accounts are responsible for significant share of a companies total business. When house accounts are excluded from territorial assignments; adverse effects upon sales force morale are possible if sales personnel feel that the company is depriving them of the best customers. Thus, most companies prefer to minimise the number of house account.

8.3 REASONS FOR ESTABLISHING SALES TERRITORIES :

Sales territories are set up and subsequently revised as market conditions dictate, to facilitate the planning and control of sales operations. More specifically, there are five reasons for having sales territories.

1. Providing Proper Market Coverage :

Sometimes a company loses business to competitors because it does not have proper market coverage. Sales management has not matched selling efforts with sales opportunities effectively, competitors have a better match, and they obtain the orders. To overcome problems of this type, generally management must establish sales territories, if the company does not have them, or revise those that it has. The design of the territories should permit sales personnel to cover them conveniently and economically.

Good territorial design allows sales personnel to spend sufficient time with customers and prospects and minimizes time on the road. This permits them to become thoroughly conversant with customers' problems and requirements. Successful selling is based upon helping customers solve their problems, not just upon making sales or, even worse, upon taking orders. Well-designed sales territories, combined with appropriate sales force assignments, result in calls upon different classes of customers and prospects at needed frequencies. Call regularity is important in selling products purchased on a repeat basis, and persistence turns many a prospect into a regular account.

2.Controlling Selling Expenses :

Good territorial design combined with careful salesperson assignment results in low selling expenses and high sales volumes. Sales personnel spend fewer nights away from home, which reduces or eliminates many charges for lodging and food; at the same time, cutting travel miles reduces transportation expenses. These savings, plus the higher sale volumes from increased productive selling time, reduce the ratio of selling expenses to sales. In fact, even if rupee selling expenses remain unchanged, the sales increase produced through proper market coverage reduces the selling expense percentage.

To secure larger sales volumes, sales personnel may have to incur additional expenses. Securing larger orders may require more frequent sales calls, which increases selling expenses. Well-designed sales territories and appropriate assignments of sales personnel increase the total time available for contact with customers and prospects, thus preparing the ground for improved sales volumes.

Sales management's problem in controlling selling expenses is not to minimize them but to obtain the best relation between rupee selling expenses and rupee sales volumes. Short-term reductions in the selling expense ratio are not always desirable; the long-term result is important. Rises in selling expenses may not be followed immediately by increased sales volumes and higher sales volumes in the future. The intelligent up or revising of sales territories is one step management takes to see that selling expense rupees are spent to the best advantage.

3. Assisting in Evaluating Sales Personnel :

Well-designed sales territories assist management in evaluating sales personnel. Selling problems vary geographically, and the impact of competition differs widely. When the total market is divided into territories, analysis reveals the company's strengths and weaknesses in different areas, and appropriate adjustments can then be made in selling strategies. Through analyzing the market territory by territory and pinpointing sales and cost responsibility to individual sales personnel, management has the information it needs to set quotas and to evaluate each salesperson's performance against them.

4. Contributing to Sales Force Morale :

Good territorial designs help in maintaining sales force morale. Well-designed territories are convenient for sales personnel to cover ; they represent reasonable – sized work loads, and sales personnel find that their efforts produce results. All are responsible for achieving given levels of performance within their own territories, so all know what management expects of them. Results that come from each sales territory are correlated with the efforts of individual help to make each person as productive as possible and make for high earnings, self-confidence, and job satisfaction. Finally, sales force morale is high because excellence in planning territories and making territorial assignments causes sales personnel to spend minimum time on the road.

5.Aiding in Coordination of Personal Selling and Advertising :

Management may set up sales territories or revise existing territorial arrangements to improve the coordination of personal selling or advertising efforts. In most situations, personal selling or advertising alone cannot accomplish the entire selling task efficiently or economically. By blending personal selling and advertising, management takes advantage of a synergistic effect (the "2 + 2 = 5" effect) and obtains a performance greater than the sum of its parts.

Sales personnel play key roles in capitalizing upon synergistic opportunities. Prior to launching an advertising campaign for a new consumer product, for example, sales personnel call upon dealers to outline the marketing plan's objectives, provide them with tie-in displays and other promotional materials, and make certain that adequate supplies of the product are on hand in the retail outlets. Territorial assignments make every dealer the responsibility of some salesperson, and proper routing ensures that sales personnel contact all dealers at appropriate times relative to the breaking of the consumer advertising campaign. In some cases, the manufacturer's marketing plan calls for dealers to share in the costs of advertising the product; here, again, sales personnel "sell" such cooperative programs to dealers. In situations where sales personnel do work related to the advertising effort, the results are more satisfactory if the work is delegated on a territory-by-territory basis rather than for the entire market.

8.4 PROCEDURES FOR SETTING UP SALES TERRITORIES :

In setting up or in revising sales territories, there are four steps: (1) selecting a basic geographical control unit, (2) determining sales potentials in control units, (3) combining control units into tentative territories and (4) adjusting for coverage difficulty and redistricting tentative territories.

1. Selecting a Basic Geographical Control Unit :

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

There are two reasons for selecting a small control unit. One reason is to realize an important benefit of using territories, the precise geographical identification of sales potential. If the control unit is too large, areas with low sales potentials are hidden by inclusion with areas having high sales potentials, and areas with high sales potentials are obscured by inclusion with those having low sales potentials. The second reason is that these units remain relatively stable and unchanging, making it possible to redraw territorial boundaries easily by redistributing control units among territories. If, for example, a company wants to add to Jones's territory and reduce Smith's adjoining territory, it is easier to transfer country-sized rather than state-sized control units.

2. Determining Sales Potential Present in Each Control Unit :

The next step is to determine the sales potential present in each central unit. The territorial planner needs some way to measure sales potentials, which, you will recall, represent the maximum possible sales opportunities open to a specific company selling a good or service during a stated future period to particular market segments. For the present purpose, substitute "a particular control unit" for "a particular market segment", in other words, each control unit is a particular geographical market segment. Geographical market segments, like all market segments, are made up of present and prospective customers, so the territorial planner must identify the buyers of the product as precisely as possible. A vague identification such as, "Our product is bought by women," is not sufficient. But if it can be determined that "Our product is bought almost entirely by middle-aged, lower-income women living in cities, "a more precise description of the buyers comprising the market is obtained. Formal market identification studies may be necessary.

Sometimes, sales personnel supply information, but it is not necessarily usable. For example, a sales force calling only on wholesalers has little contact with retailers or consumers. Even when sales personnel sell to final buyers, as in marketing many industrial goods, they may neglect certain classes of prospects and be able to provide only partial identification of possible buyers. When there is no direct contact with final buyers, formal marketing research studies obtain precise identification of all classes of final buyers. Whether or not this process should be carried as far as identification of each possible buyer depends upon the product being marketed. In consumer goods, it is unnecessary and too expensive to go to this extreme. In industrial goods, where often there are only a few possible buyers, exact identification is desirable and feasible.

Having potentials are generally converted into sales potentials by analyzing historical market shares within each control unit, adjusting for changes in company and competitors' selling strategies and practices, and arriving at estimates. Having made these estimates, the territorial planner ascertains those control units with sufficient sales potential to justify sales coverage.

3. Combining Control Units into Tentative Territories :

The planner next combines units into tentative sales territories. This is only a tentative arrangement because, as explained later, subsequent adjustments must be made for relative coverage difficulty. At this stage, the planner assumes that no significant differences in the physical or other characteristics of individual control units exists. The purpose is to obtain a "first approximation" of sales territories, by combining contiguous control units into tentative territories, each containing approximately the same sales potential.

At this point, however, the planner decides the number of territories, and this, assuming that all sales personnel are of average ability, is identical to deciding sales force size. Basically, the planner estimates the percentage of total sales potential that the average salesperson should realize. Analysis of past sales experience helps in making this estimate, which, once made, is used 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, thus arriving at the number of sales personnel units and territories required.

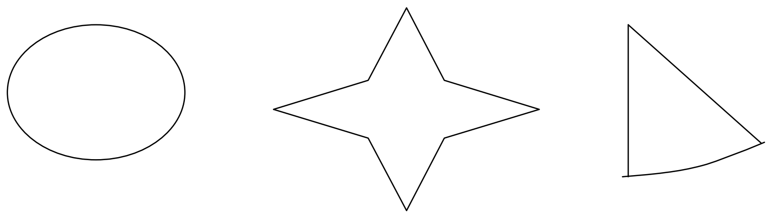
Territory Shape : The planner now considers territory shape. The shape of a territory affects both selling expenses and ease of sales coverage. In addition, if the shape of a territory permits

the salesperson to minimize time on the road, shape contributes to sales force morale. Three shapes are in wide use the wedge, the circle, and the clover leaf
(see Figure 8.1).

The wedge is appropriate for territories containing both urban and non-urban areas. It radiates out from densely populated urban center. Wedges, of course, can be in many sizes (up to just under 360 degrees). Travel time among adjoining wedges can be equalized by balancing urban and non-urban calls.

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

The clover leaf is desirable when accounts are located randomly through a territory. Careful planning of call schedules results in each cloverleaf being a week's work, making it possible for the salesperson to be home weekends. Home base for the salesperson assigned to the territory is near the center. Clover-leaf territories are more common among industrial marketers than they are among consumer marketers and among companies cultivating the market extensively rather than intensively.



4. Adjusting for Differences in Coverage Difficulty and Redistricting Tentative Territories

The final step is to redistrict the tentative territories through adjusting for coverage difficulty. The tentative territories each contain approximately the same sales potential, but, almost certainly, territories with nearly equal sales potentials require different selling efforts and, in turn, selling expense totals. Now it is time to remove the unrealistic assumption that no differences in the characteristics of geographical control units exist. Significant differences in physical and other characteristics make providing sales coverage more difficult for some control units than for others. Certain large cities, for instance, have greater sales potentials for most products than some states, but the time required to contact customers and prospects in cities is much less, and the same is true of selling expenses. The optimum territorial arrangement is reached when incremental sales per rupee of selling expenditures are equated among all territories. In working toward this ideal, both sales potential and coverage difficulty are taken into account. It is only coincidental if equal potential territories achieve the optimum. As the planner adjusts for differences in coverage difficulty, control units are taken away from some tentative territories and added to others. The final territorial arrangement almost certainly is one in which different territories contain different sales potentials.

Differences in coverage difficulty represent differences in work loads. The planner ascertains how large the maximum work load the largest work load for any sales person should be. All work loads need not be the same size, since sales personnel vary in ability as well as in drive, and some can safely be assigned larger work loads. However, since there is an upper limit to the "desirable work load", and this also limits a territory's maximum geographical extent. When final adjustments for coverage difficulty are made, sales territories have varying amounts of sales potential and different sized work loads, but none exceeds the maximum desirable work load.

Redistricting to adjust for coverage difficulty (that is, differences in work loads) is a seven-step procedure.

1. Determine number, location, and size of customers and prospects in each tentative territory.
2. Estimate time required for each sales call.
3. Determine length of time between calls, that is the amount of time required to travel from one customer to the next.
4. Decide call frequencies.
5. Calculate the number of calls possible within a given period.
6. Adjust the number of calls possible during a given period by the desired call frequencies for the different classes of customers and prospects.
7. Finally, check out the adjusted territories with sales personnel who work or who have worked in each area, and make further adjustments as required.

Deciding Assignment of Sales Personnel to Territories :

When the arrangement is the best obtainable, it is time to assign sales personnel to territories. Up to this point in territorial planning, an implicit assumption has been that all sales personnel are "average", that is, that all are interchangeable, each capable of producing similar results at similar costs regardless of territorial assignments. Clearly, this is an unrealistic assumption, adopted only for territorial planning purposes, and one that is discarded when sales personnel are as signed to territories, and one that is discarded when sales personnel are as signed to territories. Few sales personnel are average – they vary in ability, initiative, and effectiveness as well as in physical condition and energy. What constitutes a reasonable and desirable work load for one individual may not be appropriate for another person. Furthermore, salesperson's effectiveness varies with the territory assigned. One person is outstanding in one territory and a fail factors are almost identical. Performance, moreover, is conditioned by customer characteristics, customs and traditions, ethnic influences, and the like. Dyadic in teractions, with customers and prospects, in other words, vary in their outcomes from one territory to another depending on many factors, most of them outside the salesperson's control.

In assigning sales personnel to territories, management seeks the most profitable alignment of selling efforts with sales opportunities. The territories, containing varying sales potentials, represent different amount of sales opportunity. The sales personnel, differing in ability and potential effectiveness, represent the range of available selling talent. Management should assign each sales person to the particular territory where his or her relative contribution to profit is the highest.

1. The criteria : The criteria of assignment vary from organization to organization. These are summarised as follows :

·**Fixed Assignment :** Here salesmen selected and assigned to different territories are not disturbed from their assigned territories. This will enable not to disturb the sales person customer relationship. In such fixed assignment, firms design territories to suit around an individual sales personnel; their capacity, competence and contribution. Here transfer is infrequent or rare.

· **Free Assignment :** This is the opposite extreme of fixed assignment. Here anyone can do assignment to any territory. Here transfer is very frequent. Here territories are designed with approximately equal sales potential and number of sales personnel are made to suit the total desired sales efforts needed for such a territory, based on their individual abilities.

· **Composite Assignment :** In this case we have both types of sales persons viz. fixed and free floating type. In this case sales territories are designed in such a way, that some territories are built to suit around individual sales persons for fixed assignment and another set to suit ability level of individuals.

We shall now demonstrate how assignment is done to following types of territories in the subsequent paragraphs.

a) Territories having equal sales potential.
b) Territories having sales potential proportional to sales persons' abilities.
c) Territories having different sales potential

2. Assignment of Sales personnel to Territories of Equal Potential :

This is shown in Table 8.1 Here forecast of sales is obtained by multiplying sales potential by a ability index of sales person. Assuming, say 30% sales as profit, the forecast of individual salesman's contribution is also calculated. Sum of these contribution is the maximum profit possible irrespective of how the sales personnel are assigned.

Table 8.1 Assignment to equal Potential Territories

Territory	Sales Potential	Sales Person	Ability Index	Forecast of Sales	Forecast of Profit Contribution
I	Rs. 2.5 Lakhs	A	1	Rs. 2.5 Lakhs	Rs. 75,000
II	Rs. 2.5 Lakhs	B	0.8	Rs. 2.0 Lakhs	Rs. 75,000
III	Rs. 2.5 Lakhs	C	0.7	Rs. 1.75 Lakhs	Rs. 52,500
Total	**Rs. 7.5 Lakhs**			**Rs. 6.25 Lakhs**	**Rs. 1,87,500**

* Assumed 30% of Sales

3. Assignment of Sales Personnel to Territories Containing Sales Potential Proportional to Sales Person's Abilities :

Let us now consider these territories are designed around individual sales persons so that sales potential is shown in Table 8.2 This arrangement shows as increase of profit contribution by Rs. 3,200/- from Rs. 1,87,500/- to Rs 1,90,700/-

Table 8.2 Assignment to territories of Potential Proportional to Abilities

Territory	Sales Potential	Sales Person	Ability Index	Forecast of Sales	Forecast of Profit
I	Rs. 3.00 Lakhs	A	1	Rs. 3.00 Lakhs	Rs. 90,000
II	Rs. 2.40 Lakhs	B	0.8	Rs. 1.92 Lakhs	Rs. 57,000
III	Rs. 2.10 Lakhs	C	0.7	Rs. 1.47 Lakhs	Rs. 43,100
Total	**Rs. 7.5 Lakhs**			**Rs. 6.25 Lakhs**	**Rs. 1,90,700**

* Assumed 30% of Sales

4. Assignment of Sales Personnel According to Territories Containing Different Sales Potential:

Let us consider the total sales potential is distributed/ assigned at Rs 5.0 Lakhs, Rs1.5 Lakhs and Rs 1.0 Lakhs respectively. The distribution arrangement is shown in table 8.3

Table 8.3 Case 3 -Assignment

Territory	Sales Potential	Sales Person	Ability Index	Forecast of Sales	Forecast of Profit
I	Rs. 5.00 Lakhs	A	1	Rs. 5.00 Lakhs	Rs.1,50,000
II	Rs. 1.50 Lakhs	B	0.8	Rs. 1.20 Lakhs	Rs.36,000
III	Rs. 1.00 Lakhs	C	0.7	Rs. 0.70 Lakhs	Rs.21,000
Total	**Rs. 7.50 Lakhs**			**Rs. 6.90 Lakhs**	**Rs.2,07,000**

* Assumed 30% of Sales

Table 8.3 shows there is further increase of profit compared to case 1 and case 2 above. Compared to case 1, this has increased the profit by Rs. 19,500/- from Rs.1,87,500/- to Rs 2,07,000/- However, case 3 assignment results over assignment to salesman A and under assignment to B and C. This may reduce efficiency level of A, less than 1. This is due to coverage difficulty. In addition to heavy workload we may also consider expenses which may rise proportional to increase in sales upto a certain point, and after this point, expenses go up at an increasing rate. This will further bring down the profit.

5. Optimum Assignment :

The optimum territorial assignment is reached when incremental sales produced per rupee of sales expenditure are equal in all territories. Hence, it is wise to do the following :

· Fix upper and lower level of sales potential in each territory

· Do not increase size of sales potential beyond “point of feasibility”. This is the point beyond which incremental expenses exceed incremental profit.

· It is not realistic to assume individual ability index remain fixed. As coverage difficulty increases, this index goes down.

· Sales persons have different degrees of effectiveness in different territories.

8.5 IMPROVING TERRITORY PRODUCTIVITY :

For obtaining maximum productivity out of sales territories, it is essential that the sales force lay emphasis on its effective management, than on mere coverage. In practice its means that sales territories be mapped and managed on profit oriented basis taking into consideration. (i) Profit Contribution made by different customers, clarity of approach to account development as well as to small/ marginal customers. (ii) Profit generators and detractors in the territory. (iii) Allocation of sales, marketing and other resources based on territory’s profit contribution potential (iv) Effective utilisation of sales force time.

The process of improving territory production, therefore requires establishment of a system of monitoring and review of the sales territory. The system should focus on :

a) Sales territory performance in terms of its market potential, resources deployed and required, and profit contribution potential.

b) Sales force itinerary planning, covering, call planning, journey planning appointment scheduling, preparation and usage of sales aids and equipment during sales calls, and post call planning.

c) Documentation of customer call records, daily activity reports, cost and time on various activities, market intelligence etc.

d) Sales persons productivity.

In brief, attention to every single profit detractor and timely action on all profit generators helps a company to optimise the sales territory productivity. Superior quality of the sales force facilitates in the attainment of this goal.

8.6 SUMMARY :

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

Good territorial design is based upon thorough knowledge of sales potential and differences in coverage difficulty. In assigning sales personnel to territories, management seeks the best alignment of selling efforts with sales opportunities, and systematic plan for routing and scheduling sales personnel help in accomplishing this. For obtaining maximum productivity out of its sales territories it is essential that the sales force lay emphasis on its effective management than an mere coverage.

8.7 KEY WORDS :

Sales territory : An area of responsibility for an individual sales person to develop sales in it.

Sales territory design : The mean of allocating customers or groups of customers as a basis for assignment to a sales person to achieve sales objectives. This is usually on a geographical, product or market basis or on a combination of these basis.

House Account : A house account is an account not assigned to an individual sales person but one handled by executives or home office personnel.

8.8 SELF ASSESSMENT QUESTIONS :

1. Define Sales territory, Explain various the reasons for establishing sales territory.
2. Explain how will you design a sales territory ? highlighting steps involved there in.
3. "Assign each sales person to the particular territory where his or her relative contribution to the profit is highest" elucidate this statement indicating different methods of assignment.

8.9 FURTHER READINGS :

1. Richard R. Still, Edward W. Cundiff and Norman A.P. Govoni, Sales Management, Prentice –Hall, Inc, Englewood cliffs, N.J., USA.

2. Douglas J. Dalrymple, Sales Management : concepts and cases, John willay and sons, New york

3. Gordan J. Bolt, Market and Sales Forecasting : A Total Approach, Essex kogan Ltd., London
4. N.G. Nair, Latha Nair, Sales and Distribution Management, Himalaya Publishing Hose, Mumbai.

- Dr. V. TULASI DAS

LESSON – 9

SALES ROUTING

9.0 Objective:

After completing this lesson you will be able to

- Explain the sales routing and its importance in sales management
- Explain the activities involved in sales routing and scheduling
- Understand the sales routing and scheduling in sales control

Structure :

9.1 Introduction :-

Routing and scheduling plans aim to maintain the lines of communication, to optimise sales coverage and minimize waste time. When management is informed at all times of sales persons where about in the field-or atleast knows where they should be – it is easy to contact them to provide needed information or last minute instructions. Chances are good that sales personnel will be where they are supposed to be.

Routing and scheduling are concerned with the route or path the salesman will travel and the time dimensions involved. In some organizations this is a managerial responsibility whilst in others it is left to the individual salesman as a self management activity. Time must be used wisely in tertiary coverage and a good salesman will be self motivated to route and schedule himself so that he gets the maximum sales. Who ever assumes this responsibility, it becomes necessary for the sales man ascertain which prospect and account are important and how much should be devoted to each such prospect or account. The question of the cost of the salesman's time as well as the cost of reaching the person concerned must also be borne in mind. This lesson deals with how the routing and scheduling will help the salesman to minimize waste time, cost and optimise sales.

9.2 Objectives of sales Routing and Scheduling :-

The main objectives of routing and scheduling is to maximize sales by minimizing wastage of time by sales personnel. The other objectives served by routing and scheduling are the following.

To establish and maintain line of communication
To Know where about of sales person
To improve sales coverage

To reduce non-selling time
To avoid back tracking
To improve size of average sales order
To improve / maximize profits
To minimise the cost of salesman's time as well as the cost of reaching the prospect or sales account

9.3 Activities Involved Sales Routing and Scheduling :-

The following three activities are involved in effective sales routing and scheduling

a) Routing Plan
b) Call Scheduling
c) Company's role in routing and scheduling.

A) Routing Plan : Routing and Scheduling plans improve sales coverage. The mechanics of setting up a routing plan are simple, but in working out the plan, detailed information is required on the numbers and locations of customers, the means and methods of transportation connecting customer concentrations, and desired call frequency rates. Detailed maps are needed showing important towns and cities, connecting routes like air, road, water ways and the broader territories and other major landmarks. Based on these routing plans are made. Normally one uses different route, each time of visit of territory to cover more customers and prospects.

B) Call Scheduling : Call Scheduling is more difficult than route planning. Based on desired call frequency rate for each customer on the route, call schedule is easily made as part of routing plan. Customers and prospects are segregated based on devised call frequency depending on number and location of customers and prospects, schedule the call along the planned route with these locations because of changes in competitive actions, movements and travel disruptions. It is impossible to setup fixed routing and scheduling plan.

C) Company's role in Routing and Scheduling : Another difficulty is the absence of information such as waiting time for bus/ train/ air and disruptions and insistence of certain customer/ prospects to get prior appointment to meet them. In to order to get over these difficulties. Some firms allow " Cations time" or "Slack" to compensate such unforeseen contingencies. Companies, benefit from systematic routing and scheduling. However, most firms find it difficult to draw up detailed plans. In particular, gas companies of petroleum/ oil/diesel ten of prepare such detailed plans; where as wholesalers / retailers of groceries / drug/ hardware etc., can afford to draw less detailed schedule and routing plans.

9.4 Routing, Scheduling and control :

The routing plan, the scheduling plan or both assist sales management in obtaining closer control over sales personnel's movements and time expenditures. The routing and scheduling plans are integral parts of the overall process of establishing sales territories and assigning sales personnel. Any routing and scheduling plan should have frequent checkups to detect needed adjustments. Call reports are compared with route and call schedules to determine whether plans are followed. Variations or discrepancies are noted and sales personnel asked for explanations. Adherence to the plans is also enforced through frequent and un-announced visit to the field by supervisors or branch sales managers.

9.5 Summary :

Routing and scheduling plans aim to maintain the lines of communication, to optimise sales converge and minimize wasted time. Routing and scheduling are concerned with the route or path the salesman will travel and the time dimension involved. It helps the organizations to minimize sales expenses, optimise the usage of sales personnel time and ultimately to maximize the profits. The effective design of sales routing and scheduling contains three components i.e., routing plan, scheduling plan and companies role in routing and scheduling. Finally sales routing and scheduling are using as a device for salesman expenses control.

9.6 Self Assessment Questions :

1. What do you mean by the term routing and scheduling of sales persons ? Explain the objectives.

2. What are the roles of the firm in routing and scheduling of sales persons? How does it assist control of sales performance ?

3. Write short notes on the following :
   a) Objectives of routing and scheduling
   b) Routing Plan
   c) Call Scheduling

9.7 Further Readings :

- Richard R. Still, Edward w. Cundiff, and Norman A.P. Govoni, Sales Management : Division, strategies, and cases, Prentice –Hall of India Pvt. Ltd., New Delhi.
- N.G. Naiv and Latha Naiv, Sales and Distribution Management, Himalaya Publishing house, Mumbai.
- Douglas J. Dalrymple, Sales Management : Concepts and cases, john willey and sons,
- Newyark.
- Chris Noonan, Sales Management, George Allen & Urnwin, London.

- Dr. V. Tulasi Das

Lesson – 10

Marketing Intelligence and Marketing Research in Sales Management

10. Objective :

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

- to understand marketing intelligence,
- to understand the marketing research and its process, and
- to understand the relevance of marketing intelligence and research in the context of decision making in sales management.

Structured :

10.1 Introduction :

As a sales manager you are making decisions all the time. It is your responsibility to reduce the risk associated with the decisions which you make. The risk arises because of lack of complete information. Therefore, you are always seeking information to take rational decision making is primarily generated within the firm and is easy to collect and analyze. But in the area of marketing much of the information required for decision making exists outside the firm e.g. information on why people buy certain products; information about the competitors information about the government rules and regulations, Information about the customers preferences, buying habits, buying influences etc., The marketing manager / Sales Manager faces a challenging task in attempting to improve his decision making. The variables involved in the marketing / sales decisions being external to the firm make collection of information cumbersome and expensive.

Marketing decisions involves variables which are often qualitative and dynamic in nature, their measurement is also difficult and the results not always accurate. Moreover many of the variable interact with each other in a very complex fashion which makes it difficult to isolate and measure specific variables. Thus the pressure on the marketing manager is very strong to correctly choose the most critical decision variables and seek relevant information about them. The only way which reduce uncertainty and reduce risk through the use of marketing intelligence and MR which by providing information to take appropriate decisions.

10.2 Marketing Intelligence :

A marketing intelligence system is a set of procedures and sources used by managers obtain their everyday information about pertinent developments in the marketing environment.

Marketing managers often carry on marketing intelligence by reading books, newspapers and trade publications; talking to customers, suppliers, distributors and other outsides; and talking with other managers and personnel within the company. Yet if the system is too casual, valuable information could be lost or arrive too late. Manager might learns of a competitive move, a new customer need, or a dealer problem too late to make the best response.

A well-run company takes four steps to improve the quality and quantity of marketing intelligence. First, it trains and motivates the sales force to spot and report new developments. Second, the competitive company motivates distributors, retailers and other intermediaries to pass along important intelligence. Third, the company purchases information from outside suppliers, where these suppliers gather store and consumer panel date at a much lower cast than the company could do o its own. Fourth, some companies have established an internal marketing information centre to collect and circulate marketing intelligence. These services greatly improve the quality of information available to marketing managers.

10.3 Marketing Research :

Marketing Managers often commission marketing research, formal studies for specific problems and opportunities. They may request a market survey, a product preference test, a sales forecast by region, or research on advertising effectiveness. We define marketing research as follows" MR is the systematic design, collections, analysis and reporting of date and findings relevant to a specific marketing situation facing the company". Marketing research and market research should not be confused. Market research into a particular market is just on component of marketing research.

Purpose : The basic purpose of marketing research is to facilitate the decision making process. The second purpose of marketing research is that it helps to reduce the risk associated with the process of decision making. The risk arises because of two types of uncertainties. Uncertainty about the expected outcome of the decision and uncertainty about the future. The MR helps firms in discovering opportunities which can be profitably exploited. These opportunities may exists in the form of untapped customer needs or wants not catered to by the existing firm.

Scope : Marketing research (MR) is concerned with all objects of marketing relating to product design and development, product mix, pricing, packaging, branding, sales, sales forecast, territorial fixations, distribution, competition, target customer segments and their buying behaviors, advertising and its impact. Specifically, the scope of MR includes customers, products, sales, distribution, advertising promotion competitive information and macro level phenomenon.

MR Process : Effective marketing research involves the five steps shown in figure 10.1

Figure : 10-1 : Marketing Research Process

Define the problem and research objectives → **Develop the research plan** → **Collect the information** → **Analyze the information** → **Present the findings**

STEP 1 : **Define the Problem and Research Objectives** : The first step calls for the marketing manager and marketing researcher to define the problem carefully and agree on the research objectives. An old adage says, "A problem well defined is half solved." Not all research projects can be this specific in their objectives. Some research is exploratory its goal is to gather preliminary data to shed light on the real nature of the problem and to suggest possible solutions or new ideas. Some research is descriptive it seeks to ascertain certain magnitudes, some research is cousual –its purpose is to test a cause and effect relationship.

STEP 2 : **Developing the Research Plan** : The second stage of marketing research calls for developing the most efficient plan for gathering the needed information. The marketing manager needs to know the cost of the research plan before approving it. Designing a research plan calls for decisions on the data sources, research approaches, research instruments, sampling plan, and contact methods.

Data Sources : The research plan can call for gathering secondary data, primary data, or both. Secondary data are data that were collected for another purpose and already exist somewhere. Primary data are data gathered for a specific purpose or for a specific research project. Researchers usually start their investigation by examining secondary data to see whether their problem can be partly or wholly solved without collecting costly primary data. Secondary data provide a starting point for research and offer the advantages of low cost and ready availability.

When the data needed by the researcher do not exist, or are dated, inaccurate, incomplete, or unreliable, the researcher will have to collect primary data. Most marketing research projects involve some primary data collection. The normal procedure is to interview some people individually and / or in groups to get a preliminary sense of how people feel about the topic in question and then develop a formal research instrument, debug it, and carry it into the field.

When stored and used properly, the data collected in the field can form the backbone of later marketing campaigns. Direct marketers such as record clubs, credit-card companies, and catalog houses have long been wise to power of the database marketing. A Marketing Data base is an organized collection of comprehensive data about individual customers, prospects, or suspects that is current, accessible, and actionable for marketing purposes such as lead generation, lead qualification, sale of a product or service, or maintenance of customer relationships. Now companies with products ranging from packaged goods to automobiles are shifting their efforts from mass media to database marketing.

Research Approaches : Primary data can be collected in four ways observation focus groups, surveys and experiments.

·**Observational Research** : Fresh data can be gathered by observing the relevant actors and settings. It fulfills the objectives of explanatory research.

· **Focus-group research** : A focus group is a gathering of six to ten people who are invited to spend a few hours with a skilled moderator a discuss a product, service, organization, or other marketing entity. The moderator needs to be objective, knowledge on the issue, and versed in group dynamics and consumer behaviour. The participants are normally paid a small sum for attending the focus group. The meeting is typically held in pleasant surroundings and refreshments are served.

Focus-group research is a useful exploratory step to take before designing a large-scale survey. Consumer-goods companies have been using focus groups for many years, and an increasing number of newspapers, law firms, hospitals, and public-service organizations are discovering their value. However, researchers must avoid generalizing the reported feelings of the focus-group participants to the whole market, since the sample size is too small and the sample is not drawn randomly."

·**Survey research** : While observation and focus groups are best suited for exploratory research, surveys are best suited for descriptive research. Companies undertake surveys to learn about people's knowledge, beliefs, preferences, satisfaction, and so on, and to measure these magnitudes in the general population.

·**Experimental research** : The most scientifically valid research is experimental research. Best suited for causal research, experimental research calls for selecting matched groups of subjects, subjecting them to different treatments, controlling extraneous variables, and checking whether observed response differences are statistically significant. To the extent that extraneous factors are eliminated or controlled, the observed effects can be related to the variations in the treatments. The purpose of experimental research is to capture cause-and-effect relationships by eliminating competing explanations of the observed findings.

Research Instruments : Marketing researchers have a choice of two main research instruments in collecting primary data : questionnaires and mechanical devices.

·**Questionnaires** : A questionnaire consists of a set of questions presented to respondents for the answers. Because of its flexibility, the questionnaire is by far the most common instruments used to collect primary data. Questionnaires need to be carefully developed, tested, and debugged before they are administered on a large scale. One can usually spot several errors in a casually prepared questionnaire.

In preparing a questionnaire, the professional marketing researcher carefully chooses the question and their form, wording and sequence. A common error is including questions that cannot, would not, or need not be answered and omitting questions that should be dropped because they may exhaust the respondent's patience.

In addition, the form of the question asked can influence the response. Marketing researches distinguish between open-end closed-end questions. Closed-end questions pre-specify all the possible answers, and respondents make a choice among them. Open-end questions allow respondents to answer in their own words. Closed-end questions provide answers that are easier to interpret and tabulate. Open-end questions of ten reveal more because they do not constrain respondent's answers. Open-end questions are especially useful in the exploratory stage of research, where the researcher is looking for insight into how people think rather than in measuring how many people think a certain way.

Finally, the questionnaire designer should exercise care in the wording and sequencing of questions. The questionnaire should use simple, direct, unbiased wording and should be protested with a sample of respondents before it is used. The lead question should attempt a create interest. Difficult or personal questions should be asked toward the end of the questionnaire so that respondents do not become defensive early. Finally, the questions should flow in a logical order.

·**Mechanical instruments:** Mechanical devices are used less frequently in marketing research Galvanometers measure the subjects interest or emotions aroused by exposure to a specific ad or picture. The tachistoscope flashes an ad to subject with an exposure interval that may range from less than one hundredth of a second to several seconds. After each exposure, the respondent describes everything he or she recalls. Eye cameras study respondent's eye movements to see where their eyes land first, how long they linger on a given item, and so on. The audiometer is attached to television sets in participating homes to record when the set is on and to which channel it is tuned[16].

Sampling Plan : After deciding on the research approach and instruments, the marketing researcher must design a sampling plan. This plan calls for three decisions.

·**Sampling unit** : Who is to be surveyed ? The marketing researcher must define the target population that will be sampled. Unit is determined, a sampling frame must be developed so that everyone in the target population has an equal chance of being sampled.

·**Sample Size** : How many people should be surveyed ? Large samples give more reliable results than small samples. However, it is not necessary to sample the entire target population or even a substantial portion to achieve reliable results. Samples of less than 1% of a population can often provide good reliability, given a credible sampling procedure.

·**Sampling procedure** : How should the respondents be chosen ? To obtain a representative sample, a probability sample of the population should be drawn. Probability sampling allows the calculation of confidence limits for sampling error. Three types of probability sampling are described in Table 4-4, section A. When the cost of time involved in probability sampling is too high, marketing researches will take non probability samples. Table 4.1 section B describes three types of non-probability sampling. Some marketing researchers feel that non-probability samples are very useful in many circumstances. Even though they do not allow sampling error to be measured.

Table 10.1 Probability and Non-probability Samples

A. PROBABILITY SAMPLE	
Sample random sample :	very member of the population has an equal chance of selection.
Stratified random sample :	The population is divided into mutually exclusive groups (such as age groups). And random samples are drawn from each group.
Cluster (area) sample :	The population is divided into mutually exclusive groups (such as city blocks), and the researcher draws a sample of the groups to interview.
B. NON-PROBABILITY SAMPLE	
Convenience sample:	The researcher selects the most accessible population members from which to obtain information.
Judgment sample:	The researcher uses judgment to select population members who are good prospects for accurate information.
Quota sample :	The researcher finds and interviews a prescribed number of people in each of several categories.

Contact Methods : Once the sampling plan has been determined, the marketing researcher must decide how the subject should be contacted. The choices are mail, telephone, or personal interviews.

The mail questionnaire is the best way to reach people who would not give personal interviews or whose responses might be biased or distorted by the interviewers. Mail questionnaires require simple and clearly worded questions, and the response rate is usually low and/or slow.

Telephone interviewing is the best method for gathering information quickly; the interviewer is also able to clarify questions if the respondents do not understand them. The response rate is typically higher than in the case of mailed questionnaires. The main drawback is that the interviews have to be short and not too personal.

Personal interviewing is the most versatile of the three methods. The interviewer can ask more questions and can record additional observations about the respondent, such as dress and body language. Personal interviewing is the most expensive method and requires more administrative planning and supervision than the other two methods. It is also subject to interviewer bias or distortion.

Personal interviewing takes two forms, arranged interviews and intercept interviews. In arranged interviews, respondents are randomly selected and are either telephoned or approached at their homes or offices and asked for an interview. Often a small payment or incentive is given to respondents in appreciation for their time. Intercept interviews involve stopping people at a shopping mall or busy street corner and requesting an interview. Intercept interviews have the drawback of being non-probability samples, and the interviews must not require too much time from the interviewer. Not all interviewers today are human. Some companies are now using toll-free telephone numbers to solicit marketing information via telephone.

STEP-3 : Collect the Information : The data collection phase of marketing research is generally the most expensive and the most prone to error. In the case of surveys, four major problems arise. Some respondents will not be at home and must be re-contacted or replaced. Other respondents will refuse to cooperate. Still others will give biased or dishonest answers. Finally, some interviewers will be biased or dishonest.

As we've seen, data collection methods are rapidly improving thanks to modern computers and telecommunications. Some research firms interview from a centralized location. Professional interviewers sit in booths and draw telephone numbers at random. When the phone is answered, the interviewer asks the person a set of questions, reading them from a monitor and typing the respondents' answers into a computer. This procedure eliminates editing and coding, reduces the number of errors, saves time, and produces all the required statistics. Other research firms have set up interactive terminals in shopping centers. Persons willing to be interviewed sit at a terminal, read the questions from the monitor, and type in their answers. Most respondents enjoy this form of "robot" interviewing. Several recent technical advances have permitted marketers to test the sales impact of ads and sales promotion.

STEP-4 : Analyze The Information : The next-to-last step in the marketing research process is to extract pertinent findings from the collected data. The researcher tabulates the data and develops frequency distributions. Averages and measures of dispersion are computed for the major variables.

The researcher will also apply some advanced statistical techniques and decision models in the hope of discovering additional findings.

STEP-5 : Present the Findings : As the last step in marketing research, the researcher presents his or her findings to the relevant parties. The researcher should not overwhelm management with lots of numbers and fancy statistical techniques, but rather should present major findings that are pertinent to the major marketing decisions facing management.

10.4 Application of Marketing intelligence and MR to sales Management :

The broad areas of application for marketing intelligence and marketing research are sales and market analyses, product research, advertising, business economics and corporate research and corporate responsibility. The specific application for marketing intelligence and marketing research are :

·**Determination of Market potential / Sales potential** : The market potential is the total amount of a product or product group which could be sold to a market in a specific time period and under given conditions. Market potential is applicable in case of new product, modified version of an existing product or an existing product to be introduced in a new geographical market.

·**Determination of market share** : In case of an existing product, a company may be interested to know the percentage share of the market which their brand commands.

·**Sales forecasting :** Sales forecasting is an attempt to predict the sale level at a given point in the future on the basis of existing information. Sales forecasting is applicable to both existing products as well as new products. The sales may be calculated either in units or in value. Basically, there are two types of forecasts short-term and long-term. The short-term forecast takes into account seasonal variation, seasonal trends and cycles. The long-term forecast has its basis more in the growth pattern of the industry to which the product belongs and the business cycle operating in the industry.

·**Design of market segmentation studies :** A market is a group of potential customers which has something in common. The common factor may be a geographical area, sex (after shave lotion is used only by men), age (toys for children under 5, between 5-7, etc.,) physical characteristic (weak eyesight, over weight), income, life-style.

Children comprise the market for toys. But in this broad category, the market can be viewed to be made up of many smaller markets or segments: one market for pre school children, another for school-going children, one market comprised of educational toys, one for mechanical toys, one for electrical toys, one for indoor games, etc. The choice before the marketing manager is whether to cater to the broad market of toys or to only one or two of the specific market segments. MR can help answer questions such as “To what extent should the market segmentation strategy be pursued”? and “What should be the basis for segmentation?”.

·**Test market :** This is a controlled experiment to predict sales or profit consequences of the various marketing strategies. It refers to trying out something in a particular market before extending it on a larger scale. You may have noticed advertisements for soaps, or snack foods which sometimes carry the message ‘available only in Hyderabad’ or ‘available only in Calcutta’. The firm selling these product is probably test marketing the product. The results of the market test provide the research data for taking a decision whether to extend the marketing to other areas or drop the idea totally. Test marketing also yields information which helps to modify the product and marketing strategy to give it a better chance for success. Test marketing is used not only for new product but also for researching into the impact on sales of retail level promotional displays and promotional schemes such as coupons and discounts.

·**Distribution channel studies :** Market research can be used to determine the most effective and profitable distribution channels for different types of products.

·**Determination of market characteristics :** Research surveys can be conducted to collect information about the market characteristics which would help a new entrant plan his entry or help an existing company focus its strategy more sharply for increasing market share. Information can be collected on the number of brands competing in the market, state-of-technology prevailing in the market, geographical concentration and dispersal of customers, nature of outlets selling the products, number of such retail outlets, etc.

·**Determination of competitive information :** Research can provide information on the marketing strategies used by various competing brands and the unique selling proposition of each

· Sales Force Compensation Studies
· Sales force qurter studies
· Sales force territory structure
· Studies of premums, Coupons, deals, etc.,
· Buying Behaviour

- Brand preference
- Brand attitude
- Product satisfaction
- Purchase behaviour
- Purchase Intention
- Brand Awareness
- Segmentation studies etc.,

10.5 Summary :

Marketing Research and marketing intelligence are tools for decision making is gaining wide acceptance. Marketing decision involve variables which are often external to the firm, dynamic in nature, uncontrollable by the firm and interact with each other in a complex manner. Because of their dynamic and uncontrollable nature the uncertainty associated with them is very high which in turn leads to the situation that in most marketing decision the associated risk factor is also very high. The marketing manager is always on the lookout for ways and means to reduce this risk. One way that the risk can be reduced in through the use of MR which by providing information reduces uncertainty and converts the unknown risk factor into a known calculated risk.

MR and marketing intelligences are to used for gathering information about market structure, competitors activities, consumer behaviour, testing the efficacy of various elements of the marketing strategy and making forecasts. MR can be used for pre-testing a strategy before actually implementing it, monitor it during implementation, and after implementation monitor the results to assess its impact. Apart from its usefulness in the area of marketing, MR is also used for monitoring socio-economic projects. Every MR project involves five steps. These are problem definition, research design, field work, data analysis and report presentation and analysis. The manager must make the decision regarding the utility of MR on the basis of the cost involved in conducting the research and the benefits expected to accrue from it.

10.6 Key Words :

Primary Data : Data which is collected originally for the current investigation.

Secondary date : Which has already been collected by an agency or individual and is available in a published or unpublished form.

Sample : A method of collecting primary data. In the survey method data is gathered from the sample with the help of a questionnaire. The data may be gathered personally, over the telephone or by mail.

Survey : A method of collecting primary data. In the survey method data is gathered from the sample with the help of a questionnaire. The data may be gathered personally over the telephone or by mail.

Questionnaire : An organised and written format which contains all the relevant questions for gathering data from the sample.

Respondents : An individual in his personal capacity or representing an institution who fulfils all the requirements of a sampling unit and is used for collecting data. He is known as respondent because he responds to the questionnaire.

10.7 Self Assessment Questions :

1. Define marketing research and marketing intelligences indicate in what areas appropriate research can help to make better sales and marketing decision.

2. What is marketing research ? Describe different steps involved in MR process.

3. Explain the factors that have been responsible for the growth of marketing intelligence and MR and its benefits to modern organisation.

10.8 Further Readings :

1. Luck, D.J., Wales, H.G., Taylor, D.A., and Rubbin R.S., Marketing Research, Prentice-Hall of India Pvt. Ltd., New Delhi.

2. Kotler, Philip, Marketing Management: Analysis, Planning and Control, Prentice-Hall of India Pvt. Ltd., New Delhi.

3. Ferber, Robert, (ed)., Handbook of Marketing Research, McGraw-Hill Book Company, New York.

4. Enis, Ben M., Marketing Principles Goodyear Publishing Company: California.

- Dr. V. TULASI DAS

LESSON -11

MANAGEMENT OF SALES FORCE – SOURCE OF RECRUITMENT

11.0 Objective:

After studying this lesson you should be able to:

- Understanding the meaning of Sales force Management
- Analyzing the sources of recruitment methods
- Identifying major decisions areas of Sales force Management

Structure:

11.1 DEFINITION OF SALES FORCE MANAGEMENT

Sales management is solely concerned with the direction and control of the sales force. Sales management refers to the management of sales personnel, though some times, in a broader sense, it covers advertising, distribution, pricing and product designing, all elements of marketing management.

The American Marketing Association has defined ' Sales Management' as " The planning, direction, and control of personal selling including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force". It may be called sales force management.

Sales force management is defined as " the planning, direction and control of the personal selling activities of a business unit, including recruiting, selecting, training, equipping, assigning, routing, supervising, paying, and motivating as these tasks apply to the personal sales force".

Sales management has dual responsibilities: 1. Generating sales volume and 2. Developing sales manpower.

Effective management of sales force requires leadership plus administrative skills in planning, organizing, directing, motivating and controlling the personal selling portion of the promotion mix. Sales managers must determine the number and types of sales people required to implement the sales plans and programmes at a given time. These sales people must be secured and their activities are planned, organized and directed in order to achieve the set sales objectives.

11.2 THE NATURE AND ROLE OF SALES MANAGEMENT

In the same way that selling has become more professional, so too has the nature and role of sales management. The emphasis is on the word management. Increasingly, those involved in management are being called upon to exercise in a professional way the key duties of all managers, namely, planning, organizing and controlling. The emphasis has changed from the idea that to be a good sales manager you had to have the right personality and that the main feature of the job was ensuring that the sales force were out selling sufficient volume. Although such qualities may be admirable, the duties of the sales manager in the modern company have both broadened and changed in emphasis.

Nowadays the sales manager is expected to play a much more strategic role in the company and is required to make a key input into the formulation of company plans. In many companies the emphasis is less on sales volume and more on profits. The sales manager needs to be able to analyze and direct the activities of the sales force towards more profitable business. In dealing with a sales force, the sales manager must be aware of modern developments in human resource management.

Looked at in the manner just outlined, the role of the sales manager may seem formidable, that person must be an accountant, a planner, a personnel manager and a marketer. However, the prime responsibility is to ensure that the sales function makes the most effective contribution to the achievement of company objectives and goals. In order to fulfill this role, sales manager will undertake specific duties and responsibilities.

- The determination of sales force objectives and goals
- Forecasting and budgeting
- Sales force organization, sales force size, territory design and planning
- Sales force selection, recruitment and training
- Motivating the sales force
- Sales force evaluation and control

Perhaps one of the most significant developments affecting selling and sales management in recent years has been the evolution of the marketing concept. Because of its importance to selling, we will now turn our attention to the nature of this evolution and its effect upon sales activities.

11.3 SCOPE OF SALES MANAGEMENT

Sales management directs the sales force. It, therefore, must the art and science of personal selling. Personal selling is accomplished through salesmanship. The sales executive must know the activities of sales persons including salesmanship and the problems of sales persons including those in salesmanship and must be able to provide the right solutions.

Personal selling is a part of the total promotional activity of a firm, which along with product, price, and place management, goes a long way in meting the overall marketing objectives of the organization.

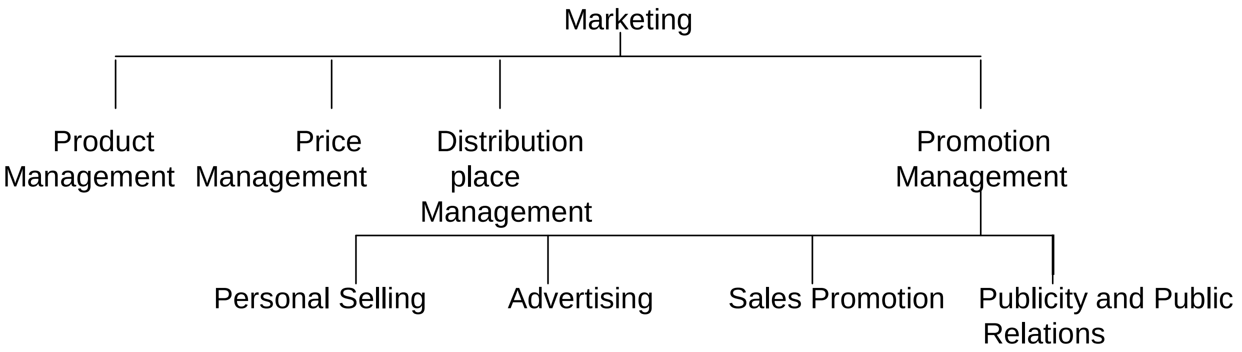


Fig: Place of Personal Selling.

Personal selling thus contributes to the total promotional effort of the organization, and along with other elements of marketing mix like product management, pricing and distribution results in the implementation of the marketing programme.

Personal selling is thus a broader concept and salesmanship is just a part of it. Salesmanship is just one of the skills used in personal selling.

As personal selling is a component of the promotional mix, which in turn is one of the four LPs of marketing, the role of the personal selling is decided by the marketing department in consultation with the sales department.

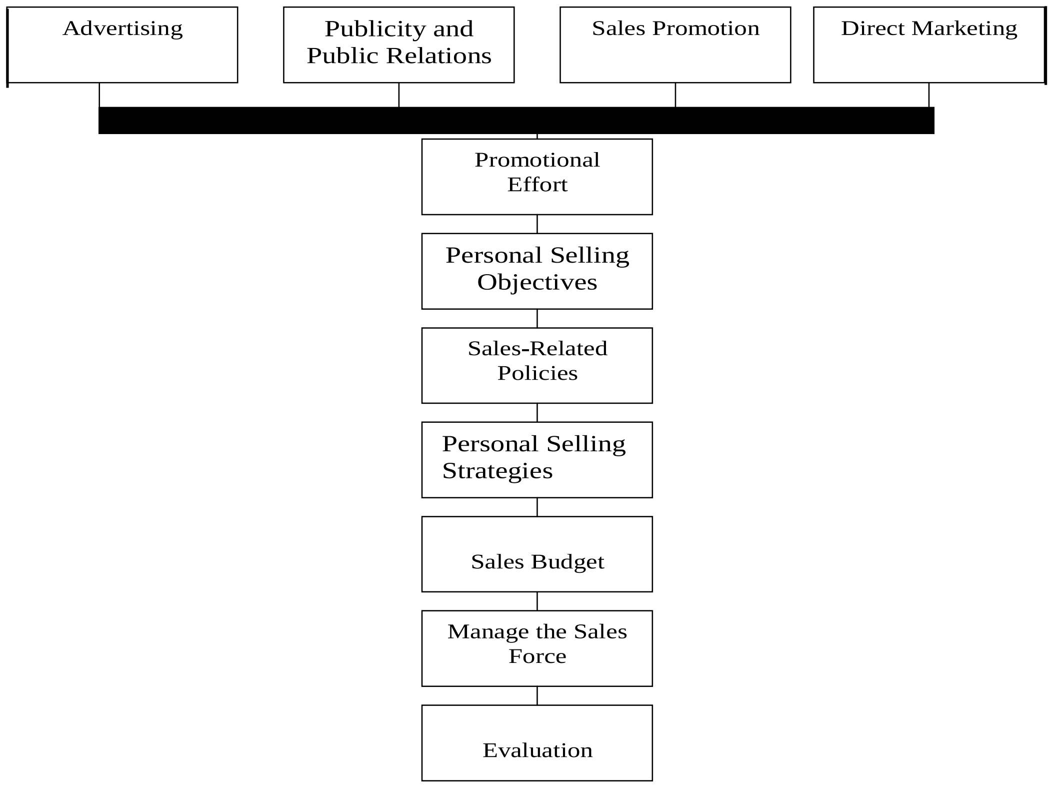


Fig. The Place of Personal Selling

In a marketing plan, the personal selling objectives are formulated, along with the policies, and strategies are designed to implement these objectives. Budget is allotted to do all this. The whole sales force is directed to work under this frame-work. Most of the companies have their own field force, but companies like LIC and GIC depend on outside agents to do the selling job.

Salesmanship is defined by Shapiro as the art of persuasion which motivates the customers to buy products which provide them suitable benefits. The emphasis to begin with was on persuasion, but has now shifted to the benefit part. Salesmanship is initiated by the seller and provides information to the prospective buyers about the products and their benefits so as to persuade and motivate them to opt for them.

11.4 OBJECTIVES OF SALES MANAGEMENT

The objectives of sales management are decided in the light of corporate objectives. Specifically they may be:

1. To achieve an adequate volume of sales.
2. To provide a maximum contribution to profit
3. To ensure continuing growth of the firm.

The corporate objectives are determined by the top management which is responsible for the supply of ever-increasing volume of quality goods. The sales management formulates the objectives for the sales department, which is subordinate to the top management. It is indirectly responsible for the fulfillment of the objectives of the top management.

The corporate objectives are broken down into specific goals, targets and measures. Power is delegated to the subordinate departments to discharge their respective responsibilities. The sales manager exercises the powers and authority delegated to the sales department. He has to discharge all the duties and responsibilities of the sales department. Since he alone cannot perform all the functions, he is given the power and authority to recruit, train, motivate and control the sales force.

11.5 MANAGERIAL DECISIONS AREAS OF SALES FORCE MANAGEMENT

There are six areas for managerial decisions regarding the sales force: 1) Recruitment and Selection, 2) Training, 3) Remuneration and expenses, 4) Supervision and Direction, 5) Motivation, 6) Control and Evaluation or assessment of sales Performance. Let us review, in brief important activities of sales management.

1. Recruitment and selection:- Proper recruitment and selection provides a sound foundation of a vibrant sales organization and sales management. Job analysis can provide job specifications of the required sales positions. Recruitment deals with securing as many qualified people as possible so that some of them can be selected to fill the vacancies possible sources of applicants include company personnel, friends, middlemen, salespeople of other companies, educational institutions, newspaper and trade journal advertising. The selection process is the information gathering, information evaluation and decision-making required to screen applicants and choose among them.

2. Training:-Usually sales training is imparted to achieve the corporate objectives. Training is necessary to secure effective and efficient sales. Trained salesmen are able to secure sales orders more quickly, sell more and are easier to manage. Properly selected persons must undergo adequate training before they are put on their selling jobs. Training also facilitated managerial control. Trained sales force can exercise effective self-control and self-supervision.

3. Compensation:-

Compensation given to the salespeople is the major motivating factor in selling. Sales compensation plan has four elements.

- Salary
- Commission based on productivity
- Expenses (traveling, lodging and boarding)
- Fringe benefited (paid vacation, use of car, health insurance, provident fund, gratuity etc)

The compensation plan is based on the objectives set by the marketing programme and the personal selling objectives.

4. Supervision and direction:-

Supervision, direction and control involve:

(a) Observing, motivating and reporting the performance of the sales force.
(b) Counseling and coaching salespeople to remove the defects and weakness in their performance.
(c) Giving them adequate information regarding company plans and policies and changes in those policies.
(d) Receiving feedback and solving their business and personal problems.
(e) Motivating the salespeople through appropriate non-financial incentives in order to satisfy egoistic demands of salespeople.

5. Motivation:-

Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get a desired action a compliment, a pay rise, a smile, a promise of promotion, praise, public recognition of merits and so on. Motivation invites the will to work. It moves people to take a desires action.

6. Control and Evaluation:- The process of evaluation and control will assure achievement of objectives. Management by objectives helps performance appraisal or evaluation. Work plan report of the salesmen is one of the best barometers of performance. A supervisor can also use reports of customers and other salespeople in evaluation in addition to his personal observation.

The sales manager has to adopt suitable methods for controlling sales performance. The control mechanism includes budgetary control, planning control, cost control and operational control. The sales performance profitability and other evaluation techniques are used to examine the performance of sales representatives. The comparison of the performance of a salesman or with the standard performance is made to determine the efficiency of a salesman.

B – SOURCES OF RECRUITMENT

Planning indicates the number of persons to be recruited by the sales manager. The sales force structure, the sales force size and work allocations are decided under recruitment and selection. The sales force structure includes territorial – structured sales force, territory size, product structured sales force, customer-structured sales force and complex sales force structures. Under territorial-structured sales force, each sales person is assigned an exclusive territory, which defines the salesman's responsibility and increases his incentive to develop local rapport for the expansion and utilization of the market potential. Administrative expenses are minimized under the local sales pattern. The sales representatives are supervised by the local or regional sales manager who is controlled by the sales manger at the head office.

Territory size is decided on the basis of equal sales potential or equal workload. The equal sales potential provides equal means of income to sales representative. Their ability to influence customers is judged on the basis of the differences in the sales volume achieved by each of them. Thus, the sales representatives are encouraged to work at their maximum capacity. The product-structured sale force is useful to the company because it influences product specialization is required for the expansion of sales and profit. The size of the customer-structured sales force is determined to meet the requirements of consumers and realize the maximum utilization of the market potential.

The size of the sales force influences the volume of sales. The sales are expected to rise if the number of salesmen increases, provided that they have been well trained. The size is decided on the basis of the existing workload of salesmen, the potential development of sales and the existing capability and size of the sales force. The average number of sales per salesman is a determining factor in the appointment of the number of salesmen by the top executive and the sales manager.

Recruitment is the process of looking out for prospective employees and stimulating them to apply for a job.

Recruitment involves identifying the sources of recruits and choosing suitable methods of recruiting sales persons. The first step in recruitment is to decide the number of persons to be recr5uited. The recruitment is to decide the number of persons to be recruited. The average productivity of a person is a guiding factor in the decision bearing on the number of recruits to be taken up. The turnover of each recruits compared with the costs of the sales to determine the marginal productivity and number of recruits. The next point to be considered is the characteristics and quality of the representatives to be recruited. They must be energetic, self-confident, enthusiastic and high-spirited. Mayer and Greenberg are of the opinion that the sales persons should have empathy and ego drive. The management determines the number and kind of sales persons required, the sources of recruitment and the selection of competent persons for field work.

The recruitment methods adopted by the sales manager are several. He may invite names from current sales representatives, employment agencies, competitors, advertisement, recommendations from colleges and universities.

Proper recruitment and selection provides a sound foundation of good vibrant sales organization and sales management. Planning indicates the number of persons to be recruited by the sales manager. The sales manager's job is basically to provide leadership to the sales force. However, if he does not have the right persons, it will be difficult for him to get desired results. Therefore, the sales manager's first function is to be concerned about recruiting and selecting the right type of salesmen.

The sales force structure, the sales size and work allocation are decided under recruitment and selection. The sales force structure includes territorial-structured sales force, territory size, product structured sales force, customer-structured sales force and complex sales force structures. The size of the sales force influences the volume of sales. The sales are expected to rise if the number of salesman increases, provided that they have been well trained. The size is decided on the basis of the existing workload of salesmen, the potential development of sales and the existing capability and size of the sales force. The average number of sales per salesman is a determining factor in the appointment of the number of salesman by the top executive and the sales manager.

Recruitment is necessary for taking care of vacancies arising out of the following: (1) Expansion programme, (2) Compensate attrition due to retirement, sickness and death, (3) To take care of personal turnover. Compared to Other departments like R&D, Engineering, Production, Materials management etc., turnover rate of sales department is high. This is due to unique working conditions such as: (1) Unsettled nature of work involving extensive travel and attended psychological stress, (2) Scope of job opportunity high with better pay perks offered by other firms desperately looking for experienced hands in sales.

Recruitment is the process of looking out for prospective employees and stimulating them to apply for a job. Recruitment involves identifying the sources of recruits and choosing suitable methods of recruiting salespersons.

11.6 SOURCES OF RECRUITMENT

Sources of recruitment can be broadly divided under the following categories: (1) Sources within the company, (2) Sources outside the company.

Following are the sources of recruitment within the company: (a) Recommendations from company sales personnel, (b) Recommendations from other company employees, (c) Through transfer from other department/division/unit of the firm. The advantage from these sources is that the person who apply to the firm are generally familiar with the firm, its products and policies either directly or through the contact of company employees who recommended their names.

Following are the sources of recruitment outside the company given below: (a) Direct unsolicited applications (volunteers), (b) Employment Agencies and Consultants, (c) Trade Association and clubs, (d) Competitor's sales force, (e) Educational Institutes/colleges. (Campus recruitment), (f) Retired hands.

The first step in recruitment is to decide the number of persons to be recruited. The average productivity of a person is a guiding factor in the decision bearing on the number of recruits to be taken up. The turnover of each recruit is compared with the costs of the sales to determine the marginal productivity and number of recruits. The next point to be considered is the characteristics and quality of the representatives to be recruited. They must be energetic, self-confident, enthusiastic and high spirited.

11.7 RECRUITMENT METHODS

The recruitment methods adopted by the sales manager are several. The method of recruitment vary with the type of sources of recruitment mentioned above. These are given below:

(a) Internal source search
(b) External source search.

1. **Internal source search:** The method to notify vacancies for filling up from internal sources such as :

- Ø Notice or Bulletin for internal circulation
- Ø Memos circulated among supervisors
- Ø In house magazine
- Ø Word of mouth
- Ø Review of personnel data bank.

(b) External sources search:-

These methods are classified under the following three broad headings.

Direct method.
Indirect method
Third party method

Direct method includes scouting, campus recruitment and casual callers' unsolicited applicants. Indirect method mainly involves release of advertisement in suitable media like news papers, T.V and Radio. Design of suitable "advertisement copy" which is catchy and informative is an art by itself and a specialist field. Notifying suitable professional associations or clubs also come under this category. In third party method involve the following among others. (1) Employment exchange, (2) Placement cells in colleges, (3) Consultants.

11.8 RECRUITMENT SOURCES OF SALES REPRESENTATIVES

Frequently used sources for recruiting Sales Representatives are:

Word of Mouth:- The existing team of Sales Representatives is a good source of leads to new recruits. Sales Representatives have a wide social circle. Both on job and off the job they interact with people. They may suggest some good people as they understand the requirements of the job. Yes of course, there is a great disadvantage too of this method-it may lead to nepotisms where people are recommended on the basis of personal feeling towards friends/relatives. These should be weeded out by the company through its selection process.

Distributors of the company, other employees, suppliers of the company, retired employees may also recommend few of their contacts for filling up the positions.

Whenever an applicant suggested by a present Sales Representative is rejected, the grounds of such rejection should be explained to him.

In remote territories, these recommendations are a great help. Sales representatives working nearby know more about territorial requirements and local sources of personnel than distant executives.

Sales Representatives of Competing Companies:- The ethics of hiring the competitor's sales persons can be debated. They are trained on the job and off the job. They are experienced. At the same time, they are to be paid higher salaries to lure them away from the present job. Some companies as a matter of policy avoid hiring competitor's sales persons. They question their loyalty; since they may do job hopping even in present assignment.

The key question that figures is: what is the reason for them to leave the present job? Perhaps, when both the jobs are on par in terms of pay and prospects, the desire for a change may be due to personality conflicts or instability. However, job dissatisfaction does not mean that the applicant is at fault. There may be sound reasons for job hopping. The applicant may be give an opportunity for productive work.

Salesmen of Non-competing Companies:- Candidates working for non-competing companies are a very attractive source for getting sales persons. These sales people have already the selling experience, some of which is readily transferable. Those who have worked in allied/related industries like cosmetics, chemicals and other consumer non-durables can easily adapt themselves to pharmaceutical selling. The fact that they have selling skills makes their training an easy proposition. They reasons for change-over must be considered, however, before employing them. Their loyalty may not be as steadfast as that of internal promotees.

Internal Transfers :A pharma company has many departments. Some employees working in other departments may shoe an inclination for selling. They can be trained to the detailing job. They are familiar with the company's environment, and need less induction,. Production and office employees may consider transfer to a selling job as promotion.

Campus Recruitment from Educational Institutes : Many companies find it easier to pick up the best talent straight from science and pharmacy colleges: and universities where science and pharmacy courses are offered. Educational institutes offering courses in commerce, management and humanities are also tapped. These candidates are suitable since they posses the necessary technical knowledge. These recruits are easily adaptable than their more experienced counterparts. They can be moulded into the organisatioanl culture of the organization, since they have no fixed mindset. Their main limitation is lack of detailing experience. They need training, and reach a desired productivity level after some time. It is necessary for the industry to maintain a rapport with the academic world to tap this source profitably.

Placement Firms: There are many placement firms in India whose services the organizations hire to recruit the sales persons. The sheer volume of applications makes it cost effective to utilize their services. These firms also provide anonymity. Companies find it useful to recruit though this source when they start new divisions. The fees charged for recruitment are normally between one or two months of the sales person's gross emoluments. The fees are collected from the client company. All placement firms maintain a data bank which is constantly updated.

Advertisements : Advertisements are both a source of recruits and a method of communicating with them. Newspapers, magazines and trade journals are extensively used media for advertisements for ensuring nation-wide competition for several openings, national newspapers and magazines to some extent are use. For employing sales persons in a particular region or territory, local newspapers may be used. Sometimes, a judicious combination of national and local advertising is made.

The main advantage of advertising sales persons positions is its capacity to generate a large number of applications in a short time; and at a low cost. The major drawback is the screening involved to weed out unsuitable applications; since the average quality of applicants may be questionable.

Drafting a recruitment ad for sales persons position is an art by itself. It should give sufficient information about the company that is advertising the post. The role and functions of sales persons should be given in a broad manner. The specific qualifications like B.Sc in bio-sciences or chemistry or B. Pharm or B.B.A. B.Com , B.A., or B.E. should be given, along with personality characteristics expected. The compensation package can be given. Above all, the advertisement should be given. Above all, the advertisement should be drafted in such a manner that it is motivating enough for a suitable prospect to apply.

The more the advertising reveals, the more it serves as a qualitative screening device. The information given in the advertisement affects the quality and quantity of the applicants.

Well-known companies prominently feature their name and logo in advertisements. Smaller companies may give a box-number advertisement.

The positioning and scheduling of the advertisement and its size must be carefully considered.

11.9 SUMMARY

The American Marketing Association has defined ' Sales Management' as " The planning, direction, and control of personal selling including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force". It may be called sales force management.

Looked at in the manner just outlined, the role of the sales manager may seem formidable, that person must be an accountant, a planner, a personnel manager and a marketer. However, the prime responsibility is to ensure that the sales function makes the most effective contribution to the achievement of company objectives and goals. In order to fulfill this role, sales manager will undertake specific duties and responsibilities. 1) the determination of sales force objectives and goals, 2) forecasting and budgeting, 3) sales force organization, sales force size, territory design and planning, 4) sales force selection, recruitment and training, 5) motivating the sales force, 6) sales force evaluation and control.

Sales management directs the sales force. It, therefore, must the art and science of personal selling. Personal selling is accomplished through salesmanship. The sales executive must know the activities of sales persons including salesmanship and the problems of sales persons including those in salesmanship and must be able to provide the right solutions.

'The objectives of sales management are decided in the light of corporate objectives. Specifically they may be: .1). to achieve an adequate volume of sales. 2) to provide a maximum contribution to profit 3) to ensure continuing growth of the firm. There are six areas for managerial decisions regarding the sales force: 1) Recruitment and Selection, 2) Training, 3) Remuneration and expenses, 4) Supervision and Direction, 5) Motivation, 6) Control and Evaluation or assessment of sales Performance. Let us review, in brief important activities of sales management.

Recruitment is necessary for taking care of vacancies arising out of (1) Expansion programme, (2) Compensate attrition due to retirement, sickness and death, (3) To take care of personal turnover. Recruitment is the process of looking out for prospective employees and stimulating them to apply for a job. Recruitment involves identifying the sources of recruits and choosing suitable methods of recruiting salespersons. Sources of recruitment can be broadly divided under the following categories: (1) Sources within the company, (2) Sources outside the company. The recruitment methods adopted by the sales manager are several. The methods of recruitment vary with the type of sources of recruitment mentioned above. These are given below: (a) Internal source search (b) External source search. Frequently used sources for recruiting Sales Representatives are: 1) Word of Mouth 2) Sales Representative of Competing Companies 3) Salesmen of Non-competing Companies 4) Internal Transfers 5) Campus Recruitment from Education Institutes 6) Placement Firms 7) Advertisements.

11.10 KEY WORDS

Sales Management: Sales Management as " The planning, direction, and control of personal selling including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force". It may be called sales force management.

Sales force management: Sales force management as "the planning, direction and control of the personal selling activities of a business unit, including recruiting, selecting, training, equipping, assigning, routing, supervising, paying, and motivating as these tasks apply to the personal sales force". Sales management has dual responsibilities: 1. Generating sales volume and 2. Developing sales manpower.

Recruitment: Recruitment is the process of looking out for prospective employees and stimulating them to apply for a job. Recruitment involves identifying the sources of recruits and choosing suitable methods of recruiting salespersons.

Placement Firms: There are many placement firms in India whose services the organizations hire to recruit the sales persons. The sheer volume of applications makes it cost effective to utilize their services. These firms also provide anonymity. Companies find it useful to recruit though this source when they start new divisions. The fees charged for recruitment are normally between one or two months of the sales person's gross emoluments. The fees are collected from the client company. All placement firms maintain a data bank which is constantly updated.

Word of Mouth: The existing team of Sales Representatives is a good source of leads to new recruits. Sales Representatives have a wide social circle. Both on job and off the job; they interact with people. They may suggest some good people as they understand the requirements of the job.

Application Blank: It is an application form, which is composed in a manner so as to gather all the relevant information about the candidate. The application blank helps the interviewer in interviewing the candidates.

Recruitment Agencies:- Recruitment Agencies will provide lists for a fee. In order to be entered on such a list, reputable agencies screen applicants for suitability for sales positions. It is in the long-term interests of the agencies to provide only strong candidates.

11.11 SELF ASSESSMENT QUESTIONS

1. Define Sales force Management. What is the Nature and role of Sales management?
2. What is the scope and objectives of sales management?
3. What are the managerial decisions of Sales force management?
4. What are the sources of recruitment? Discuss various recruitment methods.

5. What are the recruitment sources are used in the organization for recruiting the sales representatives?

11.12 FURTHER READINGS

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5. Sales Promotion and Advertising management, MN. Mishra, Himalaya Publishing House, Hyderabad.
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LESSON - 12

SELECTION

12.0 Objective:

After studying this lesson you should be able to:

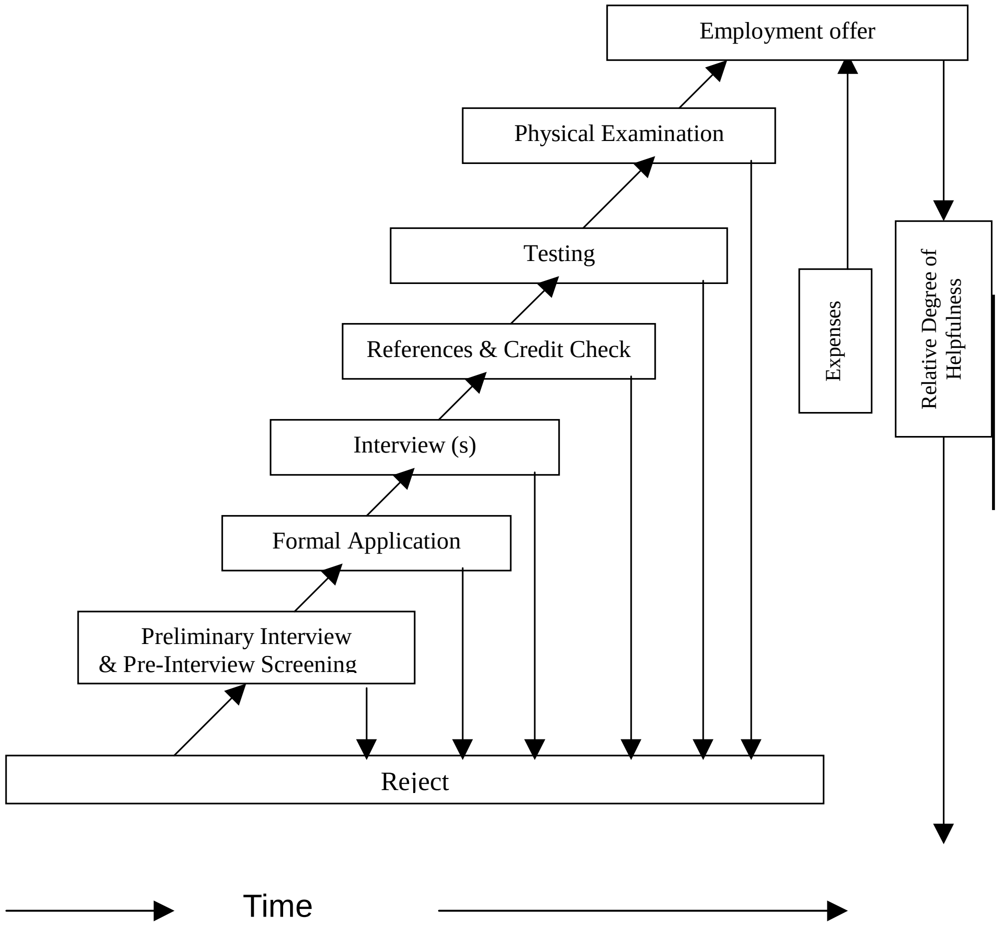
1. Understand the meaning of Selection
2. Analyzing Selection Process
3. Evaluating the Selection of Middle Level Managers and Lower Level Managers

Structure:

12.1 SELECTION SYSTEM

Selection systems for sales personnel range from simple one-step systems, consisting of nothing more than an informal personal interview, to complex multiple-step systems incorporating diverse mechanism designed to gather information about applicants for sales jobs. A selection system is a set of successive “screens,” at any of which an applicant may be dropped from further consideration. Figure is an example-at any one of the seven steps in this system, a decision to drop the applicant may be made. Employment offers are extended to applicants surviving all seven steps. The order of use of the different screening mechanisms in related more to their helpfulness in terms of the information they secure than to the relative expense in using them.

Companies using multiple-step selection systems differ as to the number of steps and their order of inclusion. Each company designs its election system to fit its own information needs and to meet its own budgetary limitations. A selection system fulfills its main mission if it improves management’s ability y to estimate success and failure probabilities. Management, in other words, because it has available the information gathered through the selection system, makes more accurate estimates of the chances that a particular applicant will succeed in a company sales position. As applicants “survive” through succeeding steps in the system, the additional increments of information enable increasingly accurate estimates of success and failure probability. Recognize, however, that no selection system is infallible all eliminate some who would have succeeded and recommend hiring some who fail.



12.2 SELECTION PROCESS

Selection is the process of choosing the right persons from among those who have applied for jobs. The purpose of selection is to ascertain the qualities and abilities of applicants. Proper selection will ensure the right person for the right job. It will reduce cost of training as well as selling costs. We shall also have stable sales force. Adequate selection requires a proper step by step approach. These are a number of stages in the recruitment and selection process (procedure).

(1). Preparation of job description and man specification
(2) Application Blank
(3). Identification sources of recruitment
(4) Designing an effective Application form and preparing a shortlist:-
(5). Interviews
(6). Physiological test – Interest, aptitude and Intelligence tests.
(7). Medical examination
(8). Appointment and induction (Final selection).

1. Preparation of the job Description and Specification:- The production of an accurate job description should prove of little difficulty for the sales manager. Job description is a compact statement of duties. It is a simple and concise written statement explaining the content and essential components of a job. It includes the title of the job, location and geographical area to be covered, duties and responsibilities to be performed, technical requirements, supervision, relation to other jobs required for the performance of a bob. Duties and responsibilities are the heart of the job description. It gives a precise picture of task content and occupational requirements. A description in detail of the job is given to salesman on the basis of job description.

Once generated, the job description will act as the blueprint for the personal specification which outlines the type of applicant the company is seeking. A job description is a description of the job and a job specification is a description of the essential qualities of the persons required for the job. A job specification is the standards required of the man to be placed in the job. The qualities required in the salesman may include any one or more of the following namely: (1) General Qualities, (2) Specific Qualities, (3) Technical Qualities .

Given below are some of the general qualities which are required of a good salesman : (a) Honesty and Reliability, (b) A self-starter, (c) Orderliness, (d) Friendliness, (e) Self-control, (f) Good Hardworking.

The above are a few general qualities. In addition, many more are given by different people like courtesy, industriousness, initiative, judgment, persuasiveness, resourcefulness and so on. At times technical skills 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.

2. Application Blank:-It is an application form, which is composed in a manner so as to gather all the relevant information about the candidate. The application blank helps the interviewer in interviewing the candidates. It should not be too long and complicated. Asking irrelevant questions in the application blank is not going to benefit the applicant or the firm in any way. Generally the application blank covers the information relating to the candidate such as name, address, age, martial status, educational qualifications, experience, present salary drawn and references. Other items on application blanks vary considerably from one organization to another organization and from job to job depending upon the requirements of an organization and also the job. The interviewer gets preliminary information from the application blank, which helps him a lot.

3. Identification of sources of recruitment

There are six main sources of recruitment.

The company's own staff
Recruitment agencies
Educational establishments
Competitors
Other industries
Unemployed

The company's own staff:- The advantage of this source is that the candidate will known the company and its products. The company will also known the candidate much more intimately than an outsider. A certain amount of risk is thereby reduced in that first-hand experience of the candidate's personal characteristics is available. However, there is no guarantee that he has selling ability.

Recruitment Agencies:- Recruitment Agencies will provide lists for a fee. In order to be entered on such a list, reputable agencies screen applicants for suitability for sales positions. It is in the long-term interests of the agencies to provide only strong candidates.

Educational Establishments:- It is possible to recruit straight from higher education personnel who have as part of their degree worked in industry and commerce. The advantage of recruiting from universities is that the candidate is likely to be intelligent and may possess the required technical qualifications.

Competitors:- The advantage of this source is that the salesperson knows the market and its customers. The ability of the salesperson may be known to the recruiting company, thus reducing risk.

Other Industries and unemployed:- Both these categories may provide applicants with sales experience. Obviously careful screening will need to take place In order to assess sales ability.

4. Designing an effective Application form and preparing a shortlist:- The application form is a quick and inexpensive method of screening out applicants in order to produce a shortlist of candidates for interview. The application for can reveal much about the person who is applying. Questions relating to age, education, previous work experience and leisure interests are often included. Such an application form will achieve a number of purposes:

- To give a common basis for drawing up a shortlist.
- To provide a foundation of knowledge which can be used as the starting point for the interview.
- To aid in the post-interview, decision-making stage.

Having eliminated a number of applicants on the basis of the application form an initial or final shortlist will be drawn up depending on whether the interviewing procedures may be sought for short listed candidates or simply for the successful candidate.

5. Interview:- Now a days, solution of any employee without his interview can rarely be observed. Every employer wants to see and to talk with everyone, who is being considered for the job. The main objective of interview is to obtain additional information over and above that given in the application blank and to compare the information obtained in interview with the information given in the application blank so as to find out any serious inconsistencies that may exist selection normally follows two interviews:

- The screening interview and
- The selection interview.

The sales manager will have produced a personal specifications including:

- Physical requirements, (speech, appearance, manner, fitness);
- Attainments (educational qualifications, sales experience and successes).
- Aptitudes and qualities (ability to communicate, empathy, self-motivation).
- Disposition (maturity, sense of responsibility)
- Interests (Identification of social interests, interests related to products are being sold, active versus inactive interests).

6. Psychological Tests:- Psychological tests are of different types. In each organization some of these are applicable and some are not. Sometime, selection process may skip these tests depends on level of job and policy of the firm. Various types of tests such as psychological tests (Aptitude test, Achievement test, personality test and interest test), performance tests, intelligence tests, attitude tests etc are used in the selection of personnel depending upon the types of job and the level in the organization many public sector enterprises widely use written test for the selection of the staff, Written tests are conducted to evaluate the mental alertness of the applicants and their ability to discharge the duties and responsibilities of the job efficiently and effectively. The tests may be in a language, in mathematics and general understanding. Written tests may evaluate the applicant's attributes when questions and general knowledge. The tests for the selection of salesmen are different from those for the selection of salesmen are different from those for the selection of managers and clerks. Aptitude tests and psychological tests are conducted with a view to selecting salesmen.

7 Medical Examination:- Medical examination can be done before or after the selection process is over. Physical fitness is highly necessary for many jobs. For example in a coal-mine perfectly fit physical condition of the labourer is a must because of the hazardous working conditions. The medical or physical examination is not always necessary. 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.

8. Induction and Placement:- Selection is finally made from the short listed candidate who have successfully qualified different steps in the selection process. Induction is the technique in which the new employee is integrated into the organization culture. This is also called 'orientation" or "indoctrination" phase. In induction, the main process undergone by the new entrant is, socialization. Socialization is the process of adaptation. This involve adaptation of new work culture, familiarity with colleagues and bosses and mastering of rules and regulations. Placement is the process of assigning a new recruit to the job, he has been selected. This is matching individual with that of the job.

12.3 SALES PROCEDURE FOR THE SELECTION OF MIDDLE LEVEL PERSON AND LOWER LEVEL EMPLOYEES

The selection of unskilled and semi-skilled workers is not a very difficult task but it becomes necessary to use sophisticated selection procedures for the selection of supervisory and higher level personnel and for selection of personnel for special jobs. Now the selection procedure differs from one organization to another and also within the same organization depending on the situation and needs of the organization as well as the level for which selection is done. Moreover, the selection process to select lower-level workers is least expensive; while the selection of top-level employees would more expensive because it requires the use of complicated selection tools.

The following procedure can be considered as a systematic selection procedure for the selection of middle level personnel: 1) Reception of applicant 2) Application blank 3) Selection test 4) interview 5) inspection of past career 6) Primary selection 7) Final selection 8) Medical check-up and 9) Placement

For lower level employees the following procedure may be adopted: 1) Reception of applicant 2) Application blank 3) Interview 4) Final Selection 5) Medical Check-up and 6) Placement.

The following figure shows different types of selection process with different stages in each process. We see that the process involves the use of one or more selection techniques.

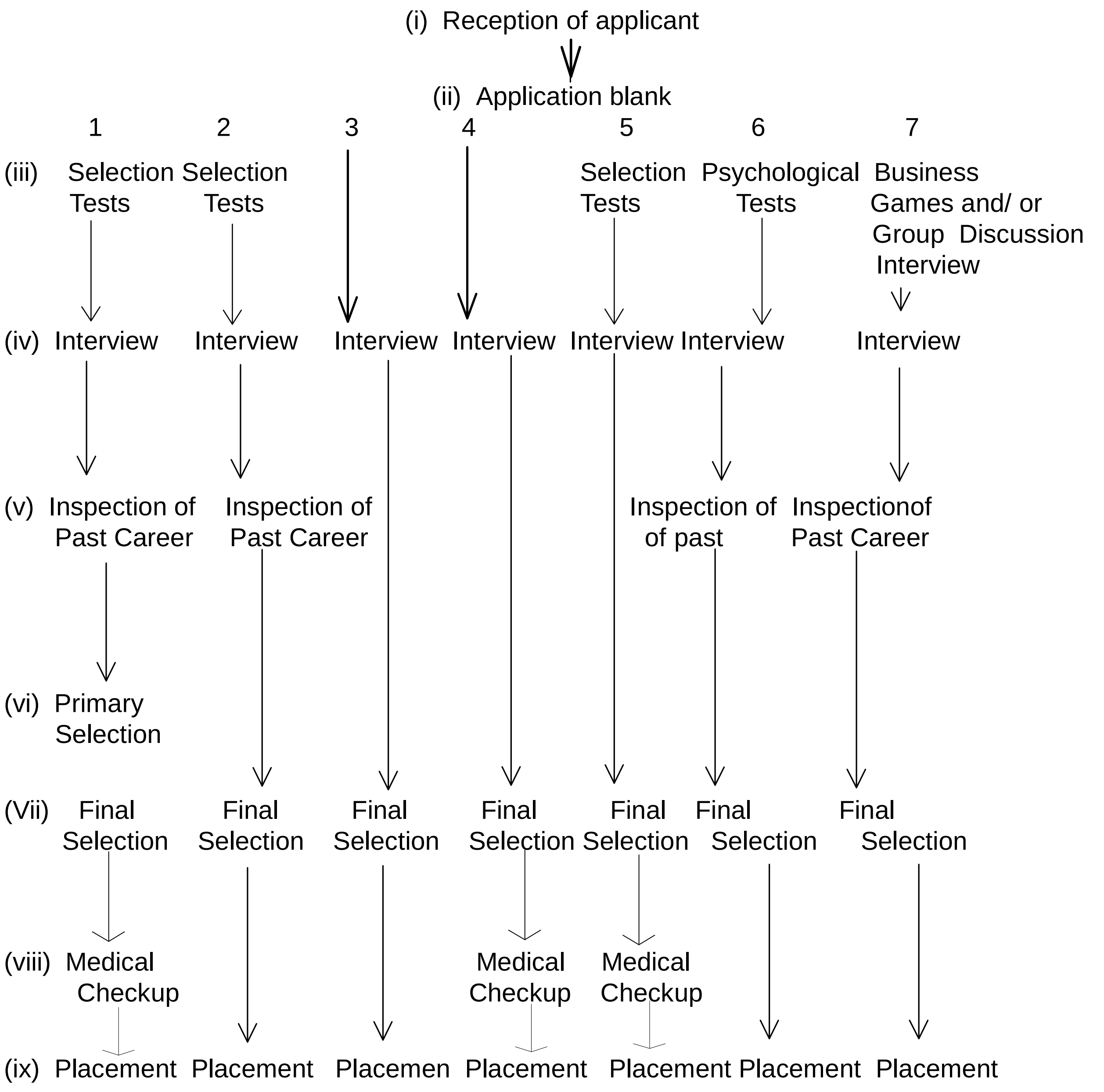


Fig: Selection Procedure

At each stage a number of applicants would be eliminated and finally the required number would be there at the placement stage. Here we will discuss in brief each of these stages

1. Reception of Applicant: The selection process beings with the reception of applicant. The candidate will form his firs impression about the firm by the reception he receives and the saying that ‘the first impression is the last impression’ is too familiar to be mentioned. There may be a receptionist to receive the applicant, who will gather certain basic information about the candidate by asking the applicant short questions,. This can be considered as a preliminary interview, which a receptionist only takes to decide whether to issue application blank to the applicant. Such an interview reduces the work of recruitment officer. Certain number of inefficient candidates may be eliminated at this stage. There may be a well-furnished reception hall with a number of magazines, newspapers etc.

2. Application Blank: It is an application form, which is composed in a manner so as to gather all the relevant information about the candidate. The application blank helps the interviewer in interviewing the candidates. It should not be too long and complicated. Asking irrelevant questions in the application blank is not going to benefit the applicant or the firm in any way. Generally the application blank covers the information relating to the candidate such as name, address, age, marital status, educational qualifications, experience, present salary drawn and references. Other items on application blank vary considerably form one organization got another organization and from job to job depending upon the requirements of an organization and also the job. The interviewer gets preliminary information form the application blank, which helps his a lot.

3. Selection tests: The basic assumption underlying the use of tests is that individuals differ in their job-related abilities and skills, and that these skills can be accurately and adequately measured for comparison. Various types of tests such as performance test, intelligence tests, attitude tests, personality tests, psychological tests etc., are used in the selection of personnel depending upon the type of job and the level in the organization. Many companies, particularly, the public sector enterprises widely use written test for the selection of the staff. At this stage also certain number of candidates with poor performance in the tests, are eliminated.

4. Interview: Nowadays, selection of any employee without his interview can rarely be observed. Interview is used so much widely that ordinarily recruitment or selection is interpreted as interview. Every employer wants to see and to talk with everyone, who is being considered for a job. The interview has been described as 'the conversation with a purpose'. The main objective of the interview is to obtain additional information over and above that given in the application blank and to compare the information obtained interview with the information given in the application blank so as to find our any serious inconsistencies that may exist.

5. Inspection of Past Career: Mostly in application blank itself the name of the former employer and references of one or two reputed persons are given. The validity of information given by applicant can be judged by getting reports about him from his past employer. The adverse report of the former employer should be considered thoughtfully. However, it should not be forgotten that it can be periodically wr4itten. Favorable report will increase the possibility of selection.

6. Primary Selection: If a candidate is found to be proper after the above-mentioned long procedure, he will be selected on probation period. During this period, a candidate gets the real on job experience.

7. Final Selection: If the performance of a candidate, during the probation period is found satisfactory, he is assigned a particular job or duties. It should be remembered that the final selection is the work of a line-manager and not of the personnel manager. Personnel manager acts only as an adviser and final authority regarding the final selection rests with the line manager, because, after all he is the person who is responsible for the work of a new recruit.

8. Medical Check-up: Medical examination can be done before or after the selection process is over. Physical fitness is highly necessary for many jobs. For example, in a coal-mine perfectly fit physical condition of the labourer is a must because of the hazardous working conditions. Medical examination is helpful to both parties- the employer and the employees. Sometimes, the candidate can find out his suitability for a particular job by medical examination. The advantage too the employer is obvious. If the employee is perfectly fit, productivity will increase, rate of absenteeism and labour turnover rate would decrease. Therefore, most of the industrial units nowadays insist upon medical examination.

9. Placement: Thus, the selection process ends and the final stage in the process of recruitment takes place as placement.

12.4 INTERVIEW

The interview is the most widely used selecting step and in some companies it comprises the entire selection system. Some personnel experts criticize the interview as an unreliable tool, but is an effective way to obtain certain information. No other method is quite so satisfactory in judging an individual as to ability in oral communication, personal appearance and manners, attitude toward selling and life in general, reaction to obstacles presented face, and personal impact upon others.

Good interviewers avoid covering the same ground as other selection devices. The interviewer reviews the completed application form before interview and refrains from asking question already answered. Perusal of the completed application indicates areas that require further questioning.

It is important to sell the applicant on the company, but there are more efficient ways of accomplishing this than through personal interviewing. One is by providing the applicant with a recruiting brochure. Another may be used when several applicant s are to be interviewed consecutively, as in college recruiting; the interviewer meets with the whole group and describes general company policies. But it is still necessary to answer questions during interviews.

The job interview can be a trying experience for the applicant. Even for experienced salespersons accustomed to selling themselves and their products daily to strangers, the greater importance attached to a job change and the unfamiliarity of the situation may cause nervousness. One way to relieve tension is for the interviewer to being with questions on the person's family and educational background, subjects about which most people talk freely. One of the interviewer's tasks is to persuade the applicant that the firm is a desirable employer. Throughout the interview, pleasant rapport between interviewer and job applicant should be maintained.

Who should do the Interviewing? The usual practice is for several persons to interview and evaluate each applicant. In large sales organizations, district or branch sales managers (or their assistants) handle the initial formal interview. Applicants surviving initial formal interviews are invited to the home office or-in decentralized sales organization-to a regional office for subsequent interviews.

How Many Interviews? The number of formal interviews varies with the selling style. One large steel company, which needs individuals to do highly specialize selling to important accounts, brings applicants to its home office for interviews by two assistant sales mangers, the general sales manager, and the marketing vice-president-all four executives must approve a decision to hire an applicant. An office supply manufacturer that requires sales personnel for routine trade selling hires applicants after two interviews, one by a branch sales manager and one by an assistant branch sales manager.

Interviewing the Spouse : Many selling jobs involve frequent overnight travel. This leads some companies to require interviews with the applicant's spouse. For instance, if the spouse objects to having her or his mate out of town several days at a stretch, it seems unlikely that the applicant can succeed in a job requiring extended travel. An interview with a spouse need not be formal. Frequently, it amounts to nothing more than an impromptu dinner during which the executive can get a better idea of the spouse's attitude not only on travel but on other conditions inherent in the particular selling job.

12.5 INTERVIEW TECHNIQUES

Many companies provide specialized training for those doing interviewing. Scientifically designed rating scales and interviews record forms help interviewers to guide discussions along productive lines. Interviews have become increasingly important sources of information about applicants and their reaction. The informal, unplanned interview has been giving way in most companies to newer techniques, some of which a re described here.

1.Patterned interview: Here the interviewer uses a prepared outline of questions designed to elicit a basis core of information. A widely used patterned interview from for a sales position is shown in figure. The interviewer may work directly from the outline, recording answers as they are give, but this may make the conversation stilted and the applicant nervous. Greater spontaneity results when the interviewer memorizes the outline and records the answers after the interview.

2. Nondirective interview: In this technique the applicant is encouraged to speak freely about his or her experience, training, and future plans. The interviewer asks few direct questions and says only enough to keep the interviewee talking. The nondirective interview does not provide answers to standard questions, and much time is spent on outwardly irrelevant subjects. Some personnel experts say that a nondirective techniques yield maximum insight into an individual's attitudes and interests. Expert interpretation reveals much about the applicant-often including things of which the individual is not consciously aware. This technique's proponents claim that it is the best method for probing an individual's personality in depth. L the main drawback is that administering the interview and interpreting the results demand specialized in struction.

3. Interaction (stress) interview: The interaction interview simulates the stresses the applicant would meet in actual selling and provides a way to observe the applicant's reactions to them. This interviewing technique has long been used by sales an executive who, in interviewing technique has long been used by sales executives who, in interviewing prospective sales personnel, hand the applicant an ashtray or other object and say "Here, sell this to me." The objective is to see how the applicant reacts to the surprise situation and to size up selling ability.

Interaction interviewing has become a more complex and sophisticated, technique. In one version, two interviewers are required-one uses psychological techniques to set up the simulated situations, and the other, who is present but not an active participant in the interview observes and records the applicant's reactions. Because of their subtlety, the delicacy involved in their application, and the importance of expert interpretation, the newer kind of interaction interviews should be planned, administered, and interpreted by a t rained psychologist.

4. Rating Scales: One shortcoming of the personal interview is its tendency to lack objectivity, a defect that is reduced thorough rating scales. These are so constructed that interviewers rating are channeled into limited choice of response. In evaluating an applicant's general appearance, for instance, one much-used form forces an interviewer to choose one of five descriptive phrases:

very neat, nicely dressed, presentable, untidy, and slovenly. Experience indicates that this results in more comparable tidy, slovenly. Experience indicates that this results in more comparable tidy, slovenly. Experience indicates that this results in more comparable ratings of the same individual by different interviewers. One drawback of the rating scale is that its objectivity restricts precise description of many personal qualities. It is good practice to encourage interviewers to explain ratings in writing. Companies using rating scales as a technique for assessing job suitability must keep in mind- in accordance with the guidelines issued by the EEOC and OFCC – that they need empirical data to demonstrate that the technique is predictive of or significantly correlated with successful job performance and does not result in discrimination on the basis of race, color, religion, sex or national origin.

12.6 BASIS FOR EVALUATION OF TESTS

Earlier discussion emphasized the importance of a test having validity-that it measures what it purports to measure-and of detaching whether or not differential validity exists. L but even where statistical validity h as been demonstrated, a test may not be valid in a particular instance. For example a written intelligence test in English is not a valid measure of the mental ability of Spanish-speaking person with an English language handicap. A low score does not necessarily indicate low intelligence; it may merely reflect poor understanding of English.

Test reliability is important. Reliability refers to the consistency of test results. If a test has reliability refers to the consistency of test results. If a test has reliability, an individual receives approximately the same score in subsequent retesting with the same or equivalent tests.

Test objectivity is important. If a test has objectivity, the scorer’s opinion does not enter into the test results. Whenever a person giving or scoring the test can affect test results, it is misleading to compare the results obtained by different testers.

Other criteria for evaluation tests are cost, time, and ease of administration. Wide variation in cost exists, and even small differentials are important if tests are given to large groups. There is little relationship between cost and quality, so it is sometimes possible to obtain quality tests at low cost. There is, similarly, wide variation in the time required to administer and score tests. Because time frequently is crucial in selection of sales personnel, the employer balances the time requirements of alternative tests against their relative merits. If the best available test consumer more time than can be spared, a mediocre test that can be given quickly may provide more effective screening than no test at all. Some tests can be administered and scored only be experts; others c an be given and scored by persons with no special training. Employers balance the gains associated with more complex test against their cots in time and money.

Types of Tests: Three types of psychological tests are used in selection systems for sales personnel: tests of ability, of habitual characteristics, and of achievement. Tests of habitual characteristics gauge how prospective employees act in their daily work normally (tests of typical performance). Achievement tests measure how much individuals have learned from their experience, training, or education.

Tests of Ability: Tests of ability include test of mental ability (intelligence tests) and tests of special abilities (aptitude tests). Tests of mental ability, or intelligence tests, are use d in a wide range of applications and have higher validity and reliability than most psychological tests. However, they measure primarily abilities that make for success in educational or training situations, namely, language usage and comprehension, and abstract reasoning or problem-solving ability. They do not measure creativeness. Originality or insight, they are measures of mental aptitude, not of general intelligence. Because tests of mental ability are timed tests, they indicate an applicant's ability to learn quickly and to arrive at accurate answers under pressure.

Tests of habitual characteristics: These include attitude, personality, and interest tests. Attitude tests are more appropriate as moral-measuring techniques than as selection aids. They ascertain employees' feelings toward working conditions, pay, advancement opportunities, and the like. Used as sales personnel selection devices, they identify abnormal attitudes on such broad subjects as big business, labor unions, and government. Their validity is questionable, since people often profess socially acceptable attitudes they do not actually have. Attitude tests do not measure the intensity with which particular attitudes are held.

Personality tests initially were used to identify people with psychotic tendencies-and certain tests are useful for this purpose. Subsequently, some have been used for measuring personality traits in normal individuals, for which purpose they have little or no validity or reliability. The basic limitation is the lack of uniform definitions for such traits as initiative or aggressiveness. The chief use of the personality test is as a screening device to identify persons with abnormal personalities.

Projective tests, of which the Rorschach is the best know, are a technique for personality measurement. However, they must be administered by skilled testers, and their results represent a subjective opinion rather than an objective measure. Further refinements of projective techniques eventually may provide useful personality measurements.

Interest tests: A basic assumption implicit in the use of interest tests is that a relationship exists between interest and motivation. Hence, if two persons have equal ability, the one with the greater interest in a particular job should be more successful in that job. A second implicit assumption is that interests are contact, that those of a person at age forty are the same as they were at twenty-one.

The interest test is useful for vocational guidance, but is not a satisfactory selection de4vice. This is because of the opportunity for faking responses individuals may select answers overstating their interest in a particular field. Of two widely used interest tests, the Strong and the Kuder, the Strong uses the more indirect and subtle approach and is harder to fake, but because of its greater complexity, it is more expensive to score.

What proof is there that interest tests help in predicting selling success? Unfortunately, very little strong demonstrated that there is a positive but low correlation between interest scores and success in insurance selling. Significant variation has also been found in the interest test sources of successful and unsuccessful sales person of accounting machines. Otherwise, there is little proof of the value of interest tests as devices for predicting selling success.

Achievement Tests: Besides the legal requirements that tests must not be used in ways that discriminate, there are other precautions to observe when incorporating psychological tests into a sales personnel selection system. It is essential to have accurate job specifications, derived from up-to-date and complete job descriptions. A qualified expert's services are required in selecting tests and in devising new ones when necessary, in determining test validity and in detecting differential validity, in administering the tests themselves, and in interpreting the results. Effective sales executive recognize that psychological testing, although capable of making a valuable contribution, is but one step in a selection system.

12.7 SUMMARY:

Selection systems for sales personnel range from simple one-step systems, consisting of nothing more than an informal personal interview, to complex multiple-step systems incorporating diverse mechanism designed to gather information about applicants for sales jobs. A selection system is a set of successive "screens," at any of which an applicant may be dropped from further consideration. Figure is an example-at any one of the seven steps in this system, a decision to drop the applicant may be made. Employment offers are extended to applicants surviving all seven steps. The order of use of the different screening mechanisms in related more to their helpfulness in terms of the information they secure than to the relative expense in using them.

Selection systems for sales personnel range from simple one-step systems, consisting of nothing more than an informal personal interview, to complex multiple-step systems incorporating diverse mechanisms designed to gather information about applications for sales jobs. A selection system is set of successive "screens," at any of which an applicant may be dropped from further consideration.

Selection is the process of choosing the right persons from among those who have applied for jobs. The purpose of selection is to ascertain the qualities and abilities of applicants. Proper selection will ensure the right person for the right job. It will reduce cost of training as well as selling costs. We shall also have stable sales force. Adequate selection requires a proper step by step approach. These are a number of stages in the recruitment and selection process (procedure). (1). Preparation of job description and man specification (2) Application Blank (3). Identification sources of recruitment (4) Designing an effective Application form and preparing a shortlist:- (5). Interviews (6). Physiological test – Interest, aptitude and Intelligence tests. (7). Medical examination (8). Appointment and induction (Final selection).

The following procedure can be considered as a systematic selection procedure for the selection of middle level personnel: 1) Reception of applicant 2) Application blank 3) Selection test 4) interview 5) inspection of past career 6) Primary selection 7) Final selection 8) Medical check-up and 9) Placement

For lower level employees the following procedure may be adopted: 1) Reception of applicant 2) Application blank 3) Interview 4) Final Selection 5) Medical Check-up and 6) Placement

12.8 KEY WORDS:

Induction: Induction is the technique in which the new employee is integrated into the organization culture. This is also called 'orientation" or "indoctrination" phase.

Socialization: Socialization is the process of adaptation. This involve adaptation of new work culture, familiarity with colleagues and bosses and mastering of rules and regulations.

Placement: Placement is the process of assigning a new recruit to the job, he has been selected. This is matching individual with that of the job.

Achievement Test: Achievement tests seek to determine how much individuals know about a subject.

12.9 SELF ASSESSMENT QUESTIONS:

1. Discuss about selection system in Organization.
2. What are the steps have taken into consideration in the Selection Process?
3. What are the steps are taken into consideration in the Selection of Middle level persons and Lower level employees?
4. Write about Different types of Interview Techniques.
5. What are the Basis for Evaluation of Tests?

12.10 FURTHER READINGS:

1.Marketing Management, SA. Sherlaker, Himalaya Publishing House, New Delhi.

2.Sales Promotion and Advertising management, MN. Mishra, Himalaya Publishing House, Hyderabad.

3. Sales and Distribution Management, NG Nair and Latha Nair, Himalaya Publishing House, Hyderabad, 2003.

4. Advertising, Sales and promotion management, S.A. Chunawalla, Himalaya Publishing House, 2005.

5. Marketing management, Philip Kotler, Prentice Hall of India Pvt., Ltd., New Delhi.

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LESSON 13

TRAINING AND DEVELOPMENT

13.0 Objective:

After studying this should be able to :

- Understand the training programmes of the sales force.
- Analyzing Different Training Methods
- Identifying various components in Training Programme

Structure:

13.1 MEANING OF THE TRAINING

Good salesmen are not born, they are made by well-planned and well executed training programmes. Trained salesmen are able to secure sales orders more quickly, sell more, and are easier to manage. Properly selected persons must undergo adequate training before they are put on their selling jobs. Training is necessary to secure effective and efficient sales. It also facilitates managerial control. Trained sales force can exercise effective self-control and self-supervision.

After an employee is selected, placed and introduced he/she must be provided with training facilities. Training is the act of increasing the knowledge and skill of an employee for doing a particular jab. Training is a short-term educational process and utilizing a systematic and organized procedure by which employees learn technical knowledge and skills for a definite purpose. Dale S. Beach define the training as "the organised procedure by which people learn knowledge and skill for a definite purpose".

In other words training improves, changes, moulds the employee's knowledge, skill, behaviour, aptitude, and attitude towards the requirements of the job and organization. Training refers to the teaching and learning activities carried on for the primary purpose of helping members of an organization to acquire and apply the knowledge, skills, abilities and attitudes needed by a particular job and organization. Thus, training bridges the differences between job requirements and employee's present specifications.

13.2 NEED FOR TRAINING

Every organization big or small, productive or non-productive, economic or social, old or newly established should provide training to all employees irrespective of their qualification, skill, suitability for the job etc. The need for training arises due to the following reasons: such as

(i) To match the employee specifications with the job requirements and organizational needs.
(ii) Organisational viability and the transformation process.
(iii) Technological advances
(iv) Organisational complexity
(v) Human relations and
(vi) Change in the job assignment.

13.3 OBJECTIVES OF TRAINING

The overall objectives of training are to increase a salesman's productivity and the profits of the Company. Usually sales training is imparted to achieve the following aims:

- Rising sales
- Acquiring new accounts
- Adequate knowledge of technology and product-line
- Better sales presentation to win the customers
- Guidance to customers on the use of the product, and on its benefits,
- Harmonious relations with dealers or customers, etc.,
- Better sales promotion

Sales force must have knowledge, knowledge training includes:

- Knowledge of the Company organization
- Knowledge of the Company products and selling points
- Knowledge of types of customers
- Knowledge of sales and other procedures
- Knowledge of salesmanship to do the sales jobs
- Knowledge of market and competition.

Sales knowledge training can be imparted through lectures, sales training conferences, plant visits, individual study and correspondence between sales managers and their people.

13.4 COMPONENTS (CONTENTS) OF TRAINING PROGRAMME

A variety of sales training programmes are developed. The first is the programme of induction training for the fresh appointees. Later, there are specialized short- term and long-term programmes. These can be arranged periodically, depending upon the training needs. Some companies not only train their own sales force, but also arrange training programmes for the distributor's sales force. Some programmes are designed to create selling faculty. There is a great need for trainer's training. Each programme has different aims, and the contents of the programme reflect these aims.

The contents of the training programme vary form Company to Company. However, some useful items are including in the training programmes will attempt to cover a combination of knowledge and skill development. Six components can be identified:

1. The company – objectives, policies and organization
2. Product knowledge
3. Knowledge of competition
4. Sale techniques and selling procedure
5. Knowledge about the markets
6. Work orgnisation and report presentation

1. Knowledge About the Company: The first component will probably include a brief history of the Company. The trainees are told about the objectives, policies and philosophy of the Company. Policies relevant to the selling function. If they are well versed in selling techniques, but are unaware of the Company's objectives, they cannot contribute significantly to the selling process. They can propagate the company's objectives and policies, if they have adequate knowledge about it. They should know the marketing strategies of the Company, its pricing policies, product techniques, promotion policies, and distribution systems. Knowledge of working conditions and career opportunities encourages salesmen to improve their job performance.

2. Product Knowledge: The second component product knowledge will include a description of how the products are made and the implications for product quality and reliability, the features of the product and the benefits they confer on the consumer. Sales people will be encouraged to carry out their own product analyses so that they will be identified between them and the company's products.

3. Knowledge of Competition: Salesmen should be made aware of the competitor's policies and techniques. The methods of beating competition, their uses and applications as well as methods of winning the confidence of customers under competitive situation are made known to them. Salesmen should also know something of the competitors' strategies and policies and also the methods to get rid of them in competitive market situation.

4. Sales Techniques and Selling Competitions: Sales persons must be trained in the sales techniques. There is one school of thought which considers only the right selection of candidates and the product knowledge imparted are enough to make them successful on the job. In short, a presentable, educated person conversant with product line makes a successful salesman. However, most of the experts feel that some training is sales techniques is essential. A salesman must be taught how to sell.

5. Knowledge about Market: Salesmen are given adequate knowledge of the market, of the demand for the product, of the competition and of the potential areas, so that they should know the customers, their locations, buying habits and financial position. A salesman should know who his customers are, what motivates them to buy, what their needs are. Theoretical knowledge as well as knowledge of the actual market conditions is communicated to the sales trainees before they enter the sales force so that they might be equipped with the requisite knowledge and techniques of salesmanship.

6. Work Organization and Report Preparation: The final component of the programme is work organization and report writing. It will endeavor to establish good habits among the trainees in areas which may be neglected because of day-to-day pressures. The importance of these activities on a sales person's performance and earnings will be stressed.

13.5 TRAINING METHODS

There is wide variety of training methods. A Company has to choose either one or generally a combination of these methods. The methods chosen should be consistent with the training needs and contents of the training programme. A Company wants to inform what is its policy on holiday plans, just the lecture method followed by audio-visual presentation would be sufficient. A training in sales techniques may require demonstration and role-play method. The methods chosen must communicate the desired content in the most effective manner.

The training programmes are classified into two methods: (i) On the – job methods (ii) Off the – job methods.

(i) On the – job training methods: On the – job training methods are used of learning by doing under expert supervision. On-the-job training methods include (a) job rotation, (b) coaching, (c) job instruction or training through step-by-step and (d) committee assignments.

(a) Job Rotation: This type of training involves the movement of the trainee from one job to another. The trainee receives job knowledge and gains experience from his superior or trainer in each of the different job assignments. Though this method of training is common in training managers for general management positions, trainees can also be rotated from job to job in workshop jobs. This method gives an opportunity to the trainee to understand the problems of employees on their jobs and respect them.

(b) Coaching: The trainee is placed under a particular supervision functions as a coach in training the individual. The supervisor provides who feedback to the trainee on his performance and offers him some suggestions for improvement. Often the trainee shares some of the duties and responsibilities of the coach and relieves him of his burden. A limitation; of this method of training is that the trainee may not have the freedom or opportunity to express his own ideas.

(c) Job Instruction: This method is also known as training through step by step. Under this method, trainer explains the trainee the way of doing the jobs, job knowledge and skill and allows him to do the job. The trainer appraises the performance of the trainee, provides feed back, information and corrects the trainee.

(d) Committee Assignments: Under the committee assignment group of trainees are given and asked to solve an actual organizational problem. The trainees solve the problem jointly. It develops team work.

(ii) Off-The – Job Training Methods: Under this method of training, trainee is separated from the job situation and his attention is focused upon learning the material related to his future job performance. Since the trainee is not distracted by job requirements, he can place his entire concentration on learning the job rather than spending the time in performing it. There is an opportunity for freedom of expression for the trainees. Off – the – job training methods are as follows: (a) Vestible training; (b) Role playing; (c) Lecture method; (d) Conference or Discussion; (e) Programmed Instruction.

(a) Vestible Training: - There are some specialized institutions and schools which impart training to new as well as established salesmen. These institutions impart theoretical and practical knowledge of salesmanship. Management institutes, marketing institutes, Universities and professional institutes provide training in salesmanship to new as well as old salesman. These institutions provide training in all the areas of management, viz., marketing, production, personnel and finance. Recently many big enterprises have developed their own training institutions which impart training to their new recruits and also to the employees of other Companies.

(b) Role Playing: It is defined as a method of human interaction that involves realistic behaviour in imaginary situations. This leaning method moves the trainees into the stage of being consciously able to perform a skill. It allows the trainees to learn by their own successes and failures in a buyer – seller situation. Feed back is provided by other group members, the sales trainer and by audio – visual means. Here the trainees have to enact a role which is given to them; e.g., one trainee becomes a medical practitioner and another trainee details before him. The role players have to quickly respond to the emerging situation.

(c) Lecture Methods: - The lecture is a traditional and direct method of instruction. These are delivered on specific topics by qualified trainers or instructors. It is the most widely used method to teach theory and concepts. This method is useful in giving information and providing a frame of reference to aid the learning process. The lecture should be supported by the use of visual aids. Trainees should be encouraged to participate so that the communication is not jest one way. Discussion stimulates interest and allows misunderstandings to be identified and dealt with.

(d) Conferences and Seminars: - The existing salesmen may be given training by permitting them to attend conferences and seminars. According to a well-decided plan, a conference is held to discuss problems and to pool different ideas to tackle these problems. Buzz sessions divided participants into small groups. These reports back to the whole groups with their inferences and questions. It makes the participants learn from each other and to reduce dogmatism. The success of this method depends on the leadership qualities of the person who leads the group conferences and seminars are very useful because they discuss the latest techniques of solving problems. Seminar here a paper is presented on a topic which is later discussed.

(e) Programmed Instruction: - In recent years this method had become popular. The subject-matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is expensive and time consuming.

13.6 IMPORTANCE OF TRAINING

The importance of human resource management to a large extent depends on human resource development. Training is the most important technique of human resource development. Training is important to develop the employee (sales force) and make him suitable to the job. Job and organizational requirements are not static. They are changed from time to time in view of technological advancement and change in the awareness of the Total Quality and Productivity Management (TQPM). The objectives of the TQPM can be achieved only through training as training develops human skills and efficiency. Trained employees would be a valuable asset to an organization. Organizational efficiency, productivity, progress and development to a greater extent depend on training. Organizational objectives like viability, stability and growth can also be achieved through training. Training is important as it constitute significant part of management control. Benefits of training are presented: A) Training benefits to the Organisation. B) Training benefits to the Individuals.

A. Training benefits to the Organisation:

- Leads to improved profitability
- Improves the job knowledge and skills
- Improves the morale of the work force
- Helps people identify with organizational goals.
- Helps create a better corporate image
- Improves the relationship between boss and subordinate
- Aid in organizational development
- Learns from the trainee
- Helps prepare guidelines for work
- Aids in understanding and carrying out organizational policies.
- Provides information for future needs in all areas of the organization.
- Organisation gets more effective decision-making and problem solving
- Aids in development for promotion from within
- Aids in increasing productivity and quality of work
- Helps keep costs down in many areas; e.g., production, personnel, administration, etc.
- Develops a sense of responsibility to the organization for being competent and knowledgeable.
- Improves labour – management relations

- Reduces outside consulting cost by utilizing competent internal consulting.
- Stimulates preventive management as opposed to putting out fires.
- Aids in improving organisational communication
- Helps employees adjust to change
- Creates an appropriate climate for growth, communication.

B) Training Benefits to the Individuals :

- Helps the individual in making better decisions and effective problem solving.
- Aids in encouraging and achieving self-development and self-confidence
- Helps a person handle stress, tension, frustration and conflict.
- Increase job satisfaction and recognition
- Moves a person towards personal goals while improving interactive skills
- Satisfies, personal needs of the trainer and trainee
- Develops a sense of growth in learning
- Helps a person develop speaking and listening skills and also writing skills when exercises are required
- Helps eliminate fear in attempting new tasks.

13.7 EXECUTION AND EVALUATION OF TRAINING PROGRAMME

Execution of training programme is not just matter of pedagogy. It is also concerned with administrative skills of planning the programme and house-keeping. We have to consider what our training philosophy is, what our infrastructure for imparting the training is how we schedule our training programmes and what pedagogic tools we use. Such as

1. Training Philosophy: Training brings about a change in behaviour. When the behaviour changes on account of training so that a standard response is generated or a programmed response is generated it constitutes one philosophy of training. Another philosophy attempts to generate situation related response by developing analytical skills of the trainees. Here the response is individualistic.

The philosophy chosen depends upon the nature of the organization. Standardized response selling is more routine. Analytical skill development training is more appropriate for highly marketing-oriented organization operating in competitive environment with a fairly complex product line.

Approach towards career advancement in the sales department also influences the choice of the philosophy. Those with analytical skills are better suited to carry out the higher responsibilities of an executive post in future.

The quality of the prospects also determines the philosophy. Low-level low-positioned individuals as prospects would need conditioned-response philosophy. Highly placed individuals at higher levels do need insightful analytical approach.

Each philosophy has its own aims, contents and methods. Door-to-door selling of routine products require conditioned response. Selling in prestigious super-markets may need analytical skills. The quality of the trainees also influences the training philosophy.

In both the approaches, the training material is different. In conditioned-response approach, the kit is standardized. It is a canned talk. In analytical approach, the kit facilitates the development of the analytical skills.

It is easier to evaluate the standardized response approach. The evaluation of analytical approach is more subjective and judgmental.

2. Training Organisation: To begin with, all fresh recruits are given induction training. Here also at times, a new appointee can be directly placed on the job to learn for himself under the supervision of an able superior. This could be because of an insufficient number of appointees to form an induction batch. Later, it requires systematic evaluation of the training needs to decide who should be given continuous training. Deficiency in performance and good performance may both lead to some training programme. As the person attains seniority in the organization, he is given further training inputs to cope with increasing responsibility. The convenience of both the trainer and the trainee is also kept in mind.

Initial sales training is mostly a line function under sales. In some companies, the personal department handles this function. Even, then, the sales personnel are always consulted. Induction training which is common for sales and appointee of other functional areas is better handled by the personnel department.

A big organization runs a staff training college and an executive training college. Senior executives can be deputed to outside organization like the IIMs for training. Large organizations appoint a sales training director. He conducts training with the assistance of some line executives, in smaller organization, though no separate training institute is created, sales executives shoulder the responsibility of training. Those organizations which have training institutes have full-time and part-time faculty. As sales training requires intimacy with the selling environment, organizations prefer insiders for training rather than outsiders.

Trainer's training is a very crucial consideration. There are specialized programmes to train the trainers. Trainers should have through knowledge of the corporation, its mission, its objectives, its product line, its markets, and its broad polices. Trainers must understand the selling task and the selling skills. If they are not drawn from the field, they should be acclimatized to the field experience. Those who are already trained trainers should teach the would-be trainers. It is expected that the trainer should have a good combination of administrative experience and the teaching skills. The difficulty is to get such persons. Those how are good administrators are poor teachers, and those who are good teachers have no administrative experience. The trainers should be able to plan the training programmes and the software needed for it.

Outside experts are used for sales training. Generally they are good to impart training in sales techniques- prospecting, selling communication, sales presentation, telephone selling, meeting objections, closing the sale etc. Outsider experts have their own independent training organizations or are university professors. These faculty members do put in an impressive performance to remain in business.

3. Timing of the Training : New recruits are trained in groups. Some however, believe that first they should be directly put on the job. It shows that on the job training is sufficient to sell. It also means that when a few individuals are hired, it is economical to put them directly on the job rather that arrange a formal training programme. This, however, is not valid when highly complex, technical products are to be sold. The initial formal training for them is a must.

When a large number of persons are recruited, it is better to arrange group training. It means lower training costs per person. Though formal group training is cost effective, it should be supplemented by individualized filed training. Group methods are useful to teach product knowledge, corporate history and philosophy, market information and theoretical essentials of selling. Sales techniques are however, best mustered individually in the field. It is necessary to have judicious combination of both the group and individual training.

Initial sales training is timed to the recruitment programme, keeping in mind the expansion and desertions. It might be necessary to arrange a few such programmes in a growing organization. In a small company, initial sales training is not held frequently.

Changing environment and the newly emerging needs make training a continuous process. It is necessary to impart knowledge on product innovations. It is also necessary to train the trainees in refined methods of communication. Training continues as long as the person is on the job. Though an organization keeps the sales persons informed of the new developments though bulletins and house journals, it is necessary to call them to formal training when a sufficient of knowledge pertaining to one area accumulates. There are refresher training courses.

There are certain deficiencies which cannot be rectified through formal training. Under such circumstances, these are remedied through on-the-job training.

It is necessary to keep an yearly schedule of refresher and retraining programmes. It improves the effectiveness of the sales persons.

4. Site of the Training Programme: There are two options-conduct training at a centralized location by transporting the trainees there or conduct training in a decentralized manner in the region or district as here the sales person has to work. Centralized training though costly because of boarding, lodging and transportation of trainees is effective because it has sound infrastructure. Decentralized training is conducted without any direct supervision of the higher-ups, and so the training could be half-hearted. Until a company has exceptionally good decentralized set up, initial sales training should be at central locations. Continuous training courses could be either centralized or decentralized, depending upon whether it is economical to transfer the trainers or the trainees and where the instructional talent is located.

5. Pedagogic Material: Good instructional material and training aids constitute the very foundation of training programme. These differ form company to company and programme to programme. These are related to the aims, contents and methods adopted. The following materials are generally used such as Manuals, Printed Material, Training Aids, and Advance Assignments.

Manuals: In group training, these work-book type training manuals are used. A manual summarizes the contents covered, gives case studies, and leaves space for self-assessment exercises, working-out problems, and game-or-role-play type material. Manuals also provide what the company stands for and what its products are. It also outlines its major policies and thrust areas. It is necessary to be selective while preparing the manuscript. If the editing is not tight, too much trivia may occupy valuable space. Manuals are useful during the training session itself, and later as reference book. Loose-leaf format permits additions and deletions.

Printed Material: Company catalogues, price-lists, product brochures, hand-outs of important topics, trade-related textbooks, business magazines are given as printed material. Company published material supplements what has been covered in the training programme. A company subscribes to trade-related and management-oriented magazines to keep the field force updated. Manuals are further supplemented by text-books, though they are hardly read during the course of training. They may be use later as references.

Training Aids: These aids convey audio- visual impressions. Most commonly used aid is the blackboard. These days overhead projectors showing transparencies are slowly replacing the traditional blackboard. Here time is saved as tables and diagrams are pre-prepared. Still the blackboards hold its own place. Imagine how a session will be conducted if there is power is power failure. Blackboard has immense possibilities of writing and re-writing.It captures point that emerges in the discussion. All other aids supplement the blackboard, but cannot ever replace it.

Video-players or CD-players or CD-ROMs or projectors are also used these days. They are good to explain cases and technicalities. A movies is very graphic and gives effective demonstration. It is, however, expensive to get or make suitable software. A company can show a live session of sales presentation, and then discuss the pluses and minuses of the situation depicted.

Audio equipment is also used in sales communication training. It can also help in improving linguistic skills. A sales person can tape his own voice, and later play it back, and learn voice modulation and phonetics. Audio cassettes of various management experts are used to impart information on different topics.

ISDN has made possible video-conferencing and virtually removed the disadvantages of decentralized training.

Advance Assignments: these are prescribed mainly to save precious time. A company can ask the trainees to read in advance certain topic and cases. A trainee does home work and comes prepared. All assignments must have clear instruction of what is expected. A trainee becomes motivated when his synopsis is discussed, and is accepted as an important input for further discussion. Advance assignment can be designed both for the individual and the group. Advance assignments keep the trainees on their toes all the time, even off-campus.

6. Evaluation of Training Programmes: It measures how effective the training was. A training programme has three costs-time, money and effort. This investment must pay back. It is, however, not so easy got measure how far the programme contributed to the effectiveness of the individual. Yes the effectiveness of the programme itself can be measure. What we can do is got match the aims expected and the results achieved. But such follow-up is mostly ignored. Results may not be immediate. They may show later on. Certain indirect criteria are chosen. How long an induction trained person takes to be on par with the veteran sales person? We can compare the performance levels of those who are trained and those who are not. If records of pre-training performances are meticulously maintained, and are converted into market-shares, it will be a great help in evaluation. But sales results are not just because of training. There are many other factors at work. How to isolate these is a moot point.

Yes, a programme can be measure for effectiveness by giving a written examination to trainees based on its contents. Trained persons are put in the field and are observed by experienced supervisors. They record the difference if any after training. They also let the company know how far the trainee is applying the knowledge acquired in the training programme to the field situation. Customers can be questioned about the effectiveness of the sales persons.

All these approaches are not foolproof. Evaluation is done both during the course of the training programme, and after it is over. Mostly retention tests are used. Role-play can be used to test communication skills. Ratings can be given during group discussions, case analysis and role-plays. Though subjective, these rating provide incentives to the trainees. It is also necessary to lack the competence to evaluate the trainers. Still programme comment sheets are fairly common. Some companies ask the feedback from the trainees after a certain period of time, when they return to their jobs.

13.8 SUMMARY:

The need for training arises due to the following reasons: such as (i) to match the employee specifications with the job requirements and organizational needs. (ii) Organisational viability and the transformation process. (iii) Technological advances (iv) Organisational complexity (v) Human relations and (vi) Change in the job assignment.

Usually sales training is imparted to achieve the following aims: Viz., 1) Rising sales 2) Acquiring new accounts 3) Adequate knowledge of technology and product-line 4) Better sales presentation to win the customers 5) Guidance to customers on the use of the product, and on its benefits, 6) Harmonious relations with dealers or customers, etc.,

The contents of the training programme vary form Company to Company. However, some useful items are including in the training programmes will attempt to cover a combination of knowledge and skill development. Six components can be identified: 1) The company – objectives, policies and organization 2) Product knowledge 3) Knowledge of competition 4) Sale techniques and selling procedure 5) Knowledge about the markets 6) Work orgnisation and report presentation

On the – job training methods are used of learning by doing under expert supervision. On-the-job training methods include (a) job rotation, (b) coaching, (c) job instruction or training through step-by-step and (d) committee assignments.

Off – the – job training methods are as follows: (a) Vestible training; (b) Role playing; (c) Lecture method; (d) Conference or Discussion; (e) Programmed Instruction.

Training is important as it constitute significant part of management control. Benefits of training are presented: A) Training benefits to the Organisation. B) Training benefits to the Individuals.

Execution of training programme is not just matter of pedagogy. It is also concerned with administrative skills of planning the programme and house-keeping. We have to consider what our training philosophy is, what our infrastructure for imparting the training is how we schedule our training programmes and what pedagogic tools we use. Such as 1). Training Philosophy 2) Training Organisation 3) Timing of the Training 4) Site of the Training Programme 5) Pedagogic Material 6) Evaluation of Training Programmes.

13.9 KEY WORDS:

Training: Training is the organized procedure by which people learn knowledge and skill for a definite purpose.

On –the –Job Training: On the –job training methods are used of learning by doing under expert supervision.

Off the –Job Training: Under this method of training trainee is separated from the job situation and his attention is focused upon learning the material related to his future for performance.

Vestible Training: There are some specialized institutions and schools which impart training to new as well as established salesmen in called vestibule training.

Pedagogic Material: There are some specialized institutions and schools which impart training to new as well as established salesmen is called vestibule training.

Pedagogic Material: Good instructional material and training aids constitute the very foundation of training programme. The following are the pedagogic materials are generally used such as manuals, printed material, Training aids, and Advance Assignments.

13.10 SELF ASSESSMENT QUESTIONS

1. What is the meaning and objectives of the Training?
2. What are the components of the training programme?
3. What is the need and importance of Training?
4. Discuss various Training method used in the organizations
5. How can you execution and evaluation of sales Training programs.

13.11 FURTHER READINGS:

1. Marketing Management, SA. Sherlekar, Himalaya Publishing House, New Delhi.
2. Sales Promotion and Advertising management, M.N. Mishra, Himalaya Publishing House, Hyderabad.
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LESSON – 14

MOTIVATION, EVALUATION AND CONTROL

14.0 Objective:

After having gone though this lesson, you will be able to:

- Explain the important Theories of Motivation and Types of Motivation
- Objectives of Motivation and Types of Motives are discussed
- Analyzing Various Types of Compensation Plans
- Understanding Controlling of the Sales Force

Structure:

A - MOTIVATION

14.1 MOTIVATION OF SALES FORCE

The central task of a manager is to make people work for the attainment of the organizational goals. They may not necessarily work for the organization. Thus, the manager must first understand the factors that modify or condition their behaviour and such factors must be built into the organizational design. Hence, the study of motivation is of crucial importance. He must understand that his prime responsibility is of creating and maintaining an organization that works effectively. It is, therefore, important that he motivates his employees so that his subordinates work for the organizational goal attainment.

The aspect of motivating consists of getting the best effort from the salesman while he is performing his job. If he is a good salesman and likes to sell, he will automatically be motivated. Thus motivation is a function of the salesman himself and the organization as well as the environment is which he is operating. The study of human motivation becomes complex.

In order to satisfy human needs, an incentive must be present in the organization that would serve as a satisfier. The manager must be concerned with making effective use of the incentives that would stimulate employees to be more productive. These are positive as well as negative incentives that can be found in an organization.

14.2 TYPES OF MOTIVES

Motives are divided into three categories; Viz., Primary motives, General motives and Secondary Motives.

Primary Motives: These motives are unlearned and physiologically based. They include hunger, sleep, and avoidance of pain, sex and maternal concern.

General Motives: These motives are unlearned but not physiologically based. These motives include curiosity, manipulation and activity motives and the affection motive.

Secondary Motives: Secondary motives are closely tied to the learning concept. A motive must be learned in order to be included in the secondary classification. Important among them are: achievement, affiliation, power, security, status and immediate feedback.

14.3 OBJECTIVE OF MOTIVATION

It is a bare fact that most of us use only a small portion of our mental and physical abilities. To exploit the unused potential in people they are to be motivated. Needless to say that such exploitation results in greater efficiency, higher production and better standard of living of the people.

14.4 TYPES OF MOTIVATION

There are two ways by which people can be motivated. One is a positive approach or pull- mechanism and another is a negative approach or push-mechanism.

Positive Motivation: People are said to be motivated positively when they are shown a reward and the way to achieve it. Such reward may be financial or non-financial. Monetary motivation may include different incentives, wage plans, productive bonus schemes etc. Non-monetary motivation may include praise for the work, participation in management, social recognition etc. Monetary incentives provide the worker a better standard of life while non-monetary incentives satisfy the ego of a man positive motivation seeks to create an optimistic atmosphere in the enterprise.

Negative Motivation: By installing fear in the minds of people, one can get the desired work done. In this method of motivation, fear of consequences of doing something or not doing something keeps the worker in the desired direction. This method has got several limitations. Fear creates frustration, a hostile state of mind and an unfavorable attitude towards the job which hinders efficiency and productivity. So the use of it should be kept to its minimum.

14.5 STEPS IN MOTIVATION

According to Judicious, the following are the steps that should be adopted in motivation. 1) Sizing up situations requiring motivation, 2) Preparing a set of motivating tools, 3) Selecting and applying an appropriate motivator, 4) Following up the results of the application.

1) Sizing Up: This step mainly involves understanding of different needs of people. Having assessed the needs, one can determine what motivate them.

2) Preparing a Set of Motivating Tools: This list of motivators should be selected and applied wherever and whenever they are needed.

3) Selecting and Applying Motivators: Out of the list of motivators, few should be selected and applied wherever and whenever they are needed.

4) Feed Back: Having applied the motivators, it is important to find out how effective had a particular motivator been.

14.6 MOTIVATIONAL THEORIES

Motivation has been researched by psychology and others for many years. A number of theories have evolved which are pertinent to the motivation of salespeople.

1) Maslow's Theory of Hierarchy of Needs: According to Maslow, human needs from a hierarchy, starting at the bottom with the physiological needs and follows security or safety needs, Affiliation or Acceptance needs, Esteem needs and ascending to the highest need of self-actualization. He says when one set of needs are satisfied they no longer work as motivators as a man seeks to satisfy the next higher level needs.

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

2) Herzberg's Two-Factor Theory: Maslow's theory has been modified by Herzberg and he called it two-factor theory of motivation. According to him the first group of needs are such things as company policy and administration, supervision, working conditions, interpersonal relations, salary, status, job security and personal life. Herzberg called these factors as 'dissatisfies and not motivators. These are also referred to as 'hygiene' factors.

In the second group are the 'satisfiers', in the sense that they are motivators, which are related to "Job content". He included the factors of achievement, recognition, challenging work, advancement and growth in the job. He says that their presence will yield feelings of satisfaction or no satisfaction, but not dissatisfaction.

3) Theory of " X" and Theory of 'Y': McGregor tried to analyse the conventional conception of management's task and came up with a set of propositions which he called theory "X". Further, on the basis of his analysis, he came up with a new theory of the task of managing people with a clear emphasis on human nature motivation. He termed it as theory "Y".

Theory "X": 1.The average human being has an inherent dislike of work and will avoid it if he can.

2. Because of his characteristic of dislike of work, most people must be coerced, controlled, directed, and threatened with punishment to get them to put forth adequate effort towards the achievement to get them to put forth adequate effort towards the achievement of organizational objectives.

3. The average human being prefers to be directed, wished to avoid responsibility, has relatively little ambition and wants security above all.

Theory "Y":

1.The experience of physical and mental effort in work is as natural as play or rest

2.Eternal control and threat of punishment are not the only means of bringing about effort towardsorganizational objectives. Man will exercise self-direction and self-control in the service of the objectives to which he is committed.

3.Commitment to objectives is a function of the rewards associated with their achievement.

4.The average human being learns under proper conditions not only to accept but to seek responsibility.

5.The capacity to exercise a high degree of imagination, ingenuity and creativity in the solution of organization problems is widely, not narrowly, distributed in the population.

6.Under conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

4) Vroom's Expectancy Theory:- Basically this theory assumers 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: The major variable in the Vroom's theory is expectancy. Though the expectancy and the instrumentality appear to be the same at the first glance, they are quite different. Expectancy is a probability (ranging from 0 to 1)or strength of a belief that a particular action or effort will leave to **a** particular first level outcome**.**

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

Valence: Vroom Says that valance is the strength of an individual's preference for a particular outcome. It can be taken as equivalent of value, incentive, attitude and expected utility. For some individuals promotion may be highly valued; for other it may have little value.

5) Adams's Inequity Theory (Equity Theory of Work Motivation)

This theory argues that a major input into job performance and satisfaction is the degree of equity (or inequity) that people perceive in their work situation. Inequity occurs when a person perceives that the ratio of his or her outcomes to inputs and the ratio of relevant other's outcome to inputs are unequal.

For a sales person, inequity can be felt in the following areas: i) Monetary reward, ii) workload, iii) Promotion iv) Degree of recognition v) supervisory behaviour vi) target and vii) Tasks. The outcome of a sales person perceiving significant inequities in any of these areas may be reduced motivation as a result of the feeling of unfairness.

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

6) Alderfer's ERG Theory: Alderfer also feels that needs should be categorized and that there is basic distinction between lower order needs and higher order needs. Alderfer identifies three groups of needs, Viz., Existence, Relatedness and Growth (ERG) and that is why his theory is called ERG theory. The existence needs are concerned with survival or physiological well-being. The relatedness needs talk of the importance of interpersonal and social relationships. The growth needs are concerned with the individual's intrinsic des8re for personal development. This theory is somewhat similar to that of Maslow's and Herzberg's models. But unlike Maslow and Herzberg he does not assert that a lower level need has to be satisfied before a higher level need, nor does he say that deprivation is the only way to activate a need. So, a person's background and cultural environment may make him think of relatedness needs or growth needs though his existence needs are unfulfilled

B- EVALUTION AND CONTROLLING

14.7 CONTROLLING THE SALES FORCE

The sales manager has to adopt suitable methods for controlling sale performance. The control mechanism includes budgetary control, planning control, cost control and operational control. The sales performance, profitability and other evaluation techniques are used to examine the performance of sales representatives. The comparison the performance of a salesman with that of other salesmen or with the standard performance is made to determine the efficiency of a salesman. Qualitative achievements are examined to evaluate the performance of the sales people. The control mechanism enables the management to improve the efficiency and performance of sales representatives.

Sales function derives its goals from the overall marketing objectives. In order is achieve the sales goals and objectives, a sales plan is designed and implemented. Sales programmes are the operational aspects of this sales plan. Ultimately, we have to see whether the performance standards set are being achieved or not. This is the controlling aspect. It have thee dimensions set the standards, measure the performance of the individuals, compare it with the standards, and see if there is any deviation. Last but not the least, we have to take the corrective action. The first three dimensions make control static, and the action oriented part makes it dynamic. Without action, the other activities of control have no meaning. Corrective action puts the sales function on the right course.

14.8 MAIN ASPECTS OF CONTROL PROCESS

Planning, organizing, staffing, directing and controlling constitute what is known as the management process. Some authors put it into three basic elements- planning, integrating, and controlling. It is not necessary to carry out the managerial functions of planning to controlling in a linear sequence. It is fact a circular process.

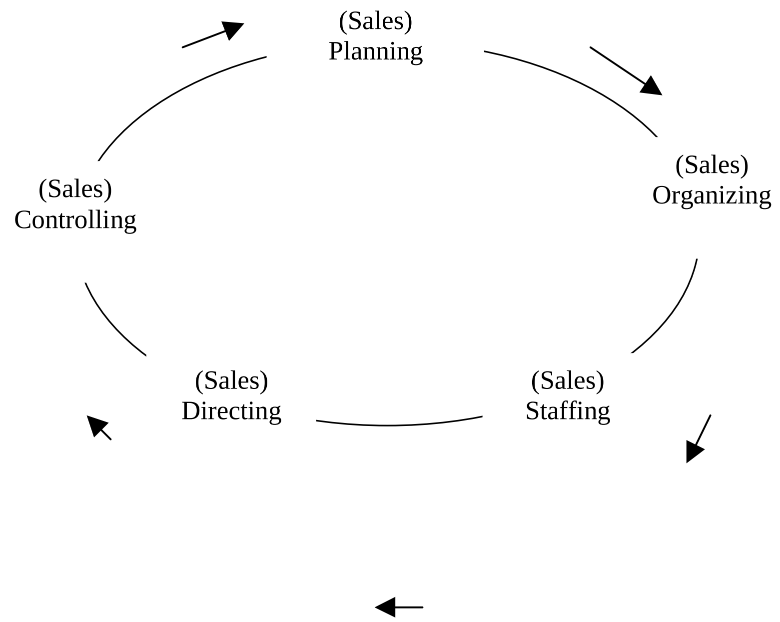

Fig: Circular Management Process

All decisions as to what is be achieve-standards of performance- are set in the planning function. Planning provides a direction to the sales function. The strategies guide us as to how we can travel on the directed path.

All the performance standards are to be achieved through the sales organization. The capability of the sales organization itself affects the standards set. Sales plan and a derived sales programme must be co-ordinated with the sales efforts. To begin with we exercise the first three aspects of control. In the dynamic control function, management brings about the necessary changes in the planning, organizing, staffing and directing process and their co-ordination with each other.

Sales Force Control Process: The process of control of sales force has three aspects:

1. Salesman's efforts must click with the marketing plan and the promotion-mix of the firm.

2. Salesman's performance must fit into planed standards of efficiency and salesman's achievements must help to achieve the desired reduced ratio of selling expenses to sales.

3. Provision of supervision and guidance to individual salesman, if needed.

14.9 CONTROL OF THE SALE FORCE AND SALES OPERATION

Control of the sale force and sales operations has five important dimensions: (1) Allocation of sales territories. (2) Assignment of Sales quotas. (3) Salesman authority, (4) Routing and scheduling of Sales personnel and, (5) Evaluation of Sales Performance.

1. Allocation of Sales Territories: Realistic sales palling is always based on sales territories rather than on the total market. A sales territory becomes a manageable unit of planning and control. A sales territory is a particular grouping of customers and prospects assigned to salesperson. It is also a certain geographical is an allotted to a salesperson for his sales operations. A salesman is expected to produce maximum sales turnover from his are with the minimum amount of time and effort.

The sales territories are designed to assist sales management in its attempts to improve market coverage and customer service, reduce selling expense ratios, secure more effective coordination of personal selling and advertising efforts and finally to improve the evaluation of sales performance. Sales territories also avoid duplication of sales efforts, offer equal sales opportunities to the sales people and provide more effective routing and scheduling of sales force.

The territorial shape affects both its coverage and the selling expenses. It facilitates time management and stimulates sales force morale. There are three widely prevalent shapes the wedge, the circle and the clover leaf. Wedge-shaped territories are suitable for urban as well as non-urban areas. It from a thickly populated urban centre. Many sizes of the wedges are possible. Two neighboring wedges are possible. Two neighboring wedges can help equalize the travel plan by balancing urban and non-urban types of calls. Scattered customers call for a circle shaped territory. The salesman remains at the centre of the circle or near to it. It makes possible optimization in frequency of calls. He is far more in the vicinity of customers than a salesman in a wedge shaped territory. Randomly located accounts call for clover-leaf type of arrangement. Each clover leaf represents a week's work. A salesman is at home every weekend. Such arrangement is common in industrial marketing. It is also suitable for extensive marketing.

2. Assignment of Sales Quotas: Sales quota is goal in terms quantity given to a sales representative, or a group of sales representatives over a period of time. Sales quota may be assigned to a region, territory, branch office, it may be assigned to a distributor too sales quotas are the tools of planning and control. They have motivational potential and serve as basis for awarding incentives.

Sales quotas are based on sales fore casts and sales potentials of different markets. The more accurate the data used in formulating the sales quotas the more effectives quota become. Sales effort is controlled by using quota. It helps in appraisal. It helps in controlling expenses. Quotas provide a quantitative performance standards, quotas are used as performance criteria in sales contests. Sales forecast is the first step in setting up quotas. It leads to the sales budget. In the budget, there is a provision for setting quota as performance standards. Sales quota may be expressed in absolute terms and assigned to a salesperson or a territory. The terms may be rupees or units of products.

3. Salesman's Authority: Sales manager should lay down clear-cut policy regarding the authority of responsibility of salesmen. Salesmen are not usually authorized to alter price quotations give in the price list or catalogue. Some liberty is, however, given to change discounts and allowances granted to buyers. This will give some flexibility to capture business and overcome competition. Salesman is not expected to violate his prescribed powers.

4. Routing and Scheduling Sales Personnel: Routing and scheduling is one aspect of the establishment of sales territories. A route plan According to a time-frame improves territorial coverage. A map is prepared of the travel plan. The route plan give adequate information on the numbers and locations of customers, means of transport available, call frequency rates, route maps etc. The routes should permit the sales person to return to home base at least on week-ends.

Routes and schedules are constantly revised to account for changed. Physical conditions and market environment. Routing and scheduling reduce wastage of time. It also helps achieve better order book position. The scheduling plan points out the customers to be called upon each day, the hour at which each call is to be made and other relevant details regarding daily sales calls. Scheduling must leave some scope for time-cushioning considering the requirements in the field. Routing and scheduling are also good control tools. They control a salesman's movement and expenditure. Reports are checked to see whether routing and scheduling is being followed or not.

5. Evaluation of Sales Performance: Human beings do have unlimited potential for growth and development, provided there is right work environment and the right direction, guidance and help is given by management . The performance appraisal or evaluation is based on this firm belief in human resource development. Sound evaluation assures superior performance. There are three reasons to evaluate or appraise the performance of salespeople: 1. To measure performance against planned sales and marketing objectives. 2. To distribute rewards for performance. 3. To guide the development of sales forces.

Target for sales performance are set and they act as criteria for comparison with actual accomplishment. Sales quotas, expenses control, personal development objectives are the usual targets for the purpose of evaluation. It is essential that all evaluation should be forward-looking and aim at future and improved performance. Sales manager should not give emphasis on finding faults and placing blames on salespeople for past performance. The salespeople should be given through understanding of the reasons for their poor performances as revealed by evaluation. Humanistic touch is necessary at every stage in supervision, evaluation and control. Then only management of salespeople will give rich dividend. Performance evaluation should be done periodically and promotion, pay rise, rewards should be offered to deserving salespeople. Forward-looking and positive evaluation and control enable salesmen to secure self-advancement or development. Management by objectives (MBO) can be use in the management of salespeople as far as possible.

14.10 SUMMARY

The central task of a manager is to make people work for the attainment of the organizational goals.

Motives are divided into three categories; Viz., Primary motives, General motives and Secondary Motives. 1) Primary Motives 2) General Motives 3) Secondary Motives:

There are two ways by which people can be motivated. One is a positive approach or pull- mechanism and another is a negative approach or push-mechanism. 1) Positive Motivation 2) Negative Motivation:

According to Judicious, the following are the steps that should be adopted in motivation. 1) Sizing up situations requiring motivation, 2) Preparing a set of motivating tools, 3) Selecting and applying an appropriate motivator, 4) Following up the results of the application.

Motivation has been researched by psychology and others for many years. A number of theories have evolved which are pertinent to the motivation of salespeople. 1) Maslow's Theory of Hierarchy of Needs 2) Herzberg's Two-Factor Theory 3) Theory of " X" and Theory of 'Y' 4) Vroom's Expectancy Theory 5) Adams's Inequity Theory 6) Alderfer's ERG Theory

Characteristics of a Good Compensation Plan 1) A Compensation Plan must provide a living and fair wage. It should ideally give a secure income, as monetary difficulties prevent the employees to put in their best. 2) It should be integrated to the motivational programme etc.,

Following factors influence sales compensations. 1) Nature of job, working condition responsibility (corporate headquarters, field work etc 2) Level of employment, seniority/ranking etc. 3) Firms wages and salaries structure, classification, grading, point rating, merit rating, and performance evaluation. etc.,

Types of compensation may be the form of i) a straight salary plan ii) a straight commission plan, iii) a salary –plus-commission plan, iv) a salary –plus-bonus plan and v) a salary –plus-bonus plus-commission plan.

Sales function derives its goals from the overall marketing objectives. In order is achieved the sales goals and objectives, a sales plan is designed and implemented. Sales programmes are the operational aspects of this sales plan. Ultimately, we have to see whether the performance standards set are being achieved or not. This is the controlling aspect. It have thee dimensions set the standards, measure the performance of the individuals, compare it with the standards, and see if there is any deviation. Last but not the least, we have to take the corrective action. The first three dimensions make control static, and the action oriented part makes it dynamic. Without action, the other activities of control have no meaning. Corrective action puts the sales function on the right course.

The process of control of sales force has three aspects: 1) Salesman's efforts must click with the marketing plan and the promotion-mix of the firm. 2) Salesman's performance must fit into planed standards of efficiency and salesman's achievements must help to achieve the desired reduced ratio of selling expenses to sales. 3) Provision of supervision and guidance to individual salesman, if needed.

Control of the sale force and sales operations has five important dimensions: (1) Allocation of sales territories. (2) Assignment of Sales quotas. (3) Salesman authority, (4) Routing and scheduling of Sales personnel and, (5) Evaluation of Sales Performance.

14.11 KEY WORDS

General Motives: These motives are unlearned but not physiologically based. These motives include curiosity, manipulation and activity motives and the affection motive.

Secondary Motives: Secondary motives are closely tied to the learning concept. A motive must be learned in order to be included in the secondary classification. Important among them are: achievement, affiliation, power, security, status and immediate feedback.

Non-monetary motivation: Non-monetary motivation may include praise for the work, participation in management, social recognition etc.,

Monetary motivation: Monetary motivation may include different incentives, wage plans, productive bonus schemes etc.

Straight Salary Plan: In this plan, a salesman is given a fixed sum as a salary at regular intervals of say a weak, a fortnight or a month.

Straight Commission Plan: The straight commission plan incorporates payment of compensation on the basis of the sales made by each salesman.

Sales Quota: Sales quota is goal in terms quantity given to a sales representative, or a group of sales representatives over a period of time

14.12 SELF ASSESSMENT QUESTIONS

1. Define motivation. What is the objective of motivation?
2. What are the types of motives and motivation?
3. What are the steps involved in motivation?
4. Explain various theories of motivation.
5. Define controlling. What are the main aspects of control process?
6. How to control of the sales force and sale operation?

14.13 FURTHER READINGS

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LESSON 15

SALES BUDGET

15.0 Objective:

After studying this lesson you should be able to:

- Understanding the definitions of budget, budgeting and budgetary control
- Classifying deferent types of budgets
- Analyzing sales budget

Structure:

15.1 DEFINITION OF BUDGET

A budget is a plan of action. It is a document of formal planning and control. It is a quantitative statement of goals and objectives expressed in monetary terms.

a. Chartered Institute of management Accountants, London, defines budget as “A plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income during that period”.

b. The Institute of cost and management Accountants, London, defines budget as a financial and or quantitative statement prepared to definite period of time, of the policy to be pursued during that period for the purpose of attaining a given objective.

Thus, the essential features of budget are:

- It is prepared, generally a in advance of the operations.
- It is prepared for a definite future period.

- It is expressed in terms of money or quantity or both.
- Its purpose is to attain a given objective.

Difference among budgets, budgeting and budgetary control

Rowland and Harry have stated the difference between budgets, budgeting and budgetary control. According to them, budgets are the individual objectives of a department etc, where as budgeting may be said to be the act of building budgets.

Budgetary control embraces all and in addition includes the science of planning the budgets themselves and the utilization of such budgets to affect an overall management tool for the business planning & control.

In the words of Van Sickle, “the budget is the financial plan”. Budgetary control results from the administration of the financial plan.

15.2 OBJECTIVES AND FUNCTIONS OF BUDGETING

Budgeting performs a series of functions and achieves a number of objectives. Following are the principal objectives and functions:

a) **To guide action:-** Budgeting sets a short-term plan for meeting the objectives of the business. Budgets represent what a firm expects its operations to be in the future.

b) **To co-ordinate different activities:-** Budgets are the operating decisions. Production has to be co-ordinated with sales, and then with purchasing, inventory, finance and other activities of business. The different budgets force members of the management and other employees to seek the support of each other.

c) **To motivate employees:-** Budgetary control sets physical and financial targets to be achieved for the next year. In most cases, employees are involved in them. As such, budgeting motivates managers to accomplish the targets.

d) **To provide basis for performance evaluation:**- After the budget is approved by the management, it becomes a measuring stick for actual performance. A continuous comparison is made of actual with budgeted results. It reveals the cause of difference which is then tracked down.

e) **To implement MBO and MBE:**- By comparing actual performance against the planned one variances are calculated while the targets in budgets act as objectives, budgeting helps implement the principal of management by objectives (MBO). Similarly variances also help implement the principal of “management by Exception” (MBE). Only significant variances are reported to the higher level for investigation. All others are supported to conform with the plan, and no time and efforts be spent for them.

15.3 ESSENTIALS OF SUCCESSFUL BUDGETING

The essentials or pre-requisites for successful budgeting are listed below:

a) **Support and involvement of top management**:- The budget should be sponsored by management and it should have the active and whole-hearted support of top management. In other words, management should believe in the efficiency of budget as a tool of effective management and not as primarily an accounting device.

b) **Built-up by responsibility centers: -** For successful budgeting, it is also necessary that it should be built-up by responsibility centers and should show be built-up by responsibility centers and should show the controllable costs in each responsible centre.

c) **Participation by responsible supervisors;**- The responsible supervisors should participate in the process of setting the budget figures and should agree that the budget goals are responsible. If they are not consulted, their attitude towards the budget is likely to be one of indifference and resentment. In other words, budget targets should not be imposed by the management rather they should not be imposed by the management rather they should emanate from the organization it self.

d) **Clear-cut organizational structure:-** A successful budgetary programme pre-supposes a clear allocation of authority, duties and responsibilities in the organization. Everybody in the organization should know who is responsible to whom.

e) **Continuous budget education:** - If the budget is to be effective, all responsible supervisors must be actively interested in it. This requires that the responsible supervisors are aware of the entire budgeting process. The best way to assure this is a program of continuous budget education through manuals, meeting, etc., to discuss the preparation of budget and actual results achieved.

f) **Timeliness:**- The time period covered by the budget should be related to the necessity for and the possibility of effective management action.

g) **Reasonably attainable targets:** - The targets laid down in the budget should be reasonably attainable. Too high a target will be frustrating and too low a target will encourage complacency.

h) **Management by exception (MBE):**- In comparing actual performance with budgeted performance, attention should be focused on significant exceptions – items that are significantly different than expected.

i) **Through review of budget estimates:** - The review of budget estimates by successively higher levels of management should be through. Casual review is a signal that management is really not much interested in the budget process.

j) **Proper Communication:** - Final approval of the budget should be specific and this approval should be communicated to the organization. An attempt to operate on the doctrine “silence gives consent” inevitably leads to misunderstanding.

k) **Responsibility accounting:** - Since budget is based upon historical data and since control includes the measurement of plans and objectives, the accounting system must be built-up around the responsibility structure of the enterprise comparisons between budgeted and actual results are meaningless if revenues used in the budget and the accounting system are not in harmony.

l) **Flexible:**- It is important that budgeting is flexible rather than static. Instead of basing budgets on a single fixed level of activity. Again, budget should be revised if market conditions change.

m) **Integration with standard costing system:**- For better results, a system of budgetary control should be used in conjunction with a system of standard costing and variance analysis.

15.4 TYPES OF BUDGETS (SCOPE & KINDS OF BUDGETS

Budgets can be classified into different categories from different points of view. The following are the most common basis of classification:

(i) According to time
(ii) According to function
(iii) According to flexibility.
(iv) Other Budgets

These budgets can be diagrammatically represented as below.

(i). Classification according to time:- In terms of time, the budget can broadly be classified in to three categories.

a. Long-term budget: - A budget designed for a long period (generally for a period of 5 to 10 years) is termed as a long-term budget. These budgets are concerned with planning of the operations of a firm over a considerably long period of time. They are generally prepared in terms of physical quantities.

b. Short-term budget:- These budgets are designed for a period generally not exceeding 5 years. They are generally prepared in physical as well as in monetary units.

c. Current budgets:- These budgets cover a very short period say a month or a quarter. They are essentially short-term budgets adjusted to current conditions or prevailing circumstances.

d. Rolling budgets:- Some companies follow the practice of preparing a rolling or progressive budget. In case of such companies there will always be a budget for a year in advance. A new budget is prepared after the end of each month/quarter for a full year ahead. The figures for month or quarter which has rolled down are dropped and the figures for next month or quarter are added.

For example, if a budget has been prepared for the year 1980, after the expiry of the first quarter ending 31st March 1980, a new budget for the full year ending 31st March 1981, will be prepared by dropping the figures of the quarter which has rolled down (i.e., quarter ending 31st march 1980) and adding figures for the new quarter ending 31st March 1981. The figures for the remaining three quarters ending 31st Dec., 1980, may also be revised, if necessary. This practice will continue whenever a quarter ends and new quarter begins.

(ii) Classification According to Function:- Budgets can be classified on the basis of functions they are meant to perform. These budgets are, therefore, also termed as Functional Budgets. Their number depends on the size and the nature of the business. The following are the usual Functional Budgets:

a. **Sales budget:-** The budget forecasts total sales in terms of quantity, value, items, periods, areas etc.

b. **Production Budget:**- The budget is based on sales budget. It forecasts quantity of production in terms of items, periods, areas etc.

c. **Cost of production Budget:**- The budget forecasts the cost of production. Separate Budgets are prepared for different elements of costs such as direct material budget, direct labour budget, factory overheads budget, office overheads budget, selling & distribution overheads budget etc.

d. **Purchase Budget:**- The budget forecasts the quantity and of purchases required for production. It gives quantity-wise, money-wise and period-wise information about the materials to be purchased.

e. **Personnel Budget:**- The budget anticipates the quantity of personnel required during a period for production activity. This may be further split up between direct and indirect personnel budgets.

f. **Research Budget:**- The budget relates to the research work to be done for improvement in quality of the products or research for new products.

g. **Capital expenditure Budget:**- The budget provides a guidance regarding the amount of capital that may be required for procurement of capital assets during the budget period.

h. **Cash Budget:**- The budget is a forecast of the cash position by time period for a specific duration of time. It states the estimated amount of cash receipts and the estimation of cash payments and the likely balance of cash in hand at the end of different periods.

i. **Master Budgets:**- It is a summary budget incorporating all functional budgets in a capsule form. It interprets different functional budgets and covers within its range the preparation of projected income statement and projected balance sheet.

(iii) Classification According to Flexibility:-

a. **Fixed Budget:-** A budget prepared on the basis of standard or fixed level of activity is called a fixed budget. If does not change with the change in the level of activity.

b. **Flexible Budget:**- A budget designed in a manner so as to give budgeted cost of any level of activity is termed as a flexible budget.

(iv) Other important budgets:-

a. **Performance Budget**

b. **Zero-Based Budget**

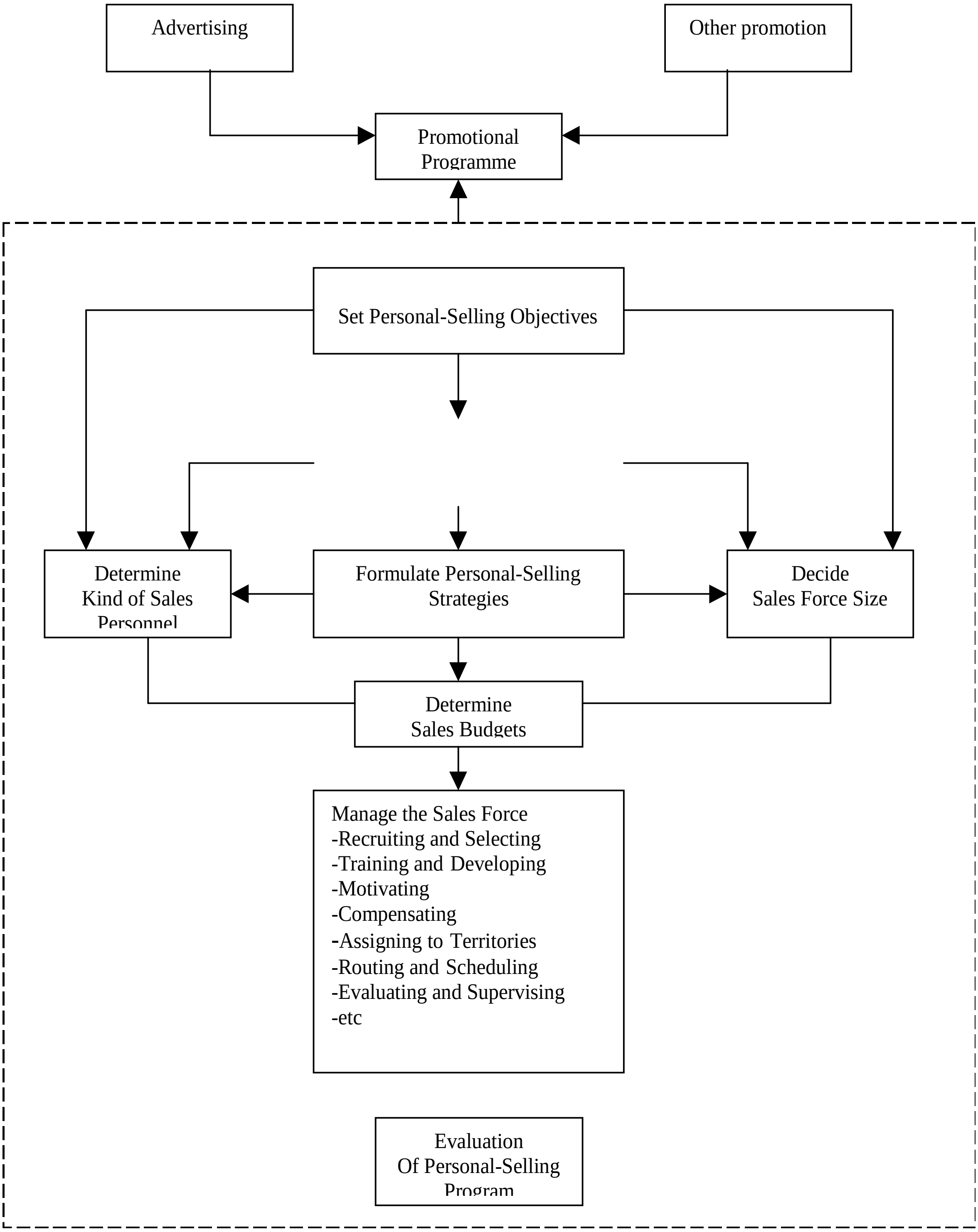
15.5 SALES BUDGET

The sales budget is blueprint for making profitable sales. It details who is going to sell how much of what during the operating period, and to which customers or classes of trade. Simply defiled, a sales budget consists of estimates of an operating period's probable dollar and unit sales and the likely selling expenses. These two estimates are related to predict net profit on selling operations. The sales budget, then, is a projection of what a given sales program means in terms of sales volume, selling expenses, and net profits.

The following figure shows how sales budgets fit into the personal-selling effort. Both the sales volume and selling expenses portions of the sales budget have their roots in the personal-selling objectives, which h, as you recall, trigger two key decisions on personal-selling strategy: (1) the kind of sales personnel and (2) sales force size

The sales forecast is the source for the sales volume portion of the sales budget. The sales volume objective derived from the sales forecast is broken down into the quantities of products that are to be sold, the sales personnel or sales districts that are to sell them, the customers or classes of trade that are

Figure : Personal Selling as Part of the Promotional Program



to buy them, and the quantities that are to be sold during different time segments in the operating period. Making these breakdowns requires complex sequences that will be incurred in implementing this sales program are estimated.

The sales budget, then, starts with the sales volume objective as a point of departure and, as we have noted, that objective traces to the sales forecast. Consequently, the extent of involvement of the top sales executive in the early phases of budgeting (for the entire company) depends upon the degree to which this executive participates in forecasting. In some companies, top sales executives play leading roles in sales forecasting, while in other companies, they have passive roles (contributing advice and informed opinions). But in nearly every company, the primary responsibility for preparing the selling expense portion of the sales budget is the top sales executive's – since he or she controls the major portion of these expenses.

15.6 PURPOSES OF THE SALES BUDGET

Mechanism of Control: Control is the primary orientation in sales budgeting. The completed budget, which is a composite of sales, expense, and profit goals for various sales units, serves as a yardstick against which progress is measured. Comparison of accomplishments with relevant breakdowns of the budget measures the quality of performance of individual sales personnel, sales regions, products, marketing channels, and customers. These evaluations identify specific weakness in operating plans, enabling sales management to make revisions to improver performance. The sales budget itself, silence it is a master standard against which diverse aspects of performance are measured, and then serves as an instrument for controlling sales volume, selling expenses, and net profits.

Computerized information processing has enormously increased the effectiveness of control through the sales budget. Management is provided daily with details of actual performance compared with budgeted performance with current and complete information on sales volume and selling expenses, the sales manager sports variations from the budget and takes corrective action before they get farther out of line.

Instrument of Planning: The budgeting process requires complex sequences of planning decisions. The sales forecast shows where it is possible for the business to go and during the budgeting process planner determine ways and means for the business to get from where it is to where it wants to go. The sales forecast reveals data on sales potentials, and the budget planners calculate the expenses of c converting forecasted sales into actual sales.

The sales budget planner formulates the sales plan so that both sales volume and net profit objectives are reached. Showing how to achieve the targeted sales volume is not enough. The planner show how the targeted volume can be reached, while keeping selling expenses at a level that permits attainment of the targeted profit. Sales budgeting requires the drafting of alternative sales plans and selection of the one most appropriate for serving g the c company's sales volume and net profit objectives.

15.7 SALES BUDGET-FROM AND CONTENT

The completed sales budget is a statement of projected sales revenues and selling expenses. The so-called "summary of the sales volume section of the sales budget is both in dollars and cents and product units, so that budgeted figures are readily adjustable for price changes. The budget section on planned sales volume is presented in considerable detail. Not only are total units sales shown but so are unit sales of each by quarters or months, and unit sales by class of account (or type of marketing channel).

Using Standard Costs: When the total cost of performing a specific activity is analyzed and the cost of performing one measurable unit of the activity is determined, .the first step ‘has been taken toward establishing a standard cost. The second step is to compare the historical cost of performing one unit of the activity with what the cost should be, assuming standard performance, and considering the effect t of changed conditions on costs. As standard cost, in marketing as well as in manufacturing, is predetermined cost for having a standard employee perform under standard conditions one measurable unit of the activity.

The techniques for determining standard costs of distribution are less refined than are those for standard costs of production. Some companies have developed standard distribution costs accurate enough to provide a means for appraising the relative efficiency of performance of personal-selling activities. The executive compares current costs against known yardsticks. Standard costs of distribution simplify the estimating of individual items in the selling expense portion of the budget. Any predicted volume of sales, or any division of sales among the various products, classes of customers, or territories, are convertible into selling expense estimates through the application of standard costs.

Other estimating methods. Some companies that do not have usable standard distribution cost systems limply other methods for estimating selling expenses. Some simply add up selling expenses over a recent period and divide by the number of units of product sold, thus arriving at an average cost per unit sold. This figure is then multiplied by the forecast for unit sales volume, to obtain an estimate for the total budgeted selling expenses. Some adjust the average cost per unit sold for changes in the strength of competition, general business conditions, the inflection rate, and the like, other companies calculate for past periods the percentage relationship of total selling expense to sales volume. This percentage, which may or may not be adjusted for changes in condition s, is applied to the dollar sales forecast to estimate budgeted selling expenses.

Finally, some companies build up their estimates for total selling expenses by applying historical unit cost figures to individual selling expense items. This is not a true standard distribution cost method, but it does focus upon individual expense rather than upon the total;. Consequently, the expense estimates in the budget posses greater accuracy than if total selling expense percentages or total selling expenses per unit of product are used.

15.8 FACTORS OF SALES BUDGET

The sales budget, generally, forms the fundamental basis on which all budgets are built up. The budget is essentially a forecast of sales to be achieved in budget period. The Sales Manger should be made directly responsible for the preparation and execution of this budget. He should take into consideration the following factors while preparing the sales budget.

a) Past Sales Figures and Trend. The record of previous experience form the most reliable guide as to future sales as the past performance is related to actual business conditions. However, the other factor such as seasonal fluctuations, growth of market, trade cycle, etc, should not be lost sight of.

b) Salesmen’s Estimates. Salesmen, etc., are in a position to estimate the potential demand of the customers more accurately because they come in direct contact with them. However, proper discount should be made for over-optimistic or too conservative estimates of the salesmen depending upon their temperament.

c) Plant Capacity. It should be the Endeavour of the business to ensure proper utilization of plant facility and that the sales budget provides an economic and balanced production in the factory.

d) General Trade Prospects. The general trade prospects considerably affect the sales. Valuable information can be gathered in these connect ion from trade papers, and magazines.

e) Orders in Hand. In case of industries where production is a quite lengthy process, orders on hand also have a considerable influence on the amount of sales.

f) Proposed Expansion or Discontinuance of Products. It affects sales and therefore, it should also be considered.

g) Seasonal Fluctuations. Past experience will be the best guide in this respect. How3ever, efforts should be made to minimize the effects of seasonal fluctuations by giving special concessions or off-season discounts thus increasing the volume of sales.

h) Potential Market. Market research should be carried out for ascertaining the potential market for the company's products. Such an estimate is made on the basis of expected population growth, purchasing power of consumers and buying habits of the people.

i) Availability of Material and Supply. Adequate supply of raw materials and other supplies must be ensured before drafting the sales programme.

j) Financial Aspect. Expansion of sales usually require increase in capital outlay also, therefore, sales budget must be kept within the bounds of financial capacity. Also, therefore, sales budget must be kept within the bounds of financial capacity.

k) Other Factors:

i. The nature and degree of competition within the industry.

ii. Cost of distributing goods;

iii. Government controls, rules and regulations related to the industry; and

iv. Political situation-national and international-as it may have an influence upon the market.

The sales managers after taking into consideration all the factors will prepare the Sales Budget in terms of quantities and money, distinguishing between products, periods, and areas of sales.

15.9 SALES BUDGETARY PROCEDURE

Company budgetary procedure normally begins in the sales department. After all, the sales department in nearly all companies is the main department generating inward flows of revenues. The nature and amount of the predicted flows of sales revenues impact directly upon the activities of other departments. Therefore, once top management receives and gives tentative approval to the sales budget, other departments prepare budgets outlining their plans. For instance, the production department takes its cue from the sales budget in preparing budgets for manufacturing expense and inventory, as well as in planning production schedules. Similarly, the financial department uses the sales budget as the starting point in preparing budgets for capital expenditures, earnings and cash position, and administrative expenses. It should be noted that the production department is mainly interested in the budgeted unit sales, whereas 'the financial department is concerned chiefly with planned dollar sales.

Planning Styles and Budgetary procedures: There are two basic planning styles-top-down and bottom-up. In top-down planning, top management sets the objectives and drafts the plans for all organizational units. Top –down planning goes along with the Theory X philosophy of management whose key assumptions are that people dislike work and responsibility and prefer to be told what to do and when. By contrast, in bottom-up planning, different organizational units (generally departments) prepare their own tentative objectives and plans and forward them to top management for consideration. Bottom-up planning goes along with the Theory Y philosophy of management, whose key assumptions are that people like work and responsibility and commit themselves more strongly to objective and plans that they have participated in formulating.

Sales budgetary procedures differ from company to company with most differences tracing to difference in basic planning styles. If the predominant planning style is top-down, the head of each organizational unit in the sales department (for example, a regional sales manager) receives his or her sales and profit objectives from the next level above and makes plans to fit those objectives. Adjustments in objectives are made if subordinates raise questions regarding their fairness or soundness, but the tendency in a top down organization is for subordinates to accept the objectives passed down by their superiors.

Actual Budgetary Procedure: the preparation of the sales budget normally starts at the lowest level in the sales organization and works upward. The lowest level in this budgetary process is a profit center. Thus, each district sales manager estimates district sales volume and expenses for the coming period and the district's contribution to overhead. This budget includes rent, heat, light secretarial costs, and all other expenses of operating the district office. It includes the salaries of the sales personnel and the district manger, and all selling expenses incurred by the district. These district budgets are submitted to the divisional or regional office, where they are added together and are included with the divisional budget. In turn, divisional budgets are submitted to the sales manager for the particular product or market group. At the end of this chain of subordinate budgets, the top sales executive compiles a company wide sales budget.

At each step in the budget-making process, an effort is made to reduce the detail to be passed upward to the next step, so that he final company budgets relatively simple and undetailed. The approved budget is then distributed downward in the organization in a process exactly the reverse of that used in its preparation. Each subordinate budget is revised to reflect changes in the company budget. At each step downward, details previously details are added back. The lowest operating unit receives a final budget that is an detailed as the one originally submitted, even through it may be considerably changed.

Handling Competition for Available Funds within the Marketing Division : The top sales executive must argue effectively for an equitable share of funds from the marketing division. The sales executive, like the advertising manger, marketing research manager, customer service manager, product managers, and other staff executives in the marketing department, submits a budget proposal to the chief marketing executive. From these proposals, the thief marketing executive checks to assure that the plans presented arte the result of carryout the plans, and that the forecasted sales are attainable.

The amount of money finally allocated to the sales department depends upon the value of the individual budgetary proposals to the company as a whole. The sales executive keeps this in mind in dividing the sales department's budget among subordinate departmental units. It a bottom-up planning procedure is in place, each subordinate has already prepared his or her own sales objecti9ves and an estimate of expense, thus simplifying the tasks of dividing up sales objectives and budgeted selling expenses.

"Selling" the Sales Budget to Top Management: The chief sales and marketing executives are recognize that every budget proposal they make to top management competes with proposals submitted by other divisions. Top management receives more proposals than it financially able to carry out simultaneously. In appraising proposals, top management looks not only at intrinsic merits but at the probable value to the whole organization. Consequently, it is necessary to sell the sales budget to top management. The budget is presented to top management just as a salesperson makes a presentation to a prospect. It is safe to assume that top executives are at least partially ignorant of the problems faced by the sales department, and of the many problems faced in putting to other a sales program.

As in any other selling task, the starting point is careful assessment of the wants and needs of the prospect. For the top executive, the major want is benefit to the company. How does the company, and incidentally the top executive, stand to gain from the proposed sales budget? To top management, the budget is a proposal to spend money to bring in profit. Top management divides the available funds among the departments, and the share each receives depends on the ability of the department head to sell t his or her boss on the benefits to accrue from the plan.

Using the Budget for Control Purposes: Once approved budgets are redistributed to all organizational units, budgetary control features go into operation. Individual items in each budget serve as "quotas" or "standards" against which management measures performance. From here on, each level of management compares performance against standards.

For control purposes, each sales manger receives budget progress reports. This may be prepared monthly, but control is more effective if progress reports are weekly. In this way, corrective action is initiated before actual performance moves too far from budgeted performance. The report showed actual sales and expense for the week, the month to date, and the year to date; budgeted sales and expenses; and the difference between the two. Sales performance filatures are broken down further in ways useful to the executives using them, for example, by product, by package size, by sales territory, or by customer.

When performance shows a variance from budgeted performance, two courses of action are available. The first is to determine whether the variance is a result of poor performance by the sales group. It might be that a sales person's travel expenses are out of line because of inefficient territorial coverage. In this case, steps would be taken to ensure that the salesperson's travel expenses are out of line because of inefficient territorial coverage. In this case, steps would be taken to ensure that the salesperson organizes traveling more carefully, so that budgeted expenses are brought back into line. However, if it turns out hat travel expenses increased because of calls on new customers not previously covered, the second course of action would be the choice-revise the budget to reflect changed conditions.

The budget is not an end in itself merely a tool. Every effort is made to bring performance into line with budget estimates, but if unanticipated conditions occur, there is no hesitation about revising the budget. At the same time, the budget is not changed to o readily. If it is changed too much, it becomes a mere record of sales and expense.

Effect of Errors in Budgetary Estimates: Operating conditions sometimes differ from those assumed at the time of budget preparation. Sales volume, expense, and net profit objectives prove too high or too low, either because of changes in the demand or because of changes in price levels. Particularly when estimates of the number of units to be sold differ from the number of units actually sold, significant variations occur in some expense items, overhead and certain other expenses do not vary with volume, but some expenses, such as sales force commissions, vary directly with volume. Still other expenses, such as sales supervisory expenses, are semi variable, fluctuating with changes in volume, but not directly. If estimated unit sales volume is incorrect by much, the usefulness of budgeted selling expense figures a standard of performance is impaired. The budget may still be useful as a point of departure in apprising performance, but there remains the puzzling matter of determining how to allow for changed conditions.

Flexibility in Budgeting: If sales budget estimates are consistently, or even frequently, greatly in error, it may be that more should be spent in budgetary planning. Perhaps sales forecasting methods are misapplied or are inappropriate for the budgeting situation. Experience shows that in most fields sales can be forecast for a sufficiently long period, and within limits of accuracy that are sufficiently close to serve the purpose of stabilizing production. If it is possible to forecast sales within the limits needed to stabilize production, it is possible to forecast sales within the limits of accuracy required for purposes of budgeting selling expenses.

Some companies, either internationally or because of difficulties in securing accurate sales forecasts, use budgetary procedures without definite forecasts. One way is to prepare alternative budgets, based on different assumptions about the level of sales volume. Thus, efficiency can be evaluated, even though wide variation exists between expected volume and actual volume. “Low-volume” and “high-volume” forecasts are prepared on break-even style charts and interpolated to adjust for the difference between the two alternative budgeted sales figures and the actual operating level.

However, “flexible budgeting” is the subject of considerable criticism, because whenever it is used, plans must be made on the basis of a wide range of probabilities. Some experts refer to flexible budgeting a crutch for weak executives who have not absorbed the art of forecasting. Most writers on sales management argue that some flexibility is desirable. Companies cannot authorize a year ahead expense appropriations so inflexible that there is no need later to review or revise them. Full advantage of new market opportunities must be taken as they appear. If competitors initiate actions not foreseen at budget making time, funds must be allocated to counteract them. A realistic attitude toward the dynamic character of the market is part of effective sales budgeting.

When the budget is in error because of faulty sales forecasting and badly set sales and profit objectives, the accepted procedure is to alter estimates by applying standard rations of costs to the adjusted volume figure. L this system, known as “variable” budgeting, is used by most business.

15.10 SUMMARY

A budget is a plan of action. It is a document of formal planning and control. It is a quantitative statement of goals and objectives expressed in monetary terms. The essential features of budget are: 1) It is prepared, generally a in advance of the operations. 2) It is prepared for a definite future period. 3) It is expressed in terms of money or quantity or both. 4) Its purpose is to attain a given objective. Rowland and Harry have stated the difference between budgets, budgeting and budgetary control. According to them, budgets are the individual objectives of a department etc, where as budgeting may be said to be the act of building budgets. Budgetary control embraces all and in addition includes the science of planning the budgets themselves and the utilization of such budgets to affect an overall management tool for the business planning & control.

Their number depends on the size and the nature of the business. The following are the usual functional budgets: 1) Sales budget 2) Production Budget 3) Cost of Production Budget 4) Purchase Budget 5) Personnel Budget etc.,

The sales budget is blueprint for making profitable sales. It details who is going to sell how much of what during the operating period, and to which customers or classes of trade. Simply defiled, a sales budget consists of estimates of an operating period's probable dollar and unit sales and the likely selling expenses. These two estimates are related to predict net profit on selling operations. The sales budget, then, is a projection of what a given sales program means in terms of sales volume, selling expenses, and net profits.

The completed sales budget is a statement of projected sales revenues and selling expenses. The so-called "summary of the sales volume section of the sales budget is both in dollars and cents and product units, so that budgeted figures are readily adjustable for price changes. The budget section on planned sales volume is presented in considerable detail. Not only are total units sales shown but so are unit sales of each by quarters or months, and unit sales by class of account (or type of marketing channel).

The sales budget, generally, forms the fundamental basis on which all budgets are built up. The budget is essentially a forecast of sales to be achieved in budget period. The Sales Manger should be made directly responsible for the preparation and execution of this budget. He should take into consideration the following factors while preparing the sales budget. a) Past Sales Figures and Trend, b) Salesmen's Estimates, c) Plant Capacity, d) General Trade Prospects, e) Orders in Hand, f) Proposed Expansion or Discontinuance of Products, g) Seasonal Fluctuations, h) Potential Market. Availability of Material and Supply, i) Financial Aspect.

Company budgetary procedure normally begins in the sales department. After all, the sales department in nearly all companies is the main department generating inward flows of revenues. The nature and amount of the predicted flows of sales revenues impact directly upon the activities of other departments. The following are the aspects have taken into consideration budgetary procedure. 1) Planning Styles and Budgetary procedures, 2) Actual budgetary procedure, 3) Selling the sales budget to top management, 4) handling competition for available funds with in the marketing division, 4) Using the budget for control purposes, 5) Effect of Errors in Budgetary estimates, 6) Flexibility in budget.

The sales budget is a statement of projected sales revenues and selling expenses. The projected sale revenues are, in effect, their sales volume objectives derived from the various sales forecasts. The projected selling expenses are determined by the different organizational units within the sales department and are based on assigned sales and profit objectives. The sales budget is best prepared in an atmosphere where the bottom-up planning style predominates, with each echelon preparing a tentative budget of revenue and expense. During the period in which the budget is in effect t, items in the approved budget are compared with actual sales and expense and action is taken to bring the two into alignment. In reality, the sales budget is a composite of quotas- for sales, profits, and expenses-and is a valuable tool for control.

5.11 KEY WORDS:

Budget: A budget is a plan of action. It is a document of formal planning and control. It is a quantitative statement of goals and objectives expressed in monetary terms.

Budgeting: Budgeting may be said to be the act of building budgets.

Budgetary control: Budgetary control embraces all and in addition includes the science of planning the budgets themselves and the utilization of such budgets to affect an overall management tool for the business planning & control.

Management by exception (MBE): In comparing actual performance with budgeted performance, attention should be focused on significant exceptions – items that are significantly different than expected.

Cash Budget: The budget is a forecast of the cash position by time period for a specific duration of time. It states the estimated amount of cash receipts and the estimation of cash payments and the likely balance of cash in hand at the end of different periods.

Master Budgets: It is a summary budget incorporating all functional budgets in a capsule form. It interprets different functional budgets and covers within its range the preparation of projected income statement and projected balance sheet.

Zero-Base Budgeting: "ZBB is a management tool which provides a systematic method for evolution all operations and programmes, current or new, allows for budget reduction and expansion in a rational manner and allows re-allocation of sources from low to high priority programmes".

5.12 SELF ASSESSMENT QUESTIONS:

1. Distinguish among budgets, budgeting and budgetary control?
2. What are the objectives and functions of budgeting?
3. What are the pre – requisites for successful budgeting?
4. Discus various budget on the basis of the function?
5. What is the importance of Zero Base budgeting?
6. What are Factors of the Sales Budget?
7. Explain the Sales Budgetary Procedure?

5.13 FURTHER READINGS:

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4. Advertising, Sales and promotion management, S.A. Chunawalla, Himalaya Publishing House, 2005.
5. Marketing management, Philip Kotler, Prentice Hall of India Pvt., Ltd., New Delhi.
6. Selling and Sales management, David Jobber and Geoff Lancaster, Pearson Education Limited, Delhi.
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Lesson – 16

Compensating and Managing Expenses of Sales Personnel

16.0 Objectives :

The objectives of this lesson are to enable you to :

- Describe the importance of compensation
- Explain the steps involved in Sales compensation plan
- Discuss compensation schemes used by different companies
- Explain the need and purpose of managing salesman expenses.
- Describe the policies and practice of reimbursement of sales expenses
- Outline the methods of controlling and reimbursing expenses of sales personal

Structured :

16.1 Introduction :

The sales force of any company needs to be compensated adequately to keep its morale high and to enable it to contribute to its maximum. The Direct salary and allowances etc., are similar for all kinds of companies. A property designed sales compensation plan fits a company's special needs and problem, and from its flow attractive returns for both the company and its sales personnel. Sales and growth goals are reached at low cost, and profits are satisfactory. Sales personnel receive high pay and reward for effective job performance, and esprit de corps is high.

Manages the expenses incurred by its sales personnel is important. There are motivational implications, in as much as sales personnel who pay their own expenses look upon their jobs quite differently from those whose expenses are reimbursed fully or in part. Both these approaches have their implications. A sales person who spends his own money for expenses is not under strict management control. But when there are reimbursable expenses, management exercises sufficient power on the activities of the sales persons. In other functional grease of business, there are expenses of marginal nature. But in sales, there are considerable expenses. Reimbursement and control policies therefore vitally important, and they need special attention of the company.

In this lesson we shall study the procedure and method's adopted by companies in organizing their compensation package and methods adopted to controlling and reimbursing expenses of sales personnel to motivate.

16.2 Requirements of a good sales compensation plan :

Sales compensation plans are aids rather than substitutes for, effective motivation. No plan can be the entire motivational program, for it would be based on the naïve hypothesis that sales personnel are totally mercenary. Nor should a compensation plan operate so as to conflict with what may be important motives – to confirm, to be like others, to belong, to be liked by one's peers. The basic appropriateness of a compensation plan is important, and so is the way it is implemented and administered – it is not un-common for a fundamentally poor compensation plan to work satisfactorily when a skilled executive administers it. A good sales compensation plan meets seven requirements. First, it provides a living wage, preferably in the form of a secure income. Second, the plan fits with the rest of the motivational program. Third, the plan is fair. Fourth, it is easy for sales personnel receive equal pay for equal performance. Fourth, it is easy for sales personnel to understand. Fifth, the plan adjusts pay to changes in performance. Sixth, the plan is economical to administer. Seventh, the plan helps in attaining the objectives of the sales organization.

16.3 Devising a Sales Compensation Plan :

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

1. Define the Sales Job : The first step is to reexamine the nature of the sales job. Up-to-date written job description are the logical place to start other aspects of company operations are considered in relation to their impact upon the sales job. Sale department objectives are analyzed for their effect on the sales person's job. Sales volume objectives, for instance, whether in dollars, units of product, or numbers of dealers and distributors, are translated into what is expected of the sale personnel, as a group and individually. The impact of sales-related marketing polices are determined. Distribution policies, credit policies, price policies, and other policies affect the sales person's job. Current and proposed advertising and sales promotional programs assist in clarifying the nature of the sales person's goals, duties and activities.

2. Consider the Company's General Compensation Structure : Most large companies, and many smaller ones, use job evaluation systems to determine the relative value of individual jobs. It focuses on the jobs, without considering the ability or personality of individuals who do the work. Its purpose is to arrive at fair compensation relationships among jobs. There are four job evaluation methods:

Simple ranking : In this inexpensive job evaluation method, widely used by small business, an executive committee sorts job descriptions in the order of worth. This is done without considering the individuals currently in the jobs or their compensation levels.

Classification or grading : This approach utilizes a system of grades and grade descriptions, against which individual jobs are compared. The grades, sometimes called classes, are described in terms of job responsibility, skills required, supervision given and received, exposure to unfavourable and hazardous working conditions, and similar characteristics.

Point system : The point system is the most widely used job evaluation method. It involves establishing and defining the factors common to most jobs that represent the chief elements of value inherent in all jobs. The specific factors chosen differ from one company to another, but generally include mental and physical skills, responsibility, supervision given and received, 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. Next, appraised factor scores are combined into a total point value.

Factor-comparison method : This method resembles the point system but is more complex. It utilizes a scheme of ranking and cross-comparisons to minimize error from faulty judgment. In a process similar to that used in the point system, the factor-comparison method employs selected factors and evaluation sales. This is done by arranging them in rank order, from highest to lowest for each factor. As a check against this judgmental evaluation, the compensation rupees actually paid for each job are allocated to the factors; the allocation automatically establishes the relationship among jobs for each factor.

3. Consider 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 prevailing compensation patterns in the community and industry. If there is a company wide formal job evaluation program, it should take into account the current rates for sales positions in the community and industry. A program for setting compensation of sales personnel is sound only if it considers the relation of external compensation practices to those of the company. Effective sales executive maintain constant vigilance against the possibility that the pay of sales personnel will get out of line with that paid for similar jobs in the community or industry.

4. Determine Compensation Level : Management must determine the amount of compensation a salesperson should receive on the average. Although the compensation level might be set through individual bargaining or on an arbitrary judgment basis, neither expedient is recommend. Management should ascertain whether the caliber 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 sales personnel of the desired grade.

5. Provide for the Various Compensation Elements : A sales compensation plan has as many as four basic elements : (1) a affixed element, either a salary or a drawing account, to provide some stability of income; (2) a variable element (for example, a commission, bonus, or profit-sharing arrangement), to serve as an incentive; (3) an element covering the fringe or "plus factor", such as paid vacations, sickness and accident benefits, life insurance, pensions and the like; and (4) an element providing for reimbursement of expenses or payment of expense allowances. Not every company includes all four elements. Management selects the combination of elements that best fits the selling situation. The proportions that different elements bear to each other vary. However, most companies split the fixed and variable elements on a 60:40 to an 80:20 basis.

6. Special Company Needs and Problems : A sales compensation plan is no panacea for marketing ills, but it often possible to construct a plan that increased marketing effectiveness. If a company's earnings are depressed because sales personnel overemphasize low-margin items and neglect more profitable products, it may be possible, despite the existence of other marginal 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 the higher rates applying to neglected products.

Numerous other possibilities exist for using the compensation plan to help solve special company problems. Plans may assist in securing new customers and new business, improving the quality of sales people's reports, controlling expenses of handling complaints and adjustments, elimination price shading by the sales staff, reducing traveling and other expenses, and making collections and gathering credit information. Management, however, should recognize that other means exist for dealing with these problems, which are generally transitory in nature., Repeated tampering with the sales compensation plan frequently results in complex and difficult – to-administer plans.

7. 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. Criticisms and suggestions are appraised relative to the plan or plans under consideration. But at this point, management compares the caliber of the present sales force with that of the people whom it would like to have.

8. Reduce Tentative Plan to Writing and Pretest it : For clarification and to eliminate inconsistencies the tentative plan is put in writing. Then it is protested. 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.

9. Revise the Plan : The Plan is then revised to eliminate trouble spots or deficiencies. It alternations are extensive, the revised plan goes through further pretests and perhaps an other pilot test. But if changes have been only minor, further testing is not necessary.

10. Implement the Plan and Provide for Follow-up : At the time the new plan is implemented, it is explained to sales personnel. Management should convince them of its basic fairness and logic. The sales personal are made to understand what management hopes to accomplish through the new plan and how this is to be done.

16.4 Types of Compensation Plans :

The four elements of compensation are combined into hundred of different plans, each more or less unique. But if we disregard the "fringe benefit" and "expense reimbursement" elements – as is entirely reasonable, since they are never used alone – there are only three basic types of compensation plans; straight salary, straight commission, and a combination of salary and variable elements.

Straight – Salary Plan: The straight salary is the simplest compensation plan. Under it, sales persons receive fixed sums are regular intervals (usually each week or month but sometimes every two weeks), representing total payments for their services.

Straight-salary plans are commonly used for compensating sales people heavily engaged in trade selling. These jobs, in which selling amounts to mere order taking, abound in the wholesale and manufacturing fields, where consumer necessities are distributed directly to retailers. Frequently, too, the straight-salary method is used for paying driver-sales persons selling liquor and beverages, milk and bread, and similarly distributed products.

Straight –Commission Plan: The theory supporting the straight-commission plan is that individual sales personnel should be paid according to productivity. The assumption underlying straight-commission plans is that sales volume is the best productivity measure and can, therefore, be used as the sole measure. This is a questionable assumption. The straight-commission plan, in its form is almost as simple as the straight-salary plan, but many commission systems develop into complex arrangements. Some provide for progressive or regressive changes in commission rates as sales volume rises to different products, to different categories of customers, or during given selling seasons. These refinements make straight-commission plans more complex than straight-salary plans.

Straight-commission plane fall into one of two broad classification :

1. Straight commission with sales personnel paying their own expenses., 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.

Determining commission base : One important aspect of designing a straight commission system is to select the base on which to pay commission. Company selling policies and problems strongly influence selection of the base. If obtaining volume is the main concern, then total sales is the base. If sales personnel make collection on sales, commissions are based on collections. If a firm has excessive order cancellations, commissions can be based upon shipments, billings, or payments. To control price cutting by sales personnel, some companies base commissions on gross margins. Other companies use net profits as the base, seeking simultaneously to control price cutting, selling expense, and net profit.

Drawing accounts : A modification of the straight-commission plan is the drawing account method, under which the company establishes separate accounts for each salesperson, to which commissions are credited and against which periodic withdrawals are made. Drawing accounts resemble salaries, since customarily individual sales personnel are allowed to overdraw against future earnings. If sales personnel become greatly overdrawn, they may lose incentive to produce, because earned commissions are used to reduce the indebtedness. More important, some sales personnel become discouraged with the prospects of paying back overdrawn account and quit the company.

Combination Salary and Incentive Plan : Salary plus commission : Most sales compensation plans are combinations of salary and commission plans. Most developed as attempts to capture the advantages and offset the disadvantages of both the salary and commission systems. Where the straight-salary method is used, the sales executive lacks of a financial means for stimulating the sales force to greater effort. Where the straight commission system is used, the executive has weak financial control over non-selling activities. By a judicious blending of the two basic plans, management seeks both control and motivation. Actual results depend upon management's skills in designing and administering the plan. Unless there is skillful adjustment of salary and commission, weaknesses of both basic systems reappear.

Sometimes a company seeking both to provide adequate salaries and to keep selling costs down uses commission rates so low that the incentive feature is insufficient to elicit needed sales effort. But, if the incentive portion is increased, salespeople may neglect activities for which they are not directly paid. Therefore, the ratio that the base salary and the incentive portion bears to the total compensation is critical. As mentioned earlier, most companies split the fixed and variable elements on a 60:40 to an 80:20 basis.

16.5 Use of Bonuses :

Bonuses are different from commissions – a bonus is an amount paid for accomplishing a specific sales task; a commission varies in amount with sales volume or other commission base. Bonuses are paid for reaching a sales quota, performing promotional activities, obtaining new accounts, following up leads, setting up displays, or carrying out other assigned tasks. The bonus, in other words, is an additional financial reward to the salesperson for achieving results beyond a predetermined minimum.

Bonuses are never used alone – they always appear with one of the three main sales compensation methods. If used with the straight salary, the plan resembles the combination plan. If used with the straight commission, the result is a commission plan to which an element of managerial control and direction has been added. If used with the combination salary and commission plan, the bonus becomes a portion of the incentive income that is calculated differently from the commission.

16.6 Fringe Benefits :

Fringe benefits, which do not bear direct relationships to job performance, range from 25 to 40 percent of the total sales compensation package. Some are required by federal and state law – for example, payments for social security premiums, unemployment compensation, and worker's compensation. Most, however, the company provides for other reasons: to be competitive with other companies in the industry or community, to furnish reasons for employees to remain in the company's service, and to comply with what employees expect as fringe benefits.

Fringe benefits, like monetary compensation, are not motivating factors in the Maslow hierarchy, fringe benefits contribute to fulfillment of safety and security needs, although some contribute to fulfillment of esteem and other higher-order needs. Since fringe benefits are given to all in the company's employ and do not vary with job performance, they help to prevent job dissatisfaction but do not add to job satisfaction (in line with Herzberg's motivation-hygiene theory).

16.7 Reimbursement of Sales Expenses Policies and Practices Introduction : -

There are two approaches to the management of the sales expense – allow sales people to spend their own money to meet sales expenses or reimburse their expenses either in part or full. Both these approaches have their own implications. A sales person who spends his own money for expenses is not under strict management control. But when there are re-imbursable expenses, management exercises sufficient power on the activities of the sales persons. In other functional areas of business, there are expenses of marginal nature. But in sales, there are considerable expenses. Reimbursement and control policies therefore are vitally important, and they need special attention of the company. Sales expenses differ from industry to industry as a percentage of the total compensation plan. Generally they range between 25 per cent to 50 per cent of the total sales compensation. In other words, a salesman with a salary of Rs. 1.00 Lakh annually is likely to spend between Rs. 25,000 to Rs. 50,000.

Expense Policies & Practice :

Some organisations like insurance companies in India put sales persons on straight commission plans. They follow 'pay-your-own-expenses' policy. Here management is saved the brother of checking the expenses statements. The only safeguard adopted is to keep commissions at such a level that they are able to spend on their own. There is a tendency in some sales persons to squeeze expenses. This is not in the company's interest. They tend to save on expenses by putting up in inferior hotels, taking frugal meals, curtailing travel expenses and expenses on laundry, and avoiding entertainment expenses as far as possible. These persons also resist management control. They plan their own itineraries. They plan their own calls. They neglect non-selling activities. They do not chase customers, fearing these will entail additional expenses. They are interest in large accounts and tend to sell product lines of other companies to the same class of customers.

Instead of pay-your-own expense policy, most of the companies adopt re-imbursement policies, which becomes a debit entry on the Profit and Loss Account of the company. Sales expenses are affected by the nature of the products and industry, the size of the territory, the competitive scene, the travel mode allowed and the calibre of the sales persons. Reimbursement should cover the expenses fully for those activities which are part of the sales persons duties. It is also necessary to reimburse all expenses when the sales person is on outstation duty.

While reimbursing the prevailing economic environment must be considered. The living standards of both the sales persons and the customers he attends to must be considered. Will it not be indicrous to see a Tata sales executive dining at a third rate restaurant and staying at a budget hotel ? A person who meets top consultants must be given expenses commensurate to keep up the same life-style. In one and the same company, there can be payment differentials, considering the class of customers attended to. Payment differentials are also necessary because each territory has its own needs of servicing. Reimbursement should be reasonable. It should be economical to implement the reimbursement policy. It is better is avoid over-economizing; lest it affect the selling efficiency.

16.8 Methods of Reimbursing Expenses of Sales Personnel :

Flat Expense Account : A particular periodic sum is handed over to the sales person to meet his expenses. How to allocate this sum to different items of expenditure is left to the discretion of the sales person. A flat sum saves the company the hassle of account keeping, and verification of these accounts. As flat sums are pre-determined, they can be easily budgeted. Sales persons have the autonomy to spend at they please out the flat sum. Thus there are no heart-burns on individual expense items. It gives sales person a sense of direction – they get self-directed. All they need are some guidance from the management about routing and scheduling.

Flat expense accounts are suitable where exact amounts of expense are not required to be changed frequently or where management keeps on reviewing the expense allowances. Flat expenses must have an element of flexibility. Imagine a situation where a salesman loses sales opportunities just because his flat expense is not enough to tap them. Though simple in concept, it has its own weaknesses. There are sales people who are tightfisted in spending money. They consider savings from expenses as an additional income which they use for their personal needs. This can be overcome by close supervision.

Flexible expense Account : Most widely used method of reimbursement, it reimburses all allowable expenses incurred and reported to management. Here management estimates the probable expenses and puts them into allowable and non-allowable categories. Sales persons are educated about these categories. A reporting system is installed for reporting expenses periodically. These reports are checked, and verified before reimbursement.

The following diagrams illustrate the reporting forms.

TRAVEL EXPENSE STATEMENT

Name	File No..
Address	Destination ....
Purpose of Travel	Date .... from .... to..............

Travel Mode Onward Journey

Mode of Transport	From which place	To which place	Date of Journey	Amount

Return Journey

Mode of Transport	From which place	To which Place	Date of Journey	Amount

Accommodation

Name of the Hotel/ Lodge	From which date	To which date	Days stayed	Rate per day	Amount

Boarding Expenses

Date	Whether Guest included (specify)	Amount	Date	Whether Guest included (specify)	Amount	Date	Whether Guest included (specify)	Amount

Date	Miscellaneous (Explain)	Amount

Date ____________________ Sign ____________________

SALES EXPENSE REPORT

Name of the Sales Person...................................... File No...........................

Address .... Date ....

Description of Expense ………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

Date .... Place ....

Amount Spent (Support by Vouchers)

....…………………

Justification for the Expense

………………………………………………………………………………………………

....……………

....…………………………………

Date .... Sign ....

Approved .... Date ....

Miscellaneous expenses could be porterage charges or coolie charges, postage, telephone stationery charges, laundry charges. Entertainment expenses are reported in Sales Expense Report. Flexible expense account, as the name itself indicates, provides flexibility. It allows the organisation to tap marketing opportunities fully. This method is fair as it takes into account the differences in different markets. It enables management to exercise greater control over routing and scheduling. Sales persons have to pay equal attention to both selling and non-selling tasks. The only drawback of this scheme is its administration. It is costly to important it. It takes time to check expense sheets. besides, it increases the clerical record-keeping work of sales executives, perhaps, they may not be cut out for that. Sometimes money is spent without any restriction. There may arise some disputes over his. Some padding is also observed in submissions.

Honour System : This is a liberal system where all sales expenses are reimbursed in full against report of the total expenses, without asking for a detailed break-up of these expenses. It reflects the faith management reposes in its sales persons. As his system is easy to administer it simplifies procedural aspects when used alone or in combination with any other method. It provides sufficient funds to develop the territory, provided the sales persons use the amount judiciously.

This system does not allow management to control the sales force tightly. The judicious use of money cannot be guaranteed. some tend to over-spend. Some use the amount in non-productive activities. Some misappropriate the funds. Even when honour system is installed, there should be control over the total expenses. A ratio of maximum selling expenses to sales can be used as a control tool. The trends in expenses should be carefully observed. Any sudden spurt must be looked into.

Expenses Quota : This plan controls the total expenses of the sales persons, but allows variation in periodic reimbursements. The management set up an expense quota considering the needs of the sales territory and the sales potential. Sales quota gives an upper limit or ceiling on the total expenses in a particular time period. This plan enables quick reimbursement of periodic claims, despite the variations from period to period. The ceilings restrain the sales persons, and they keep within the limits set.

In this scheme, the sales persons are allowed to control the expenses. This is its major weakness. The success of this scheme depends on how good the forecasts are. Sales persons are likely to restrict their activities at the end of the budget period, considering the meagre balance left in the quota account.

16.9 Reimbursement of Vehicle Expenses :

We have to reimburse vehicle expenses to sales persons when they are on expense accounts or quotas, and are using their own vehicles to move around. Vehicle expense reimbursement becomes complicated, as three types of costs are involved in the operation of vehicles. Fuel costs, oil and lubricating agents' costs and tyres cost are variable cost which vary with the mileage traveled. Insurance of the vehicle, government taxes constitute fixed costs. Depreciations or obsolescence depend on the age of the vehicle and its usage. They are semi-variable expenses. Expenses for different makes of vehicles and different models vary. Expenses also differ from territory to territory, depending upon the road and traffic conditions. All these complexities prompt companies to settle down for a less exact basis of reimbursement of vehicle expenses, rather than insisting on the exact basis. Most companies use the flat mileage rate system. Some opt for graduated mileage rates, fixed vehicle allowances periodically or a combination of vehicles allowance and mileage rate.

(a) Fixed Mileage Rate : Here a particular rate is fixed for one kilometer of travel, and this becomes the multiplying factor for the total kms traveled. This mileage rate is so set that all expenses of running and owing the vehicle are covered. However, this should also be economical for the company. This system is easy to administer. Mileage traveled are recorded, and flat rate per km is applied. This system is suitable when a small geographical territory is being serviced.

This system does not take into account the cost of operation of different makes and models of vehicles, and also the territorial differences. Management also keeps on changing the flat rate, taking it upward or downward.

(b) Graduated Mileage Rate : rates for different slabs of kilometers. Say one rate upto 5000 kms, less than that between 5000-10000 kms and even lesser for above 10000 kms. There is appreciation of the fact that long distance travel is economical. In this system, it is difficult to arrive at different slabs of mileages where the rate will change. This system considers the territorial differences in a board manner. Still it fails to recognise cost differentials amongst different makes and models of vehicles. This system is suitable when sales people cover large geographical territories, and travel long distances.

(c) Fixed period Vehicle Allowance : Here a particular sum as paid is vehicle allowance, say per day, or week, or month considering how the sales persons use their own vehicle on company's duty. Here usage, rather than mileage, is given importance. Perhaps, the system is not favourable to sales persons serving large territories, unless their allowance is fixed on the higher side, if the is uniform allowance, morale may suffer. This allowance is suitable when most of the territories are more or less the same and the vehicles used are more or less the same.

(d) Combination of Fixed Periodic Vehicle Allowance and Mileage Rate : Periodic vehicle allowance is combined with a mileage rate in this system. The vehicle allowance takes care of fixed and semi-variable expenses, and the mileage rate takes care of the variable operational expenses of the vehicle. Here it is appreciated that all expenses are not a function of usage. Companies using this system may create a depreciation reserve, and may allow sales persons to buy new vehicles out of these reserves. In fact, these reserves are the withheld portion of expenses. This system is an incentive to sales person to replace their old vehicles.

16.10 Summary :

The sales compensation plan is an external part of the total program for motivating sales personnel. Sales compensation plan play three motivational roles; to provide living wage, to relate pay to job performance, to demonstrate the congruency between attainment of company goals and goals of Individual sales personnel. The basic sales compensation elements should be in amounts large enough to provide living wage and sufficiently flexible to adjust for changes in Job performance. The fringe benefit elements, supplementary items not related to Job performance and generally not payable in cash, need to be chosen and administered carefully – sales personnel, like other employees, increasingly look upon the fringes as customary and expected. Appropriately chosen and skillfully administered sales compensation policies facilitate sales force management. Effective implementation of appropriate sales compensation policies and practices reduce time and effort devoted to other aspects of sales force management.

Reimbursement of the expenses of sales personnel is part and parcel of the sales compensation plan. Like the basic sales compensation elements, expenses reimbursements should be sufficient to contribute living wage. Effective sales executives see to it that sales reimbursement policies and practices are fair both to the sales personnel and the company, are sufficient to permit personnel to capitalise fully on profitable sales opportunities, and are administered in ways that prevent sales personnel from thinking of expense account at source of additional income.

16.11 Key words :

Bonus : A payment more at the discretion of management for a particular achievement.

Combination Plan : A compensation plan that uses salary, commission and / or bonus.

Commission : A payment baled on performance.

Fringe Benefits : Indirect new cards such as paid vacations, pension plans, medical reimbursement and insurance payment.

Varied commission plan : A compensation plan where higher commissions are given for selling products with high profitability and lower commission for products with smaller profitability.

16.12 Self Assessment Questions :

1. What are the basic components of a compensation package ?

2. Why is it necessary to have an adequate compensation package for the company sales force.

3. What are the policies and practices of sales reimbursement ? Explain various methods of sales reimbursement.

4. Explain various methods reimbursement of vehicle expenses.

16.13 Further Readings :

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