

SALES AND ADVERTISING MANAGEMENT

(DBUS34)

(MBA 3 YEARS)



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LESSON -1**SALES AND DISTRIBUTION MANAGEMENT- SCOPE, NATURE, IMPORTANCE & INTERDEPENDENCE****1.0 Objectives:**

After studying this lesson you should be able to:

- Understand the evolution of sales management, Nature, Scope and Importance.
- Examine its growth and objectives
- Analyse various functions.

Structure:

- 1.1 Definition of sales management
- 1.2 Nature and Role of Sales Management
- 1.3 Importance of Sales Management
- 1.4 Evolution of Sales Function
- 1.5 Objectives of Sales Management
- 1.6 Duties and Responsibilities of General Sales Manager
- 1.7 Duties and Responsibilities of Field Sales Manager (FSM)
- 1.8 Functions of Sales Manager
- 1.9 Qualities of a Sales Manager
- 1.10 Concepts of Physical Distribution
- 1.11 Channels of Distribution
- 1.12 Channels of Distribution Management
- 1.13 Modifying Channel Arrangements
- 1.14 Summary
- 1.15 Key words
- 1.16 Self assessment questions
- 1.17 Further Readings

A – SALES MANAGEMENT**1.1 Definition of sales management**

Initially, sales management was equated with sales force management. As time rolled on, sales management became broader. Apart from the management of personal selling, it encompassed other marketing activities like advertising, sales promotion, marketing research, physical distribution, pricing, merchandising and so on. However, the comprehensive broad function later got labeled as marketing management. Sales management came to be defined by American Marketing Association 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.’

According to the above definition, Sales management is the management of the sales force. This is a personnel-type function.

Sales management also organizes the selling effort. To do so, it creates a suitable organizational structure, with appropriate communication system.

Sales management interfaces with the distribution channels, and external publics.

Sales management provides critical inputs for the key marketing decisions like budgeting, quotas and territory management.

Sales management interfaces with other marketing functions while policies of these functions are being formulated.

1.2 Nature and Role of Sales Management

Nature of the Sales Management: 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. The sales manager also needs to be familiar with the concept of marketing to ensure that sales and marketing activities integrated. In tracing the development of marketing concepts it is customary to chart three successive stages in the evolution of modern business practice such as production orientation, sales orientation and marketing orientation.

The sales manager needs to be able to analyse and direct the activities of the sales force towards more profitable business. It, therefore, must know the art and science of modern developments in human resource management. It is also known as personnel selling. Personnel selling accomplished through salesmanship. The sales executive must know the activities of sales persons including salesmanship and problems of salespersons.

Role of the Sales Management: The sales managers will undertake specific duties and responsibilities:

- ◆ The determination of sales force objectives and goals.
- ◆ Forecasting and Budgeting
- ◆ Sales force organization, 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.

1.3 Importance of Sales Management:

Following are the factors, which determine the importance of selecting suitable type of sales organization.

- a) Production management in factory with suitable planning, organizing, directing and control, produces items of sufficient quantity at right time of right quality. In similar lines sales management with proper planning, organizing, direction, delivers the goods in right quantity at the right place at the right time. This is called merchandising.
- b) Merchandising needs a lot of co-ordination and control
- c) Times has changed. Today's salesmen are not fully motivated by monetary compensation. They need intrinsic motivation by autonomy, dignity and recognition. Organization structure and authority relationship must cater to these needs.
- d) Sales organization and personnel employed are the "ear" and "eyes" of the firms. When competition is severe in globalization, right feedback from customer's views are very important for the survival and success.
- e) No organization can be either fully centralized or fully decentralized. Management competence is called for in designing innovative organization structure which provides both efficiency and economy by providing right degree of centralization and decentralization.
- f) Even though we have seen different types of structure, successful organization pick up optimal combination of these to suit each situation better. There must be "in built" flexibility for incorporating modification.

1.4 Evolution of Sales Function:

Prior to the industrial revolution, organizations were small, and the production was limited, and meant for local market. Selling was thus not a complex activity. It was the owner who sold off what he produced. He was more concerned with manufacturing rather than selling.

During the Post-Industrial Revolution, when factory system developed, we got products made on a massive scale, which could not be sold just in the neighboring markets. Though initially the problems of mass production engaged business people, they soon realized that this also meant mass distribution, and selling. To achieve the organizational objectives, it was felt necessary to divorce ownership from management, giving birth to corporate form of organization. Authority was delegated to others, and specialized functional departments emerged. The first to emerge were the separate manufacturing and finance departments, followed by selling. Though selling as a separate department did help in mass selling in expanded markets, it still remained a problem as to how to communicate with these huge markets.

Distribution channels of wholesalers and retailers appeared on the scene. Export and import also gave a boost to the emergence of wholesalers. The manufacturer's sales department was thus far removed from the actual consumers. This made the scene complicated.

In the meantime, manufacturer's sales function added several other important activities such as promotion marketing research, transportation, sales administration in the form of credit and collections.

Sales function became an income-generating department for the organization.

1.5 Objectives of Sales Management:

❖ **General Objectives:** Following are the 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.

- **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.

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

$$(1) \text{ Gross Margin} = \text{Sales} - \text{Cost of Sales}$$

$$(2) \text{ Net Profit} = \text{Gross Margin} - \text{Sales Expenses}$$

$$(3) \text{ Cost of Sales} = \text{Cost of Production} + \text{Cost of Distribution}$$

Sales revenue has been directly linked to the performance efficiency of the sales force. Cost of sales includes 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.

- **Continued Growth:** Survival and success is the basic objectives of any organization. A number of growth strategies are available such as Diversification, Integration and External Growth. In all such cases reliable market intelligence is needed on the following:

- Competitive products and customer responses
- Own products and customer response
- 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 Duties and Responsibilities of General Sales Manager at Corporate Headquarters:

General Sales Manager (GSM) or G.M. (Sales), is the functionary at corporate headquarters who reports to the Director/Vice President marketing. He is responsible for the following: 1) Secure Maximum Sales Volume. 2) Develop and implement effective sales policies plans and programme for all products at all territories.

➤ **Duties and Responsibilities:** The duties and responsibilities of General Sales Managers are group under the following heads:

(a) Sales Programme:

- Lay down long-term and short-term sales objectives in terms of sales, profits, growth, market share etc.
- Design detailed sales programme to improve competitive position to reach laid down sales volume objective and reduce cost of sales and distribution.
- Reviews and approves sales policies, strategies and pricing policies to ensure short-term operations are in accordance with long-term plans.

(b) Organisation:

- Set up and control effective organization structure, to carry out departmental responsibilities.
- Provide leadership to sales force to motivate them by developing appropriate reward and compensation plan which meet the organizational objectives as well as individual aspirations.

(c) Sales Force Management:

- Locate reliable sources of sales force and establish sound selection process.
- Organise effective T&D programme to improve their performance level.
- Identify competent sales personnel for promotion and other incentives to retain them and find continuous replacement for drop-outs.
- Introduce control for meeting targets and weed out dead wood.

(d) Liaison Function:

Sales manager must develop effective liaison with superiors, colleagues and other heads of departments like Production, Finance, Personnel etc. so as to support the sales force effects and customer satisfaction. This will ensure healthy internal and external relations.

(e) Communication:

Continuous and effective communication is established with Director (Marketing) and sales force so that, information is updated in regards to overall all departmental

performance on sales against objectives, problem areas, special achievement, competitors' actions and customer expectations etc.

(f) Control:

Ensures control to dovetail between production and sales, so as to minimize inventory level. In addition he introduces strict control on expenditure to ensure expenses are within budgetary provisions. This will assist taking corrective action whenever deviations are beyond acceptable limits.

1.7 Duties and Responsibilities of Field Sales Manager (FSM) :

Field or District Sales Manger (DSM) reports to General Sales Manager (GSM). The primary objective is to secure maximum sales in the Sales District (territory) in accordance with laid down sales budget. Following are the duties and responsibilities of Field Sales Manager.

(a) Supervision of Sales Personnel:

- Evaluate sales opportunities in the district and assign territories to sales person based on equitable work load and minimum travel requirement.
- Supervise the work load of sales person by proper direction, guidance and assistance to achieve and sustain competitive advantage.
- Attend to sales persons important personal problems to keep them happy and contented, to devote full time to the sales work.
- Rate sales persons, in their performance, and discuss with them, at least once in a year, focusing their attention to areas of improvement.

(b) Control:

- Prepare short-term sales forecast of district by collecting similar forecasts of territories from sales persons. This is necessary to prepare accurate sales plans, fixing quotas and budgets.
- Prepare periodic progress review of sales against planned targets/objectives.
- Report to GSM any significant development and information on market intelligence received.

(c) Cost Accounting and Administration:

- Responsible for administration of direct sales office and warehouse and stock facilities as per laid down polices and procedures.
- Effective liaison with technical specialists, other DSMs and headquarters for team work to enhance sales turnover, reduce costs and implement faithfully the sales programme.

(d) Communication: DSM's performance is evaluated based on the following:

- Reaching or exceeding laid down sales targets
- Limiting sales expenses within the budgeted figures
- Maintain profit contribution of district office, warehouses and stock facilities in line with the plan targets.
- Maintain turnover rate of sales persons at satisfactory levels.

1.8 Functions of Sales Manager:

The following are the functions of sale manager taken into consideration to achieve the key result areas of the organization:

- Planning Functions
- Operating Functions

These are briefly discussed here.

❖ Planning Functions:

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

❖ Operation Functions:

- Fixing sales quotas/targets
- Mange sales force by proper direction and control
- Liaison with other organization and coordinate their activities 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.

1.9 Qualities of a Sales Manager:

There are two opinions on the success of sales managers. Some argue that sales abilities are inborn qualities; others say these are developed. Both these arguments have substance in them. Some of the sales abilities like gift of gab, pleasing manner, extrovert nature are inborn. However, others like analytical ability, negotiation skills, leadership, etc. are developed. By and large following five abilities are identified:

- Leadership and Supervision
- Planning and Conceptual Skill
- Self direction and Self control
- Organising abilities
- Time-management

Leadership and Supervision: Motivating salesmen in competitive environment need, more than anything else, the leadership qualities. By leadership we mean our ability to influence subordinate willingly doing their work meticulously. This involve proper delegation of authority, effective supervision through direction and control, better communication skills etc. by effective supervision, work is distributed based on capabilities and aptitudes of each. By proper training, individual skills and knowledge are improved. This will improve interest and competence in them.

Better human relations skill and team spirit inculcate “spirit-de-corps” in them. All these enhance “empowerment” which is manifested by a sense of belongingness and commitment by developing positive attitude.

Planning and Conceptual Skill: Planning is a sine qua non for success in sales. In planning, the essential ability for a manager’s their capability to foresee far in to the future. This is called “conceptual skill”. This is, all the more essential, in globalization where competition is survival and future is uncertain. The rapid changes in life style, affect market conditions. Technological changes affect product. Effective communication improves abilities of competitors to bring in new products in market. Consumer force, and political patronage of consumers can make matters worse. Market manager must be able to foresee these changes in advance and alert his management to take corrective actions in time to attain and sustain competitive advantage in market. Further more, such changes must be incorporated in the planning by updating/amending plans.

Self Direction and Self Control: Sales executives are the “live-wire” in an organization. They are the revenue earners. Being at the centre stage of activities sales manager must know what company expect from him. Whether defined or not, he must assign his own duties and responsibilities and act accordingly. Being a specialist in his field, he does not look up any one in his organization to guide and control him. His is self controlled and self directed. As and when market conditions change, he rewrites his own agenda and assumes responsibility of news tasks, self-assigned by himself.

Organising Ability: Sales manager must be a good organizer a real “GO-GETTER”. He must organize an effective team, make a structure suitable for a given situation, recruit and select proper sales persons to manage different territories/products, delegate authority, co-ordinate and control their activities, motivate and compensate their work, recognize their efforts and acknowledge good work. He is to develop his team giving them adequate monopoly and freedom of action and at the same time maintain strict control on their activities keeping in mid, that the organizational objectives are not lost sight of.

Time-Management: Time is the scarcest of all resources. He has to balance his time between his planning functions, and operating functions properly. He must also find time for meeting his salesmen, customers and distributors. In addition he must find time to meet his superiors at corporate headquarters, as well as do liaison functions with other departments. He also must find time for leisure, lest work alone will lower his health and efficiency.

B - DISTRIBUTION MANAGEMENT:

1.10 Concepts of Physical Distribution:

Distribution covers a range of operations and activities. It encompasses all movement of the products. The concept covers seven R’s: the right product, in right quantity, in right condition, at the right time and right place, for the right customer at the right cost. Physical distribution management is concerned with demand satisfaction through creation of time and place utility.

Physical distribution is sometimes used synonymously with logistics and even confused with supply chain management (SCM). Logistics involves receiving and processing orders, releasing goods from inventory and transporting finished goods to ultimate consumers while trying to achieve maximum customer satisfaction within the distribution channel. SCM is a part of logistics and concerned with supply of raw materials and finished products.

A well planned logistic systems helps an organization achieve: lower costs, increased goodwill, improved customer confidence, system wide co-ordination of product and information flows, development of relationships and integration of all activities that provide customer value through distribution channel.

Physical distribution is significant for an organization's development because it helps in reducing management conflicts and the overhead costs, and also aids in marketing goods.

From the time finished goods are rolled out on to the factory floor to the final distribution and after sales service, complex activities are death with by the physical distribution system.

The intentions of an organization for adopting a physical distribution system as a part of the organization structure are ;further strengthened by various important functions performed by physical distribution which generally include management, warehousing, industrial packaging, material handling, transportation, order processing and location analysis.

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Physical distribution is affected by the following marketing forces, such as,

- ◆ Demand characteristics
- ◆ Population
- ◆ Demand variations
- ◆ Product characteristics
- ◆ Value of the product
- ◆ Seasonality of the product
- ◆ Product line

The total physical distribution concept emerged from a study conducted forty years ago. It can be described as a cost-service integration backed by an integrated physical distribution network that is aimed at minimizing the total cost of distribution at a given level of customer service. The main components of total physical distribution concept are:

- ◆ Total cost perspective
- ◆ Trade-offs
- ◆ Zero sub-optimization
- ◆ Total system perspective

Physical distribution is a developing field. Many companies, both foreign and India have entered this field to provide various manufacturers with specialized services to achieve a competitive edge.

1.11 Channels of Distribution:

The role of distribution is to get a product to its target market. A distribution channel carries out this assignment with middlemen performing some tasks. Distribution channel comprises of a set of people and firms involved in the flow a product as it moves from producer to ultimate

consumer. The role of marketing channels is to help producers cater to the product needs of ultimate consumer, improve efficiency of transaction, decrease cost of transaction and increase rate of return for the producers while increasing the customer satisfaction rate. Distribution channel perform functions such as information gathering, motivating the customers, bargaining with the customers, bridging gap between the customers and the manufactures, and financing the activities of the producer by decreasing the inventory conversion period, risk bearing, and in over all, inventory management.

Five main channel structures could be identified – direct distribution channel, indirect distribution channel, vertical marketing systems, horizontal marketing systems, and multi-channel marketing systems.

Transactions over internet has given rise to a certain new channels of distribution. Electronic markets allow consumers to directly access manufacturers. As a result, distribution channels are undergoing rapid change. The Web, theoretically, can promote disintermediation by allowing consumers to buy directly from suppliers, without ever leaving home. Also consumers like the convenience and the cost savings associated with direct sales.

Designing distribution channel requires four step processes:

1. Specifying role of distribution channel
2. Selecting type of distribution channel
3. Determining the intensity of distribution channel
4. Choosing specifics in channel members

There are certain factors that affect choice of distribution channel. They are: market consideration, product considerations, middlemen considerations, and company considerations.

1.12 Channels of Distribution Management:

Interdependent agencies are involved in a complex set of specialized activities like manufacturing, wholesaling and retailing. These members make delivery of goods possible to the final consumer and are called intermediaries. After selecting a distribution channel, the next step of the ladder is channel management which entails choosing right intermediaries. After selecting a distribution channel, the next step of the ladder is channel management which entails choosing right intermediaries, motivation them, training them and evaluating the channel members and then making necessary changes. The selection variables are dependent upon the functions and type of intermediaries being considered.

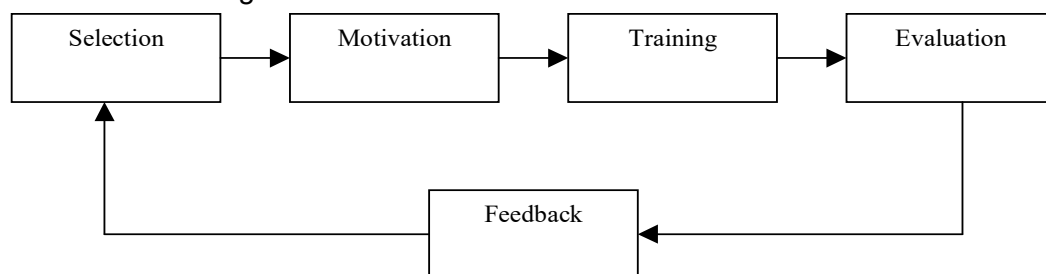


Fig: Channel Management Decisions.

a) Functions of Channel Members: Main functions performed by channel members are:

- ◆ Information function
- ◆ Promotion function
- ◆ Physical possession function
- ◆ Financing function
- ◆ Retail function
- ◆ Assortment function

b) Motivating channel members: Motivating channel members is the second stage of channel management, in this, the manufacturer or a channel member can use monetary or non-monetary motivators to modify or control the behaviour of the other channel members. Under monetary motivators a manufacturer can use reward power while under non-monetary motivators, a manufacturer uses correction, expert knowledge, reference and legitimate bases as motivators.

c) Training Channel Members : Training of channel members is the next stage in channel management. It deals with preparing the best in the market to represent manufacturer in the best possible way. In this, the trainees are given complete knowledge about the company, product, consumer, company objectives and strategies.

d) Evaluating Channel Members: Last stage in channel management is evaluating and then changing the distribution channel structure according to the dynamic environment. In this stage, the channel members are evaluated in terms of their sales quota achievements, average inventory levels, customer delivery time, treatment of damaged goods and co-operation in promotional and training programme. Depending upon their performance, the relationship with the channel members is modifies to increase the overall efficiency.

1.13 Modifying Channel Arrangements:

The last step in channel management is to make incremental changes in the distribution channel. Sometime the manufacturer may need to revise entire channel strategy after researching target customers values, perceptions and needs thus, the conditions of the marketplace may make it necessary for the channel member to make changes.

Moreover, the channel member relationship may also change and thus modification be required. Bryan J. Hudgens says that channel member relationship life cycle can direct as to the nature of changes necessary. The four stages of this cycle can be discussed as follows:

1. **Birth.** This is a very exciting stage of channel member relationship life cycle. In this stage, the members work together knowing each other. But if things aren't working out for the parties, they should get out immediately.
2. **Growth.** This is a stage which dictates hard work on both the parties part. The energy should be directed towards solving problems. The relationship should be traded off with the birth or decline stage dealers so as to have more energy with this stage intermediaries.
3. **Maturity.** This stage requires parties to communicate as it is the key to efficiency. Also, watch for trouble since the only way to go is down!

4. **Death.** Too many problems skill efficiency. So, you must get out fast!

Thus effective channel management calls for selecting and motivating intermediaries while modifying the channel continuously. Evolution is the key to success in this field.

1.14 Summary:

Initially, sales management was equated with sales force management. As time rolled on, sales management became broader. Apart from the management of personal selling, it encompassed other marketing activities like advertising, sales promotion, marketing research, physical distribution, pricing, merchandising and so on. However, the comprehensive broad function later got labeled as marketing management. Sales management came to be defined by American Marketing Association as:

The sales managers will undertake specific duties and responsibilities: 1) The determination of sales force objectives and goals. 2) Forecasting and Budgeting 3) Sales force organization, size, territory design and planning. 4) Sales force selection, recruitment and training. 5) Motivating the sales force. 6) Sales force evaluation and control.

Following are the three general objectives of sales management: 1) Generate sufficient sales volume. 2) Contribute towards current profit. 3) Ensure continuous growth of the organization

In all such cases reliable market intelligence is needed on the following: 1) Competitive products and customer responses 2) Own products and customer response 3) New product information 4) Customer loyalty and goodwill.

General Sales Manager (GSM) or G.M. (Sales), is the functionary at corporate headquarters who reports to the Director/Vice President marketing. He is responsible for the following: 1) Secure Maximum Sales Volume. 2) Develop and implement effective sales policies plans and programme for all products at all territories.

Field or District Sales Manger (DSM) reports to General Sales Manager (GSM). The primary objective is to secure maximum sales in the Sales District (territory) in accordance with laid down sales budget. 1) Duties and Responsibility: 2) Supervision of Sales Personnel 3) Control 4) Cost Accounting and Administration 5) Communication DSM's performance.

There are two opinions on the success of sales managers. Some argue that sales abilities are inborn qualities; others say these are developed. Both these arguments have substance in them. Some of the sales abilities like gift of gab, pleasing manner, extrovert nature are inborn. However, others like analytical ability, negotiation skills, leadership, etc. are developed. By and large following five abilities are identified: 1) Leadership and Supervision 2) Planning and Conceptual Skill 3) Self direction and Self control 4) Organising abilities 5) Time-management

Physical distribution is affected by the following marketing forces, such as 1) Demand characteristics 2) Population 3) Demand variations 4) Product characteristics 5) Value of the product 6) Seasonality of the product 7) Product line

The main components of total physical distribution concept are 1) Total cost perspective 2) Trade-offs 3) Zero sub-optimization 4) Total system perspective

Designing distribution channel requires four steps: 1) specifying role of distribution channel 2) selecting type of distribution channel 3) determining the intensity of distribution channel 5) choosing specifics in channel members

1.15 Key Words:

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.

Cost of sales: Cost of sales include salary, commission and traveling expenses of sales person. In order to minimize these, all expenses are budgeted and controlled.

Birth. This is a very exciting stage of channel member relationship life cycle. In this stage, the members work together knowing each other. But if things aren't working out for the parties, they should get out immediately.

Growth. This is a stage which dictates hard work on both the parties part. The energy should be directed towards solving problems. The relationship should be traded off with the birth or decline stage dealers so as to have more energy with this stage intermediaries.

Maturity. This stage requires parties to communicate as it is the key to efficiency. Also, watch for trouble since the only way to go is down!

Death. Too many problems skill efficiency. So, you must get out fast!

1.16 Self Assessment Questions:

1. Define sales Management? What is the importance and Role of Sales Management?
2. What are the Duties and Responsibilities of GSM?
3. What are the Duties and Responsibilities of GSM?
4. What are the functions and qualities of a sales manager?
5. What are the concepts of physical distribution?
6. Discuss channel of distribution management?

1.17 Further Readings:

1. Sales and Distribution Management, NG Nair and Latha Nair, Himalaya Publishing House, Hyderabad, 2003.
2. Selling and Sales Management, David Jobber and Goff Lancaster, Pearson Education Limited, Delhi.
3. Advertising, Sales and promotion management, S.A. Chunawalla, Himalaya Publishing House, 2005.

- Dr. B. Krishna

LESSON -2

PERSONAL SELLING AND SALES PROCESS

2.0 Objective:

After studying this lesson you should be able to:

- Understand the Role of Personal Selling
- Discuss Personal Selling Strategies
- Analyse Sales Process

Structure:

- 2.1 Meaning of Personal Selling
- 2.2 Role of Personal Selling
- 2.3 Significance of Personal Selling
- 2.4 Objectives of personal Selling
- 2.5 Personal Selling Strategies
- 2.6 Strengths of Personal Selling
- 2.7 Limitations of Personal Selling
- 2.8 Process of Personal Selling
- 2.9 Personal Selling Skills
- 2.10 Qualities of Sales force
- 2.11 Summary
- 2.12 Key words
- 2.13 'Self Assessments Questions
- 2.14 Further Readings

2.1 Meaning of Personal Selling:

In personal selling, company's sales persons often referred to as salesmen or sales representatives, who are on its payroll, communicate with the target consumers so as to make an offer of sale, motivate them to positively respond to it and finally clinch the deal. It has been defined as an 'oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales'.

Personal selling is a highly distinctive form of promotion. Like other forms of promotion, personal selling is basically a method of communication, but unlike others it is a two-way communication. It involves not only individual but social behaviour. Each of the persons in face-to-face contact, salesmen and prospect influences the other. The out come of each sales situation depends importantly upon the success both parties experiences in communicating with each other and in searching a common understanding of needs and goals.

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 meeting the overall marketing objectives of the organization. The ultimate objective of the marketing function is to increase the sales of want satisfying products and services, this leading to a healthy bottom-line. Of the several tools available to stimulate sales, one most important tool is personal selling.

2.2 Role of Personal selling

Personal selling is a distinctive communication form because it is a two-way communication, and includes social interaction with the prospective buyers. Both the parties can communicate with each other and come to a common understanding of the product. This has become a more effective form of promoting sales.

Generally speaking, the nature of goods markets as well as the distribution system adopted, determines the role of personal selling in a firm. Therefore, Personal selling is used extensively in the case of industrial goods, where the sales person performs functions such as assisting the customer in designing the product specifications, product installation, product commissioning, solving technical problems through providing service after sales, and helping customer to have optimal utilization of the product. In the case of consumer goods, on the other hand, the role of personal selling gets usually restricted to the dealer level. The scope of the tasks performed include obtaining periodic orders, ensuring supplies, offering tips to dealers on product display and attaining desired levels of stock movement. Similarly, the role played by personal selling is more in a firm which uses door-to-door selling method through its sales force than in the firm which sells through large stockiest, distributors or sale-selling agents.

2.3. Significance of personal selling

Following are the significance of personal selling.

- In personal selling the message can be adopted or tailor – made to suit the prospect
- Personal selling is inescapable when items are slow moving and costly like automobiles.
- It is also ideal where bulk orders are required extensive training for utilization.
- It is estimated that 20 per cent of sales takes place through personal selling.

2.4. Objectives of personal selling

The following are the long-term objectives of the personal selling. Long-term personal selling objectives lead to long-term corporate objectives.

- To serve the existing customers by maintaining a relationship with them.
- To get new customers.
- To carryout the selling task entirely, if other elements of the promotional mix are not at work.
- To help the trade sell the company's product line.
- To motivate trade to keep our product line in stock.
- To make the customers aware of our marketing strategies.
- To act as technical consultants for complex products.
- To provide feedback to the company about the markets and customers.
- To help the middle men's sales force.
- To help the trade in their administrative problems.

2.5. Personal Selling Strategies (Principles of Personal Selling or Types of Personal Selling)

Personal selling is an ancient art. Selling today is a profession that involves mastering and applying a whole set of principles. We will examine three major aspects of personal selling such as salesmanship, negotiation and relationship marketing. These three aspects of personal selling have also called as types of personal selling viz., negotiations, selling strategies, AIDAS approach, S-R model. The types of personal selling are also known as personal selling strategies. Following strategies are used in personal selling:

1. Selling Strategy: - Personal selling operations involve selling strategy and planning. Selling strategy is more effective than negotiation. It involves determining personal selling objectives, sales policies, formulation of sales strategies, determining the personal selling appropriation and management of the sales force.

Selling strategies are short-term and long-term. Short-term focuses on promotional steps and current sales. Long-term focuses on continuous sales growth and goodwill. Customer service, cooperation, assistance and technical services assist long-term customer goodwill. This gives the customer loyalty.

2. Negotiation: - Personal selling is effected through negotiation. Negotiation is to arrive at an agreement on sales on price, and other terms and conditions of sales. Negotiation skills are applied to customers, suppliers, and middlemen. In negotiation, two or more parties join together on a particular issue to exchange specific resources. A negotiated exchange is different from a routinised exchange where the terms are established by administered programmes. In the negotiated exchange, the terms are decided by agreement.

Negotiation may be used by marketers, economists and social psychologists. Negotiations or bargaining should be guided by effective strategies. A principled negotiation involves the separation of the people from the problem, a focus on interests, on finding options for mutual gain and on insistence on objectives. Negotiators use a variety of tactics when bargaining are several standard bargaining tactics viz., acting crazy, Big pot, Get a prestigious ally, the well is dry, Limited authority, Auction, Divide and conquer. Bargaining tactics are used to gain the customer's willingness to purchase his product.

3. AIDAS Approach:- The AIDAS approach has become very popular in sales. Here focus is on arousing buyer's attention, interest, desire, action and satisfaction in that order. The AIDAS approach is mainly concerned with the problem-solving technique the salesman has to convince his customer that his product offers the real solution to his need-problem. Many customers are motivated by a continuous AIDAS approach to purchase the product of the company consumers can develop pleasant feelings for the product which lead to customer loyalty to it. In this way, repeat sales are ensured.

4. Stimulus – Response Model:- Buyers are given stimulus to create favorable response in the stimulus-response model. It has four components, such as, Drives, Cues, Response, and Reinforcement. The term “drive” refers to the strong stimuli which impel the buyer to purchase the product. The drive may be either primary or learned. The primary drive is felt by all persons on primary need based such as food, clothing and shelter. The learned drives namely self-esteem, ego-recognition and status symbol are felt by economically advanced people. A salesman should be aware of these various drives to motivate successfully the different classes of people. Cues indicate when the customer will respond to a stimulus. They are subsidiary to the main drive. The different types of cues such as product cues, informational cues, activator-cues, non-activator

cues stimulating the buyers. Price, package, and service may be the triggering cues influence the purchase decisions.

When the salesman has administered the drive and cues, the buyer may respond positively and negatively. Negative responses are evaluated and assessed to convert them into positive responses. The salesman has to reinforce the decisions of the buyers to continue to buy his products. The drive should be effectively utilized to motivate the buyer.

2.6 Strengths of Personal Selling:

The following are some of the strengths of the personal selling.

1. Flexible and Adoptable: - The personal selling is more flexible and adoptable to the varying purchase situations. It is possible for a salesman to adopt himself to the needs, motives, impulses, and other behavioral traits of the prospective customers so as to communicate the message and clinch the deal.

2. Minimisation of wasted effort:- In personal selling, the possibility of wasted effort is minimal because, unlike advertising, the whole effort is focused on a qualified target customers. The salesman is better paled to focus his message on qualified consumers only.

3. Detect loss of customer attention:- It is possible for a salesman to detect loss of customer attention and interest in personal selling. The salesman regenerates the customers by frequent repetitions and reinforces.

4. Consummate Sale: - In personal selling, it is possible for the salesman to carry the qualified target customer through a logical and persuasive reasoning process so as to consummate sale.

5. Durable relationship: - In personal selling, a relatively durable relationship may be developed between salesman and consumer. The salesman can help his firm active the objective of perpetuity or hiring for ever, by establishing a lasting, mutually profitable relationship with his customers.

6. Marketing Researcher: - In personal selling the salesmen acts as a marketing researcher. He gathers relevant marketing information and promptly transmits to the company in making timely strategic and tactical adjustments.

2.7. Limitations of Personal Selling

Some of the limitations are summarised in the following on personal selling.

1. Very expensive: - Personal selling is very expensive. It requires extensive travel and cost of retaining a salesman is not only high but also fixed. That is why small firms do not take up this method as a promotional step.

2. Right kind of salesman: - Personal selling is effective when sales persons for this work are carefully selected who have requisite professional knowledge and higher level of human relations skill. It is difficult to recruit the right kind of salesmen who have the potential and ability to sell and be loyal to the company.

3. Fear of domination: - Proper training and development are essential to become successful in personal selling. Many senior managers are unwilling to train their subordinates due to fear of domination or suspicion in their subordinates.

4. Lost customer loyalty: - In personal selling customer loyalty built up around a good salesman. It is usually lost with his retirement or exists.

5. Demoralise the salesman: - The job of personal selling is tough and demanding. Customers complain and vent their frustration in many ways. This may demoralize the salesman.

2.8 Process of Personal Selling (Sales Process):

Personal selling is an oral presentation in conversation by a salesperson with one or more prospects for the purpose of making sales. The sales person may utilize a large number of distinctive sales processes. The process of selling involves a number of steps such as; Pre-sale preparation, Prospecting and Qualifying, Pre-approach, Approach, Sales Presentation, Handling Objections, Closing the Sale and Follow-up (Post-Sale contacts).

1. Pre-Sale Preparation: - In this phase, salesman must identify the market segment, customer's wants and needs. He must know product details, advantages, limitations competition and prices. This is a sort of 'customer research'.

2. Prospecting and Qualifying: - A salesman has to seek potential customers who are called prospects. This step of the selling process deals with locating and preparing a list of prospective customers. The salesman can locate prospects by analyzing the telephone directory, news paper announcements, cold canvassing, and references from friends, neighbors, trade association and other suitable methods of prospecting.

The located prospects should first be qualified broadly in terms of (i) whether they want the product and how intense their want is, (ii) whether they have adequate purchasing power or authorization to purchase and spend the required money. The qualifying of prospects is the process of separating the prospects from the suspects. Identifying the right prospects assist the salesman's efficiency in the sales very much. This qualified prospect must be accessible to the salesman.

3. Pre-approach: - Once a prospect is located and qualified, salesman should find out needs, problems, preferences, habits, nature, behaviour, interests, attitudes, product range, buying size etc. On the basis of the availability of adequate information of the customer wants and desires, salesman can prepare his plan of sales presentation or interview. Good sales persons use the above information in classifying the prospects in A, B and C categories in forms of the immediacy of the attention to be given to them.

4. Approach: - The initial few minutes of the sales talk are known as the "approach" to the prospect. The approach consists of the two major parts- obtaining an interview, and the first contact. The salesman may use various means of obtaining an interview. Before the talk, the salesman should introduce himself by using the telephone, by obtaining introduction from a customer and by handing his business card. In the first contact, he should attract the attention of the customers and get them interested in the talk. Some of the popular techniques for this purpose are Preference approach, Benefit approach, Sample approach and Mutual approach. The Preference approach involves reference of the product by the friends of the prospects. The Benefit approach indicates the benefits of the product. The Sample approach involves giving the sample to the prospect. The Mutual approach considers the prospect supreme. The first approach is very critical because it makes a lasting impression on the customer. The main consideration is that the customers should feel interested in the talk and message communicated by the sales person.

5. Sales presentation: - The sales presentation should generally go according to the AIDAS approach (Attention, Interest, Desire, Action and Satisfaction). Unless the customer's

attention is secured by the salesman, sales process cannot be developed further. Further sales talk or sales demonstration will be useless if the customer is not interested in the product. Salesman must ignite the desire of the prospect after securing his attention and after arousing his interest in the product. From the stage of interest or curiosity must develop the desire to buy the product. Gaining action means consent of the buyer to purchase the product. It indicates his final decision to purchase and places an order. Follow-up or post-sale contact is necessary to ensure customer satisfaction and to remove any post-sale problems. The overall approach should be to build credibility and confidence in the supplying company, its products, and also in its competence to render specialized type of service to the complete satisfaction of its customers.

The salesman generally uses three approaches to sales presentation viz., Canned approach, Formulated approach and Need-satisfaction approach. The Canned approach is memorized sales talk convincing the buyer. The Formulated approach identifies buyers need and style and meets both. Through need-satisfaction approach, the salesman holds discussion and debate with buyer and convinces him. He demonstrate the product through such aids as booklets, slides, movies, product samples, charts etc., The salespersons adopt four influence strategies namely, legitimacy, expertise, referent power, and impression management.

6. Handling objections: - Buyers may have objections psychological or rational. Psychological objections may be subjective. Rational objection is on quality, price and utility. Salesman must convince the prospect by cogent argument. A prospect, which raises objections is easier to satisfy than a prospect who does not show any interest in the proposition. The clever salesman will always welcome to objection, interpret the objection correctly and will remove it tactfully, without arguing with the customer.

7. Close the sale: - The sales person should try to close the presentation at the earliest possible moment to avoid the emergency of any reaction to the product. He should be expert enough to close the sales talk at the right moment and ask for the order. He should know the closing signal, including physical actions, statements or comments. He can ask for the order, help the customer to select a particular product and offer special inducements to close the sales.

8. Follow-up:- 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 follow-up assists second purchase and recommendation to friends.

2.9. Personal Selling Skills:-

To be successful, the communication skill of a salesman is the most important attribute. Following aspects are high-lighted here.

(i) Customer Research: Knowledge is strength. Necessary research be done to gain this knowledge. The pre-sale preparation, prospecting and pre-approach discussed earlier come under this category.

(ii) Service Concept: It must be remembered that sales person is doing a service to the prospects by meeting his needs. Hence there is no need to be too much humble, servile or apologetic. Mutual human dignity be recognized by both sides.

(iii) Selective Process of Communication: Prospects are more often than not biased, being exposed to products of different firms. This is called predisposition. This lead to selective perception in which prospects receive message with suits his existing beliefs and buying behaviour. Selective perception is an unconscious defense system which filters-out disagreeable information to project one's self image or one's preconceived belief and attitude. Never attach directly the

prospect's pet ideas, notion and beliefs. Then start with a minor point of information prospect may not resist to accept and develop on the same the co-operation and interest, to hear your view points fully.

(iv) Probing technique: This is to generate interest in conversation and stimulate free flow of talk.

2.10. Qualities of Sales Force:

There are only two basic requisites for successful salesmanship: 1. Empathy, and 2. Ego drive. The first requisite is the ability to empathise – to understand the feelings, the mood and the role being played by his customer so that he may adjust his own role in such a manner that the interplay of communication is complementary rather than crossed. Empathy is the ability to identify with the customer, his thoughts, feelings and emotions. A salesman with empathy senses the reactions of the customer and is able to adjust his sales talk to these reactions. Ego drive indicates the personal need to make a sale, as a measure of self-fulfillment and not just for the money. Empathy coupled with intense ego drive (craving for achievement of the set goal) enables a salesman to influence the buyer effectively and make the sale. He has the drive, the need to make the sale, and his empathy gives him the connecting tool with which to do it.

Personality is the sum total of the impressions made on people with whom one comes into contact. These impressions are the result of many qualities that one possesses. The qualities that go into the make-up of a successful salesman can be broadly divided into five categories: 1. Physical, 2. Social, 3. Mental, 4. Character qualities, 5. Special qualities.

i) Physical Qualities:

A good physical appearance is a very big asset for a salesman. The first impression that a salesman makes on his customers is the most important impression. Whether a customer takes interest in the salesman, allow himself to listen to, and be guided by the salesman or not, depends on the favorable first impression that the salesman is able to create. A good physical appearance also gives the salesman more self-confidence.

A salesman must be well build and free from physical defects. He must take sufficient care of his appearance. Good grooming, appropriate dress, clean and tidy appearance, a good posture, and poise go a long way in creating a good first impression.

A salesman must always have a cheerful smile on his face. A smile is considered the mirror of the mind. A good, natural smile can remove tension and awkwardness in the sales interview. Smiling face and humorous nature enable a salesman to enter the mind of a prospect easily during a sales talk.

A good salesman will also take care of his health. A salesman who is not healthy cannot maintain a pleasing appearance. He will also not be able to carry on his duties efficiently. Good sound health is, therefore, an essential part of a salesman's personality.

There is a very close relation between your physical health and mental health. Sound mind lives only in a sound body.

ii) Social Qualities:

A salesman is required to move in different circles, meet many customers and get along with them. He must, therefore, develop a good social behaviour. A salesman must always cultivate

good manners. He must always be polite and respectful and never become unduly familiar with this customer. Courtesy in dealing with customers, the practice of greeting and thanking his customers, using polite expression, and a sincere desire to please are very necessary for success in salesmanship. A salesman must also be tactful. He must be able to put things in the correct manner in front of his customers. He must never say or do anything which may antagonize his customers.

A desire to meet people, helpfulness and co-operative attitude, and a likeable disposition are essential for a successful salesman. A salesman must be an extrovert (directed outward and not self-centered) and must be a good mixer. The ability to make himself socially acceptable, to mingle with any group, to adapt himself to customers with different attitudes, norms of behaviour and standards of culture will stand a salesman in good stead in his professional career. A person with a social temperament alone should take the job of a salesman.

iii) Mental Qualities:

The mental make-up of a salesman must be conducive to success. A salesman must have a good power of memory and observation. He must be able to recognize customers, their characters, their buying motives, and adjust his sales talk accordingly. He must be alert and always on his toes. Absent-minded person cannot be a good salesman.

Imagination and imitativeness are very useful qualities for success. A salesman must be able to handle difficult situations independently and on his own initiative. He should not require continuous direction and goading. He must be resourceful. He must have a creative mind. He must develop empathy, i.e., putting himself in the buyer's position.

The science of selling is to know what wants to arouse; the art is to develop empathy, step into the shoes of the buyer and feel those wants personally and then get the prospect to feel them. This mental quality of reading the thought or mind of the prospect has to be developed. It is called empathy. Self-confidence is necessary for success in any sphere of activity, more so in case of a salesman. The ability to rely on one gives self confidence. A self-confident salesman will also inspire confidence in his customers. Determination and drive are also very important for success. The proper management of time and a systematic attitude are two traits which will help a salesman in the successful completion of his duties.

iv) Moral or Character Qualities:

Honestly and integrity are essential character qualities of a salesman. Customers must be willing to depend on the salesman, willing to be guided by him and to rely upon his statements. Creation of goodwill and a name for fair and honest dealings are essential in business. A salesman must be loyal, both to his employer and to his customer. This may appear contradictory, but, in fact, it is not so. The success of the employer depends on the goodwill of the customer. Therefore, a salesman who is loyal to his customer will also benefit his employer. Industry and perseverance are other qualities which a salesman must develop in order to become successful.

There are twelve basic qualities of character in salesmanship:

1. Sociability,
2. Simplicity in thought and expression,
3. Curiosity,
4. Imagination,
5. Creativity,
6. Initiative,
7. Confidence,
8. Enthusiasm,
9. Ambition,
10. Courage,
11. Sincerity, and
12. Reliability.

The successful salesmen are really made because they go about developing knowledge building up, attitude, imbibing skills and cultivating good habits. The first letters of these

characteristics – KASH- gives more CASH in the pocket of the salesmen and makes them reach the height of success which other average salesmen only dream of attaining. Please note that a salesman must develop positive, dynamic and cheerful attitude.

v) Special Qualities:

Personal selling is not a routine job. It requires special qualities and capabilities. These are hard work, initiative, sales techniques and knowledge.

(a) Hard Work: A sales person can succeed only if he is hard working. He must have ideas, philosophy and personality. Hard-working sales persons improve the image and goodwill of the company. They understand the needs, desires, and attitudes of the buyers and can motivate them to purchase goods and services.

(b) Initiative: The sales person should have initiative and the urge to persuade people to purchase the goods. The sales process is full of rebuff and disappointments. If a sales person is unable to sustain them, he cannot succeed. He should consider the problems and obstacles as challenges and direction for a deep understanding of potential buyers. He can suggest suitable products to meet the requirements of the buyers. Initiative is inborn or inherent in a person; but it can be developed by training and motivation, so that a sales person may be motivated to work hard and diligently.

(c) Sales Techniques: The Sales persons should not only know the sales techniques but should have the willingness to follow them. Prospecting, preparation, presentation and post-sales activities are included in the sales techniques. Prospecting is a 'seeking' function of marketing. Prospecting is "matching the supply with demand". Presentation is the "buying process of consumers". The salesman should maintain contacts with the buyers after the sale of the product.

(d) Knowledge: The sales persons must have adequate knowledge of themselves and of their company, its products, competition, customers, processes. The company is the main factor in sales presentation. Salesmen are regarded as representatives of the company. They should, therefore, know everything about the company. They should know the policies, procedure, service facilities, discounts and guarantees offered by the company. They should have the capability to satisfy, deal with customer inquiries in a satisfactory manner. Complete knowledge of the product will enable sales persons to motivate the potential customers to buy their products. They should also have a knowledge of competing products. If they have adequate knowledge of the customers' wants and desires, they can suggest appropriate products for purchase by them. They should have adequate knowledge of the buying motives, which may be patronage, rational and emotional. If salesmen know the several sales processes, they should can improve their effectiveness as sales persons.

2.11. Summary:

Personal selling is a highly distinctive form of promotion. Like other forms of promotion, personal selling is basically a method of communication, but unlike others it is a two-way, rather than unidirectional, communication. It involves not only individual but social behaviour. Each of the persons in face-to-face contact, salesmen and prospect influences the other. The out come of each sales situation depends importantly upon the success both parties experiences in communicating with each other and in searching a common understanding of needs and goals.

Following are the significance of personal selling. 1) In personal selling the message can be adopted or tailor – made to suit the prospect 2) Personal selling is inescapable when items are slow moving and costly like automobiles. 3) It is also ideal where bulk orders are required extensive

training for utilization 4) It is estimated that 20 per cent of sales takes place through personal selling.

Long-term personal selling objectives lead to long-term corporate objectives. 1) To serve the existing customers by maintaining a relationship with them. 2) To get new customers. 3) To carry out the selling task entirely, if other elements of the promotional mix are not at work. 4) To help the trade sell the company's product line. 5) To motivate trade to keep our product line in stock, etc.,

The types of personal selling are also known as personal selling strategies. Following strategies are used in personal selling: 1) Selling Strategy 2) Negotiation 3) Aids Approach 4) Stimulus – Response Model

The following are some of the strengths of the personal selling. 1) Flexible and Adoptable 2) Minimization of wasted effort 3) Detect loss of customer attention 4) Consummate Sale 5) Durable relationship 6) Marketing Researcher

Some of the limitations are summarized in the following on personal selling. 1) Very expensive 2) Right kind of salesman 3) Fear of domination 4) Lost customer loyalty 5) Demoralize the salesman:

The process of selling involves a number of steps such as; 1) Pre-sale preparation, 2) Prospecting and Qualifying, 3) Pre-approach, 4) Approach, 5) Sales Presentation, 6) Handling Objections, 7) Closing the Sale and 8) Follow-up (Post-Sale contacts).

To be successful, the communication skill of a salesman is the most important attribute. Following aspects are high-lighted here: i) Customer Research ii) Service Concept iii) Selective Process of Communication iv) Probing technique v) Empathy and Creativity

The qualities that go into the make-up of a successful salesman can be broadly divided into five categories: 1. Physical, 2. Social, 3. Mental, 4. Character qualities, 5. Special qualities.

2.12 Key Words:

AIDAS : The sales presentation should generally go according to the AIDAS approach (Attention, Interest, Desire, Action and Satisfaction).

Probing Technique: This is to generate interest in conversation and stimulate free flow of talk.

KASH : KASH gives more cash in the pocket of the salesmen. KASH refers the characteristics of salesmen such as the letter K for knowledge, A for attitude, S for skills, and H for habits.

Durable relationship: - In personal selling, a relatively durable relationship may be developed between salesman and consumer. The salesman can help his firm achieve the objective of perpetuity or hiring for ever, by establishing a lasting, mutually profitable relationship with his customers.

Fear of domination: - Proper training and development are essential to become successful in personal selling. Many senior managers are unwilling to train their subordinates due to fear of domination or suspicion in their subordinates.

Consummate Sale: - In personal selling, it is possible for the salesman to carry the qualified target customer through a logical and persuasive reasoning process so as to consummate sale.

2.13 Self Assessment Questions:

1. What is the meaning and the roll of personal selling?
2. What are the objectives and significance of personal selling?
3. Discuss various personal selling strategies.
4. What are the strengths and limitations of personal selling?
5. What is the process of personal Selling?
6. What are the qualities of the sales force?

2.14 Further Readings:

1. Sales and Distribution Management, NG Nair and Latha Nair, Himalaya Publishing House, Hyderabad, 2003.
2. Marketing management, Philip Kotler, Prentice Hall of India PVT., Ltd., New Delhi.
3. Selling and Sales management, David Jobber and Geoff Lancaster, Pearson Education Limited, Delhi.

-Dr. B. Krishna

LESSON - 3**SELLING SKILLS, INTERPERSONAL SKILLS,
NEGOTIATION SKILLS, COMMUNICATION SKILLS.****3.0 Objective:**

After studying this lesson you should be able to:

Understand Different types of Skills

Structure:

- 3.1 Introduction
- 3.2 Interpersonal Skills
- 3.3 Media for Interpersonal Communication
- 3.4 Models of Interpersonal Communication
- 3.5 Negotiation Skills
- 3.6 Communication Skills
- 3.7 Functions of Communication
- 3.8 Process of Communication
- 3.9 Summary
- 3.10 Key words
- 3.11 Self Assessment Questions
- 3.12 Further Readings

A- SELLING SKILLS**3.1. Selling Skills**

The first step in the selling process is to identify prospects. Although the company will try to supply leads, sales representatives need skill in developing their own leads. Leads can be developed in the following ways;

- Asking current customers for the names of prospects.
- Cultivating other referral sources, such as suppliers, dealers, sales representatives, bankers, and trade association's executives.
- Joining organizations to which prospects belong.
- Engaging in speaking and writing activities that will draw attention.
- Examining data sources (News papers, Directories) in search of names.
- Using telephone and mail to find leads.
- Propping in unannounced on various offices (Cold canvassing).

Sales representatives need skill in screening out poor leads. Prospects can be qualified by examining their financial ability, volume of business, special requirements, location, and likelihood

of continuous business. The salesperson might phone or write to prospects before deciding whether to visit them.

a) Qualities of personal selling: - Following are the qualities of salesman to become successful in personal selling.

Salesmanship: - Salesmanship is the positive effort at persuading people to buy and which benefit, both the seller and the buyer.

Hard work:- It is not routine work, It requires proper planning and hard work.

Persuasive power and Initiative :- Requires initiative at persuasion which is unique to suit each type of customer/ buyer.

Product knowledge:- Complete knowledge including technical details of design, operation and maintenance must be known to the salesman. Knowledge is his strength.

Sales Techniques:- Sales management is a specialized field. It has its own techniques. Salesman must master them.

(b) Personal Selling Skills

The skills involved in personal selling have been examined under the following headings:

1. The Opening 2. Need and Problem Identification 3. Presentation and demonstration 4. Dealing with objections 5. Negotiation 6. Closing the sale 7. The follow-up.

B - INTERPERSONAL SKILLS

3.2 Interpersonal Skills:

Interpersonal communication is communication process between two persons. It is defined as 'the process of interacting with another person and mutually influencing each other, usually for the purpose of managing relationships. It is strongly influenced by the individuals intra-personal communication. Inter-personal communication takes the form of face-to-face conversation, telephonic conversation, video conferencing, e-mail, etc. This communication provides basic frame work for building human relations and a strong society, work environment and conflicts free organization. Certain skills are required for inter-personal communication. They are as follows;

1) Knowledge of one's own attitudes: - Interpersonal communication requires awareness and competent handling of one's intra-personal communication. Many persons are not aware of the attitudes that they have. If you are aware of an attitude that might arouse hostility in a particular receiver, you are likely to take care to hide that attitude. But if you are unaware such an attitude, you will not try to hide it. In such a case your communication may fail in spite of your other communication skills. The golden rule is "first understand, and then be understood".

2) Speaking and writing clearly: - Speaking and writing clearly and pleasantly is a primary requirement of interpersonal communication. The message to be communicated whether oral or written should be clear. For this, not only clarity of expression is must, but also clarity of thought. Clear message always stems from clear minds and clean hearts. The clearly thought out messages should be presented with clear expressions to avoid ambiguities and confusion. With practice, it should be possible to speak clearly. It may take some times to develop a pleasant, cheerful, congenial way of speaking. Pleasant appearance and friendly body language is also a great advantage. For a scheduled meeting or for a written message, you can think through the points and prepare what you want to convey.

3) Control of Emotions: - Gaining self-control takes time and patient practice. Self-control involves skill in dealing with intrapersonal communication. Very often, people speak without thinking of the effect of one's words on others. In a business dialogue situation, it is important to control one's impulse to talk. It is particularly important to control the impulse to interrupt another person whose statements you do not agree with. A great deal of self-confidence is required to remain cool. If you have the ability to maintain peace, and keep silent or cool till you reach the right moment to speak, your interpersonal communication will be more effective.

4) Listening: - Listening is the receiver's activity in communication. In oral communication, effective listening is vital. Listening should be made effective by keeping the mind free from prejudices and presumptions, paying attention to the spoken words and feeling the emotions of the speaker. It is only the sender's responsibility to make his message clear, complete and concrete, but also of the receiver to understand the message in proper sense through effective listening. Participative listening is an essential condition of effective communication. Inefficient listening affects interpersonal relations as well as decision-making. Listening capacity can be improved by understanding the steps involved in the process of listening and by following some basic guidelines. The steps are hearing, interpretation, evaluation and response. Good listening wins the goodwill of the other party.

5) Understanding of non-verbal behavior: - When people speak, they say a great deal by body language. We must listen with eyes as well as with the ears. And, we need to be aware that our own body language is being watched by others. Ability to sense the feelings behind the words from the body language develops with practice.

6) Feedback: - Interpersonal communication can go on usefully only when both parties clarify their points of view. If something that one party has said is not clear or is not acceptable to the other, it is better to say so immediately and calmly so that clarification or alternatives can be worked out. Many communication problems arise because of misunderstandings and inaccuracies. We can avoid these problems by asking questions. So feedback is vital for effective interpersonal communication. Absence of feedback is a proof of failure of oral communication.

7) Assertiveness without aggression: - When both persons are assertive, they respect each other, listen to each other and seek a mutual beneficial conclusion. Stating one's wishes directly and honestly, while taking other's needs into account, is being assertive. An aggressive person is demanding.

8) Expressing disagreement without being offensive: - It is easy to become aggressive if you disagree with the statement of the speaker. But a positively assertive person has an effective way to respond when disagreeing with the speaker.

9) Asking questions: - The question is a powerful tool in dialogue. The style and way of asking questions can be cultivated. Questions must be asked for clarification in a non-threatening tone, showing genuine desire to understand better. Irregular questions can make people uncomfortable.

10) Closure:- Ending a communication event on a pleasant note is always beneficial for relationships. If there are unsettled issues, they are to be mentioned and may be scheduled for another dialogue. Pleasant closing marks, expression of thank and farewell greeting paves the way for further communication.

The above are the basic skills every communication situation like interview, meeting, conference, and presentation requires a combination of these skills. Most of the skills can be learned.

3.3 Media for Interpersonal Communication:-

There are numerous varieties of interpersonal communication media in practice. They are broadly classified into two categories, namely, conventional media, and electronic media.

a) Conventional Media:- Media which have been in use for along time and depend on traditional carriers are called conventional media.

i) Messenger System:- Messenger transmits the message by hand delivery. The bearer of the message may deliver the written messages, documents and parcels by walk or by riding the horse. This system was practiced when organized postal system was not developed. At present, messenger system is in practice for inter-office transmission of communication.

ii) Mail:- An organized postal service is responsible for transmission of written communication. The postal service uses rail, road and air transport,. Modern postal system is a network of offices, established and connected to head office. They are linked to national and international network of post offices through different modes of transport. Almost in every country they are organized and managed by the government on non-profit basis. They collect service charges through sale of post cards, stamps and envelopes. They provide various types of mail services, such as ordinary mail, registered mail, quick mail service, express delivery, under certificate of posting, etc. Speed post is a special service offered by the post office. The post office now offers electronic media for new service like hybrid mail in some cities.

iii) Courier:- Postal service is in public sector. Parallel to postal service, private sector developed the courier system for quicker transfer and delivery of mail. Their door-to-door service is a great advantage. Thus, courier assures fast delivery of mail. But courier services are limited to cities where they maintain their network.

iv) Telegraph:- Telegraph is the earliest method of communication. Telegraph is a government owned network in most countries. It has links with all other countries. Telegraph is used for transmitting information to any distance by means of electric impulse through a wire. Telegrams are widely used for selling short and urgent messages. Telegrams can be sent "ordinary" and "express". A telegram is used for external communication, for contacting customers, suppliers, traveling sales men, branches, offices, etc. The importance of this medium has been substantially reduced by fax and mobile phones in large cities. But it has an excellent network which reaches even remote parts of the country where the modern media have not yet reached. Hence, it will continue to be used for long time to come.

v) Telex:- Telex is a teleprinter exchange, which provides teleprinter service throughout the world. Teleprinter is a mechanical device that facilitates the transmission of data or information instantly between two distant persons with teleprinters. The teleprinters in use are simpler machines. Message is transmitted from a teleprinter to another teleprinted through direct dialing system. The teleprinter has keyboard for typing messages and transmitter or receiver for sending and receiving messages. The machine is fitted with a roll of paper, and messages can be typed out continuously. When a message is typed on the sender's machine, the same message get typed at the same time on the receiver's machine also. When the receiver's machine is attended, the sender and the receiver can carry on a two-way "dialogue" by typing out in turn. Telex messages are paid for on the basis of time taken for transmission and the distance.

Telex is used mainly by business organizations like railways, ports, stock exchange, banks, etc., which needs constant international communication. Telex messages are relayed on a screen in newspaper offices, share markets, airports, railway stations where moment-to-moment information has to be conveyed to many people. Recent developments have made it possible to use a computer instead of a teleprinter for transmission of telex. As technologies converge, the use of teleprinters may become outdated.

b) Electronic Media:- These are media which transmit signals instantly from any source to any destination in the world by modern electronic technology. Varieties of electronic media are being discussed below:

i) Telephone:- Telephone is an important electronic media used in the modern world. It is the most useful and universal media of oral communication with a person who is not present at the same place as the sender. There is a continuous progress in the technology of the instrument and message transmission since its establishment in 1876. Telephone communication is a system consisting of network of instruments, connected by a cable network with a centrally located exchange that facilitates transmission of messages through line. Telephone is an instrument which contains a microphone that changes vibrations of sound into an electrical signal and is transmitted through a wire to the receiver. The receiving telephone, which contains “electro-magnetic” and “vibrating diaphragm” change the electric signals into sounds or words. Now telephone messages are carried by “optical fibers” which improved the quality of transmission of the message. The advantage of telephone system is quick transmission of the message. But it is very expensive. Rental charges are fixed, and service charges are imposed on the basis of duration and distance.

Technological advance has made the telephone instrument so sophisticated that it is able to provide a number of services. An answering machine can take a message if you cannot answer it. Conference facility permits three or more persons from different parts of the world to have a discussion by telephone. Cardless telephone free the handset from the hand-hold and allows the user to take it around within a range of 100 meters from the hand-hold. The intercome is an internal telephone system which allows a communication between persons in different parts of a building. It eliminates the need for visiting another part of the office and the need for a peon to carry written notes and messages. Information can be passed quickly from one person to another. On telephone instantaneous feedback is possible. But telephone messages does not provide a permanent record for legal purposes, unless they are recorded on audio tapes.

ii) Pagers:- Pager is also known as “bleeper or beep”. Pager is a wireless communication instrument. It is a personal communication device. It is a small instrument handled and carried by individuals. It works on the radio transmission technology, which contains receive and transmitter. As it is a wireless instrument, it can be used during traveling. Pager provides quicker transmission of message at a lower cost. The pager facility is widely used by the doctors, other persons or institutions which provide emergency services.

iii) Cellular phone:- Cellular phones are also known as “mobile phones”. They are designed on the basis of a combination of the old radio technology and emerging telecommunication technology. Cellular phones are wireless and operated through airways like radios. A cellular phone contains radio signal receiver and transmitter. The advantage of cellular phones are that individuals can use them wherever they go and also during traveling. The latest technology enables access to the internet on the cellular phone.

Cellular phones have some of the characteristics of the home phones. But there are many differences. Cellular phones operate through airways like a radio. This means that weather

conditions, underground parking or passages, and fortified buildings may affect reception. There are some boundaries to cellular coverage outside metropolitan areas and away from major highways.

iv) Fax:- A facsimile or fax machines is one of the most useful media for transmitting copies of printed images over telephone line, it is a machine that scans documents, data, pictures electronically and transmits a photographic image to a receiving machine through telephone line through a “modern”. Fax machines are collected with telephone both at the transmitting and receiving end. The sender has to dial the receiver’s fax number, insert the documents into the machine and press the start button. The machines scans the page and makes an electronic representation of the text and graphics, compresses the data to save transmission time and transmits it to the dialed fax machine. The receiving machine decrypts the signals and uses its in-built printer to produce an exact photocopy of the original image. Then the receiving fax machine sends a message confirming the receipt of entire message.

Fax can be sent through computers if it contains the required software. Fax permits quick exchange of information and documents between offices and organizations and individuals. Important decisions and instruction can be quickly conveyed to branches and other offices. Fax is usually used for documents which are not confidential. Fax is cheaper and quicker.

v) E-Mail:- E-mail is also known as “electronic delivery system” or “electronic document communication”. It is an important service offered to the Internet subscribers. It is the fast, efficient and the latest mode of transmitting information. Electronic mail requires a computer, a telephone line and a modem if the modem is not in-built in the computer.

Which Channel or media is most desirable? Media is the life of communication that facilitates communication process accurately without delay. Communication media is of different types. Each media or channel of communication has its own pros and cons. No media is absolutely good in all circumstance. E-mail is assuming significant popularity in the present E-culture. It is not only for global, but for local communication as well.

3.4. Models of Interpersonal Skills:

Several communication specialists and authors described the models for understanding interpersonal relationship and interpersonal communication. They are:

- a) The exchange theory
- b) Johari Window
- c) Transactional analysis

a). Exchanging Theory:- Exchange theory provides a conceptual frame work by considering what is being exchanged in interpersonal relations. This concept holds that interpersonal motives depend on the reward value gained from the relationship and that individuals involved in a relationship need to feel that each is contribution equally, that is, the rewards are equal to what is given. If over a period of time, if one person feels he is contributing too much or too little to a relationship, that person is likely to discontinue that relationship. In this theory, one can view interpersonal acts as commodities to be exchanged. Such commodities would include information, expertise, status, and love as well as money. Thus, if I invite you to dinner, you may attempt to repay my effort and expense by conferring status on me. This might take the form of thanking me and remarking about the excellent food.

In a business organization, the existence of unbalanced exchange may cause a strain in interpersonal relations. For example, Murali, a new man, may need to ask Bhaskar for some help involving a particular problem. In this situation, Murali is offering status on Bhaskar by acknowledging his expertise, and in return is receiving help. However, if Murali continues to go to Bhaskar for help, the value of the status conferred may become less than the time and effort necessary to give help justifies. In this case, the relationship is unbalanced and either Murali will become reluctant to seek help from Bhaskar, or Bhaskar will be less willing to give of his expertise. Changing the nature of the exchange may solve this problem. If Bhaskar is made responsible for “breaking” Murali in, then he has the opportunity to gain recognition from his superiors for helping Murali. In this case, Bhaskar need not feel that he is doing something and receiving nothing in return.

In addition to positive exchanges, exchange theory also suggests that negative exchange may occur. The existence of a negative exchange is supported by comments that people make about “paying back” or “getting even”. For example, individuals who resent being controlled may find a way to get even.

b). Johari Window:- The Johari Window is a theoretical conceptualization developed by Joe Luft and Harry Ingram. The Johari Window is a model for examining those areas of a person, which are known, and those areas, which are not known to the person or others. The essence of the model is the belief that mutual understanding improves perceptual accuracy and communication.

The Johari Window divides knowledge about an individual into four areas or windows according to the degree of self-knowledge and the knowledge others have of the individual. These are:

i) Open area: The first area is those aspects of a person of which both the individuals and others are aware. This might be termed the “open area”. It represents the image one presents to others. The role and activities one pursues, such as student, housewife, business person, photographer, father etc., often largely define one’s area to area.

ii) Blind spot area: The second area is the blind spot area. This is the area where one is unaware of oneself although others are aware.

iii) Facade area: This area has to do with a person’s fears, troubles, negative feelings about self etc., which the person is afraid to show others for fear they might reject him.

iv) Completely unknown area: This part of the person has not been revealed because the person has not put himself in situations, which reveal it. For example, if one has never been under extreme stress, how one would react under extreme stress is unknown both to one and to others.

These four areas are interrelated and may change in size in the process of interpersonal relations and persona growth. As one gains confidence in oneself and the strength of one’s relationship with another, one may reveal some hidden area to the other person. This is the act of trust in that the individual figures that aspect of himself in the facade area are potentially damaging and thus he is freely providing “ammunition” to the other. This uninhibited behavior is usually an attempt to increase the intimacy of the relationship and is usually perceived to mean that the individual feels positively about the other person and lead him to reciprocate. In any event, making oneself more open tends to also increase the size of the blind spot area. The better a person knows you, the more likely that the person knows things about you of which you are unaware.

In an interpersonal relationship, two persons may be viewed as engaging in a process of exposure and feedback. One exposes one's thoughts and feelings to another, and receives feedback about oneself and one's messages from the other.

Blind Sport

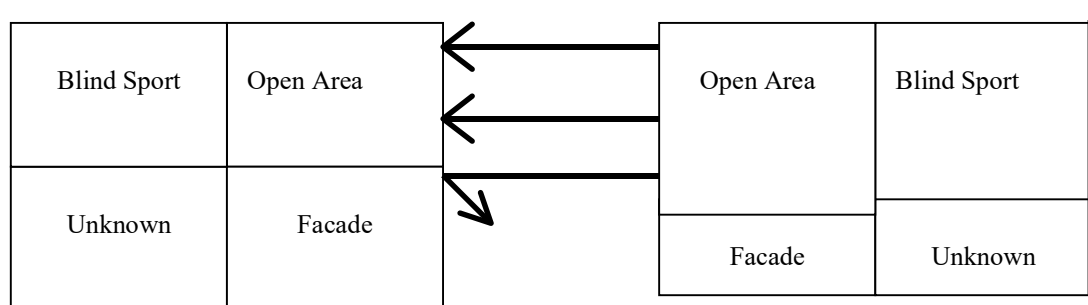


Fig: Johari's Window of two communicating persons

In the above figure, a Johari Window has been drawn for each of two persons who are attempting to communicate. Person B's window is reserved to show that it is area that provides the open area for communication. The communication is limited to the level of area for either person. Effective interpersonal communication requires a large area or area on the part of both persons.

c). Transactional analysis: Transactional analysis provides useful framework for focusing attention on how exchanges (social intercourse) take place. Transactional Analyst Berne suggests that there are three basic ways that individuals use to relate to others. These modes of behaviour are called the Parent, the Adult and the Child, since they are roughly analogous to these "roles".

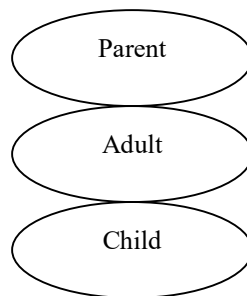


Fig : Parent, Adult, Child Ego State

Parent-Adult-Child : The parent mode of communication is learned from one's parents. People record the attitudes, values, and morals of their parents during their childhood at a time when they are in no position to question or evaluate their parent's ideas. Young children observe their parent's behaviour, how the parents relate to them, etc. When situations arise which touch on one's parents, the parent ego state is likely to be activated.

Many managers seem to operate entirely from the Parent Ego State when talking with subordinates. If their parents were critical and evaluative, they tend to criticize and interrogate

their subordinates. People who come on parent to others are likely to be perfectionists who never do as well as they “should”. They may spend little time doing what they want. In fact, they may not know what they actually want.

Parent: The internal dynamics of one’s parent “talking” to oneself is similar to transactions with others. That is, when the people tell themselves they should do this or that and so and are constantly critical of themselves, they cultivate the child in themselves which in some way is resistant to the domineering parent. The child wants to play, be irresponsible, dependent, etc. The parent – child conflict in people is an energy drain and also may overwhelm the Adult.

Adult: The adult Ego State is that part of the individual, which is reality-oriented, problem-oriented. The adult attempts to take life’s experiences as data, and rationally deal with them. Perhaps the best indicator of the Adult State is the ability to cope responsibly with stress. Most people’s Adult Ego State are contaminated with child and parent Ego States so that often what seems to be an Adult communication may, in fact, also contain child or parent messages.

Child: The child Ego State contains all the impulses that come naturally to a young child. It also contains the memories of childhood experiences and how one responded to them. Characteristics of the child which are easily recognized are rebelliousness, submissiveness, whining, wanting their way, impulsiveness, curiosity and playfulness, etc.

The adult is the only Ego State, which is interested in and receptive to information. The child is primarily interested in fulfilling its wants. It sends messages in an attempt to convey its needs. The parent assumes the role of the sender. It is the Adult State which receives, processes, and feedback information in an attempt to understand the other person.

Transactional analysis can be used to explain individual behaviour in specific situations. Transaction is a unit of social intercourse. When two people encounter each other and speak and listen, it is social intercourse. Every transaction has two parts – stimulus and response. Stimulus is conveying something through speech, written message body gesture etc. Response is its feed back. According to Berne, transaction may be complementary or crossed. The implication of transactional analysis is that a person should avoid indulging in crossed transactions. The best will be to bring the other person from parent or child state to adult, so that he can talk in logic, cool and dispassionate way. Thus, by understanding transactional analysis, interpersonal communication can be improved.

C- NEGOTIATION SKILLS

3.5 Negotiation Skills:

Conflict is a situation that requires serious attention, and resolution through negotiation. Dealing with a conflict through negotiation is the most challenging task of communication. Negotiation is a process in which the concerned parties interact to resolve a conflict jointly.

J.L.Graham defines negotiation as “a face –to- face decision- making process between parties concerning a specific product”. Negotiation is a complex communication phenomenon leading to compromise. It is by nature a compromise process.

Although price is the most frequently negotiation issue, other issues include contract completion time; quality of goods and service offered; purchase volume; responsibility for financing; risk taking; promotion and title; and product safety. The number of negotiation issues is virtually unlimited.

Bargaining, or negotiation, which we will use interchangeably, has the following features:

1. At least two parties are involved.
2. Both parties have predetermined goals.
3. The parties have a conflict of interest with respect to one or more issues.
4. Both parties are willing to modify their positions.
5. The parties understand the purpose of negotiation.
6. The activity usually involves the presentation of demands or proposals by one party and evaluation of these by the other, followed by concessions and counter proposals. The activity is thus sequential rather than simultaneous.

Negotiation is appropriate whenever a zone of agreement exists. A zone of agreement exists when there simultaneously overlapping acceptable outcomes for the parties. For example, some negotiators pursue a 'hard' strategy with opponents, while others maintain that a 'soft' strategy yields more favorable results.

Fisher and Ury propose another strategy, that of "Principled Negotiation". In a research program known as the Harvard Negotiation Project, Roger Fisher and William Ury arrived at four points for conducting "Principled Negotiations".

1. Separate the people from the problem
2. Focus on interests, not positions
3. Invent options for mutual gain
4. Insist on objective criteria

Negotiators use a variety of tactics when bargaining. Here are several standard bargaining tactics:

1. Acting crazy
2. Big pot
3. Get a prestigiously
4. The well is dry
5. Limited authority
6. Whipsaw or Auction
7. Divide and Conquer
8. Get lost/ Stall for time
9. Wet Noodle
10. Be patient
11. Let's split the difference
12. Trial Balloon
13. Surprises.

D- COMMUNICATION SKILLS

3.6 Communication Skills:

The word 'communication' is based on the Latin word meaning 'common'. Thus the term communication has become to mean sharing something of common use.

In marketing, communication has a very important place. It is the function of marketing which is charged with the task of informing the target customer about the capture and type of the firm's products and services, their unique benefits, uses and features as well as the price and place at which those would be available in the market place. Communication is defined by several authors in different ways. The following are the most comprehensive definitions:

1. According to Newman and Summer "Communication is an exchange of ideas, opinions or emotions by two or more persons"

2. Peter Lee defined as “Communication is the process by which information is transmitted between individuals or organizations so that an understanding response results”.
3. John Adair defines as “Communication is essentially the ability of one person to make contact with another and to make him or she understood”.

The following are the characteristics of communication:

1. Communication is a social process
2. It is a two- way process
3. It is a continuous and unending process.
4. It is a pervasive function.
5. Communication process aims at creating understanding on the particular matter between the sender and the receiver of information.
6. It is multidimensional and multidirectional
7. It is universal
8. It is structured

The following are the purposes or objectives of communication:

1. Conveying the right message to persons concerned.
2. Coordination of efforts of all who are engaged in the business.
3. Development of managerial skill and understanding.
4. Development of employees.
5. Maintaining good industrial relations.
6. Effectiveness of policies and programmes and explanation may be assessed.

3.7 Functions of Communication Skills:

Communication performs the following major functions: 1. Information function 2. Command and instructive function 3. Influence and persuasive function 4. Integrative function.

Principles of Communication:

The following are some of the principles or factors of effective communication system to be followed:

1. Principle of clarity
2. Principle of attention
3. Principle of consistency
4. Principle of adequacy
5. Principle of integration
6. Principle of timeliness
7. Principle of informality
8. Principle of feedback
9. Principle of economy
10. Communication network

3.8 Processes of Communication :

The following are the different steps involved in communication processes. Such as: 1) Sender 2) Message 3) Encoding 4) Channel 5) Receiver 6) Decoding 7) Feedback

Sender → Message → Encoding → Channel → Receiver → Decoding → Feedback.

While there are many models that help to conceptualise the buying process, two very specific models that aid in understanding the buying process as well as in framing communication are: ‘AIDA’ and ‘Hierarchy-of-effects’ models.

The AIDA stands for: Attention (also called awareness), Interest, Desire and Action. According to AIDA model, a marketer should begin by winning attention or gaining awareness, creating interest, inspiring desire and precipitating the action for purchase, in the prospects in order to enable its product to be adopted by the target public.

Under the Hierarchy-of-effects model, the buyers purchase decision is preceded by steps such as conviction about the product benefits, preference for the brand, liking for the brand, knowledge relating to the benefits and features of the product, after an awareness of the product has been gained.

The marketing communication must developed a total communication and promotion programme. The following are the major steps to have taken into consideration by the communication in developing effective communication.

- Identifying the target audience.
- Determine the communication objectives.
- Design the message.
- Select the communication channel.
- Allocate the total promotion budget.
- Decide on the promotion mix.
- Measure the promotion's results
- Manage and coordinate the total marketing communication process.

Marketing communications is one of the four major elements of the companies marketing mix. Marketers must know how to use advertising, sales promotion, direct marketing, public relations and personal selling to communicate the product's existence and value to the target customers.

The communication process itself consists of nine elements: sender, receiver, encoding, decoding, message, media, response, feedback and noise. Marketers must know how to get through to the target audience in the face of the audience's tendencies towards selective attention, distortion and recall.

Developing the promotion programme involves eight steps. The communicator must identify the target audience and its characteristics, including the image that the audience has of the product. Next the communicator has to define the communication objective, whether it is to create awareness, knowledge, liking, preference, conviction or purchase. Then a message must be designed containing an effective content, structure, format and source. Then communication channels both personal and non-personal must be selected. Next the total promotion budget must be established. Four common methods are the affordable method, the percentage-of-sales method, the competitive parity method, and the objective and task method. The promotion budget must be divided among the main promotional tools, as affected by such factors as push versus pull strategy, buyer-readiness stage, and product life-cycle stage. The communicator must then monitor to see how much of the market becomes aware of the product, tries it, and is satisfied in the process. Finally, all of the communication must be managed and integrated for consistency, good timing, and cost effectiveness.

3.9 Summary:

The skills involved in personal selling have been examined under the following headings: 1. The Opening 2. Need and Problem Identification 3. Presentation and demonstration 4. Dealing with objections 5. Negotiation 6. Closing the sale 7. The follow-up.

Certain skills are required for inter-personal communication. They are as follows. 1) Knowledge of one's attitudes 2) Speaking and writing clearly 3) Control of Emotions 4) Listening, etc., There are numerous varieties of interpersonal communication media in practice. They are broadly classified into two categories, namely, conventional media, and electronic media. Several communication specialists and authors described the models for understanding interpersonal relationship and interpersonal communication. They are: 1) The exchange theory 2) Johari Window, and 3) Transactional analysis

Negotiation is a process in which the concerned parties interact to resolve a conflict jointly. The number of negotiation issues is virtually unlimited. Bargaining, or negotiation, which we will use interchangeably, has the following features: 1) At least two parties are involved. 2) Both parties have predetermined goals. 3) The parties have a conflict of interest with respect to one or more issues. 4) Both parties are willing to modify their positions. 6) The parties understand the purpose of negotiation, etc.,

Negotiators use a variety of tactics when bargaining. Here are several standard bargaining tactics: 1. Acting crazy 2. Big pot 3. Get a prestigious ally 4. The well is dry 5. Limited authority 6. Whipsaw or Auction 7. Divide and Conquer 8. Get lost/ Stall for time 9. Wet Noodle 10. Be patient 11. Let split the difference 12. Trial Balloon 13. Surprises.

According to Newman and summer "Communication is an exchange of ideas, opinions or emotions by two or more persons" The following are the characteristics of communication: 1) Communication is a social process 2) It is a two-way process 3) It is a continuous and unending process. 4) It is a pervasive function. 5) Communication process aims at creating understanding on the particular matter between the sender and the receiver of information. 6) It is multidimensional and multidirectional 7) It is universal 8) It is structured. The following are the purposes or objectives of communication: 1) Conveying the right message to persons concerned. 2) Coordination of efforts of all who are engaged in the business. 3) Development of managerial skill and understanding. 4) Development of employees. 5) Maintaining good industrial relations. 6) Effectiveness of policies and programmes and explanation may be assessed. The following are some of the principles or factors of effective communication system to be followed: 1. Principle of clarity 2. Principle of attention 3. Principle of consistency 4. Principle of adequacy 5. Principle of integration 6. Principle of timeliness 7. Principle of informality 8. Principle of feedback 9. Principle of economy 10. Communication network. The following are the major steps to have taken into consideration by the communication in developing effective communication. 1) Identifying the target audience. 2) Determine the communication objectives. 3) Design the message. 4) Select the communication channel. 5) Allocate the total promotion budget. 6) Decide on the promotion mix. 7) Measure the promotion's results 8) Manage and coordinate the total marketing communication process.

3.10 Key Words:

Product knowledge:- Complete knowledge including technical details of design, operation and maintenance must be known to the salesman. Knowledge is his strength.

Conventional Media:- Media which have been in use for along time and depend on traditional carriers are called conventional media.

Messenger System:- Messenger transmits the message by hand delivery. The bearer of the message may deliver the written messages, documents and parcels by walk or by riding the horse. This system was practiced when organized postal system was not developed. At present, messenger system is practice for inter-office transmission of communication.

Pagers:- Pager is also known as “bleeper or beep”. Pager is a wireless communication instrument. It is a personal communication device. It is a small instrument handled and carried by individuals. It works on the radio transmission technology, which contains receiver and transmitter. As it is a wireless instrument, it can be used during traveling. Pager provides quicker transmission of message at a lower cost. The pager facility is widely used by the doctors, other persons or institutions which provide emergency services.

E-Mail:- E-mail is also known as “electronic delivery system” or “electronic document communication”. It is an important service offered to the Internet subscribers. It is the fast, efficient and the latest mode of transmitting information. Electronic mail requires a computer, a telephone line and a modem if the modem is not in-built in the computer.

Negotiation Skills: Negotiation is a process in which the concerned parties interact to resolve a conflict jointly.

Communication Skill: communication is an exchange of ideas, opinions, emotions by two or more persons.

3.11 Self Assessment Questions:

1. Discuss which skills are used by the sales force in the organization.
2. What are the qualities of the sales force in personal selling?
3. Which skills are required for interpersonal communication?
4. What are the different types of interpersonal communication media used in practice?
5. What are the models of interpersonal skills?
6. What are the characteristics of communication?
7. What are the principles of an effective communication system?
8. What are the major steps that have to be taken into consideration in developing effective communication?

3.12 Further Readings:

1. Marketing Management, SA. SHERLEKAR, Himalaya Publishing House, New Delhi.
2. Marketing Management, Indira Gandhi National Open University, Vignana Publishers, Guntur.
3. Sales Promotion and Advertising management, MN. Mishra, Himalaya Publishing House, Hyderabad.

- Dr. B. Krishna

LESSON - 4**SALES FORCE MANAGEMENT AND JOB ANALYSIS****4.0 Objective:**

After studying this lesson you should be able to:
Understand Objectives of Sales Management
Analyse Important Activities of Sales Force Management
Describe Job Analysis

Structure:

- 4.1 Definition of Sales Force Management**
- 4.2 Nature and Role of Sale Management**
- 4.3 Scope of Sales Management**
- 4.4 Objectives of Sales Force Management**
- 4.5 Phases of Evolution of Sales Management**
- 4.6 Managerial Decisions of Sales Force Management**
- 4.7 Need for Job Analysis**
- 4.8 Process of Job Analysis**
- 4.9 Techniques of Date Collection for Job Analysis**
- 4.10 Summary**
- 4.11 Key Words**
- 4.12 Self Assessment Questions**
- 4.13 Further Readings**

A – SALES FORCE MANAGEMENT**4.1 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.

4.2 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.

4.3 Scope of Sales Management:-

Sales management directs the sales force. It, therefore, must be 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 meeting the overall marketing objectives of the organization.

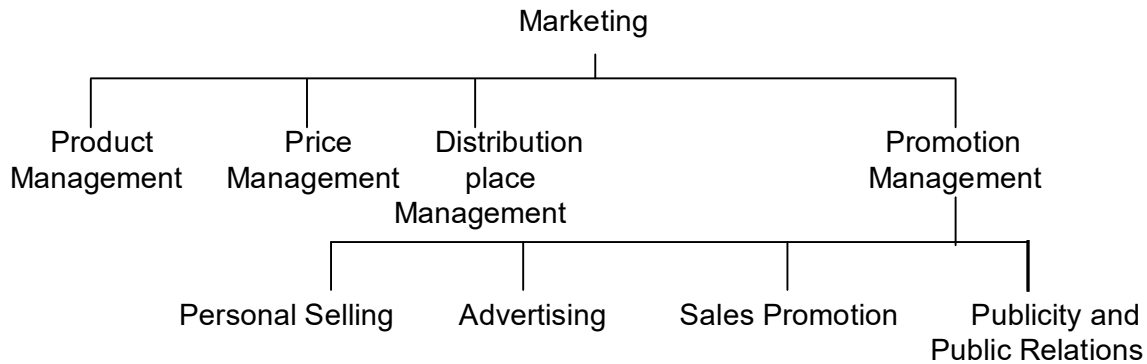


Fig: 191: Place of Personal Selling.

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 P's of marketing, the role of the personal selling is decided by the marketing department in consultation with the sales department.

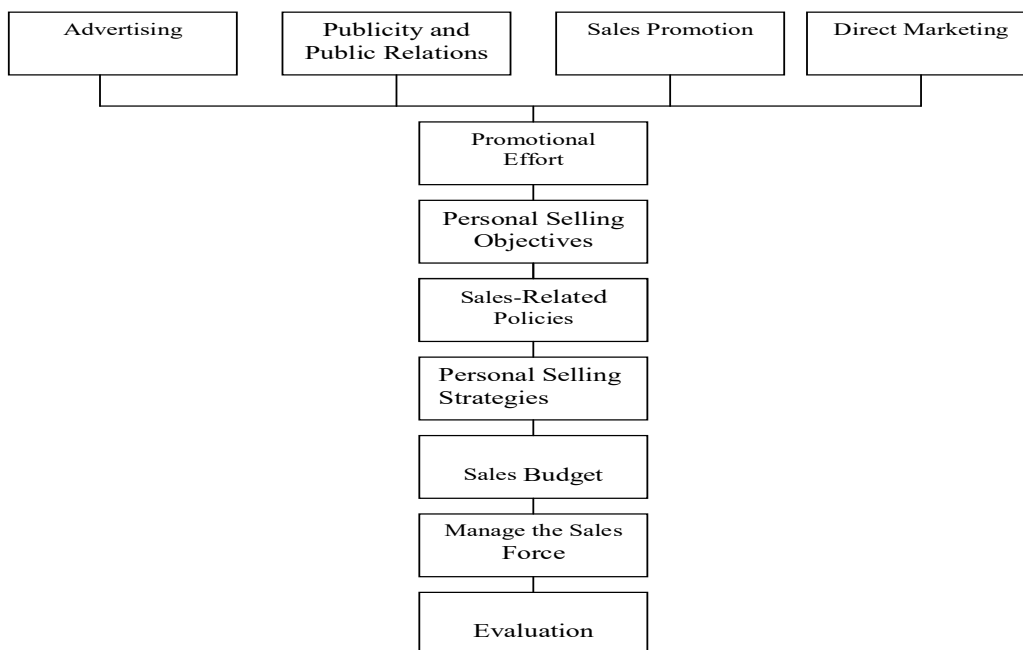


Fig. The Place of Personal Selling

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.

4.4 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.

4.5 Phases of Evolution of Sales Management:

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

1. Pre-industrial revolution period.
2. Production oriented period
3. Sales oriented period.
4. Customer 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: 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 decline. 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: Globalization and liberalization 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. In spite of growing fragmentation of marketing, sales department still occupies a 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 on “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.

4.6 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. Motivations ignite the will to work. It moves people to take a desired 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 salesmen or with the standard performance is made to determine the efficiency of a salesman.

B - J OB ANALYSIS

Job analysis means assembling and analyzing actual information. Facts are made available about the jobs which are useful for recruitment and selection. Job analysis is a detailed study of a job, breaking it down into small components and understanding the qualifications or qualities required for the effective performance of the job. It is an analysis of job and not an analysis of employees. It requires a systematic collection and study of information. It determines the objectives of the job, relations with customers and relations of the sales department with other department of the Company. It gives a complete picture of the roles of salesmen to be successfully played in the sales world. It provides an idea about the work and the salary, training, working methods of personnel and the direction and control of sales function. It is a valuable guide to employees. More over, it makes possible the appointment of the right persons to the right jobs.

4.7 NEED FOR JOB ANALYSIS: -

Procurement is the first operative function of personnel management, which can be subdivided into various sub-functions like human resource planning, recruitment and selection. Management should determine the kind of personnel required for a job and the number of persons to be employed. The organization should also find out the right man for the right job in right time. The knowledge of the job is essential to perform these functions.

Establishment of the scientific standard in advance is essential to compare the applicants with the job and to select the suitable personnel. This standard stipulates the minimum acceptable qualifications, skills, and qualities required for adequate job performance. Stipulating the standard requires the knowledge regarding job design, study of the job duties and responsibilities, requirements of the job human abilities and qualities etc. job analysis is needed to know all these functions and the perform various functions of human resource management.

4.8 PROCESS OF JOB ANALYSIS: -

Jobs can be analyzed through a process, which consists of six basic steps. These steps consist of 1) collection of background information, 2) selection of job to be analysed, 3) collection of job analysis data, 4) developing a job description, 5) job specification and 6) employee specification.

i) Collection of Background Information: - Background information consists of organization charts, class specifications and existing job descriptions. Organization charts show the relation of the job with other jobs in the overall organizations. Classifications describe the general requirements of the class of job to which this particular job belongs. The existing job description provides a good starting point for job analysis.

ii) Selection of Represent Active Position to be Analysed: - It would be too difficult and too time consuming to analyze all the jobs. So, the job analyst has to select some of the representative positions in order to analyze them.

(iii) Collection of Job Analysis Data: - This step involves actually analyzing a job by collecting data on feature of the job, required employee behavior and human requirements.

(iv) Developing A Job Description: - This step involves describing the contents of the job in terms of functions, duties, responsibilities, operations, etc. The incumbent of the job is expected to discharge the duties and responsibilities and perform the functions and operations listed in job description.

(v) Developing A Job Specification: - This step involves conversion; of the job description statements into a job specification. Job specification or job requirements describe the personal qualities, traits, skills, knowledge and background necessary for getting the job done.

(vi) Developing Employee Specification: - This final step involves conversion of specifications of human qualities under job specifications into an employee specification. Employee specification describes physical qualification, educational qualifications, experience etc.

(vii) Job Analysis Information: - The job analysis provides the following information. Information about job analysis may be obtained from three principal sources. They are: a) From the employees who actually perform a job; b) From other employees such as supervisors and foremen who watch the workers while doing a job and thereby acquire knowledge about it; and c) From outside observers specially appointed to watch employees performing a job. Such outside persons are called the trade job analysis. Sometimes, special job reviewing committees are also established.

4.9 TECHNIQUES OF DATA COLLECTION FOR JOB ANALYSIS

There are several techniques that can be used for the purpose of collection of data. The important techniques among them are: (i) interviews, (ii) direct observations, (iii) maintenance of long records, (iv) questionnaires, (v) critical incident technique etc. In practice, these techniques may be used individually, or in possible combinations.

(i) Interviews:- There are two types of interviews which can be used for collection of data for job analysis; viz., individual interviews and supervisory interviews. The interviewer has to collect accurate and complete data and information by creating favourable attitude among employees and supervisors. There are several basic attitudes and techniques that will serve to secure maximum of accurate and complete information. These attitudes and techniques will also help to reduce the natural suspicion of both employee and supervisor toward the interviewer.

(ii) Direct Observations:- Direct observation is particularly useful in jobs that consist primarily of observable physical activity like draftsman, mechanics etc. One approach to this method is by observing the worker on the job during a complete work cycle. In this process, notes should be taken regarding all the job activities observed. The next stage is interviewing the worker and getting the additional information from him.

(iii) Maintenance of Long Records:- In this technique the workers are asked to maintain and keep daily records or list of activities they are doing on that day. For every activity the engages in the employee records the activity in the list given. This technique provides comprehensive job information and it is much useful when it is supplemented with subsequent interviews.

(iv) Questionnaires: Many companies use job analysis questionnaires to secure information on job requirement relating to typical duties and tasks, tools and equipments used etc.

(v) Critical Incident Techniques: The critical incident technique for job analysis, is especially useful for scientific analysis, and selection research. In this technique, incidents are short examples of successful or unsuccessful job behaviour. After many incidents are collected they are classified into behavioural categories. These categories describe specific desired job behaviours and can be useful in recruitment and selection decisions.

4.10 Summary:

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.

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.

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.

Evolution of Sales Management developed under the following four phases: 1) Pre-industrial revolution period. 2) Production oriented period 3) Sales oriented period. 4) Customer oriented period

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.

Job analysis means assembling and analyzing actual information. Facts are made available about the jobs which are useful for recruitment and selection. Job analysis is a detailed study of a job, breaking it down into small components and understanding the qualifications or qualities required for the effective performance of the job. It is an analysis of job and not an analysis of employees. It requires a systematic collection and study of information. It determines the objectives of the job, relations with customers and relations of the sales department with other department of the Company.

Establishment of the scientific standard in advance is essential to compare the applicants with the job and to select the suitable personnel. This standard stipulates the minimum acceptable qualifications, skills, and qualities required for adequate job performance. Stipulating the standard requires the knowledge regarding job design, study of the job duties and responsibilities, requirements of the job human abilities and qualities etc. job analysis is needed to know all these functions and the perform various functions of human resource management.

Jobs can be analyzed through a process, which consists of six basic steps. These steps consist of 1) collection of background information, 2) selection of job to be analysed, 3) collection of job analysis data, 4) developing a job description, 5) job specification and 6) employee specification.

There are several techniques that can be used for the purpose of collection of data. The important among them are: (i) interviews, (ii) direct observations, (iii) maintenance of long records, (iv) questionnaires, (v) critical incident technique etc. In practice, these techniques may be used individually, or in possible combinations.

4.11 Key Words:

Job Analysis: Job analysis is a detailed study of a job, breaking it down into small components and understanding the qualifications or qualities required for the effective performance of the job.

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 ignites the will to work. It moves people to take a desired action.

Job Specification: This step involves conversion; of the job description statements into a job specification. Job specification or job requirements describe the personal qualities, traits, skills, knowledge and background necessary for getting the job done.

Job Description: This step involves describing the contents of the job in terms of functions, duties, responsibilities, operations, etc. The incumbent of the job is expected to discharge the duties and responsibilities and perform the functions and operations listed in job description.

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.

4.12 Self Assessments 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. Discuss the evolution of Sales management development?
4. What are the managerial decisions of Sales force management?
5. Define Job Analysis. What is the Process of Job Analysis?
6. What are the Techniques of Data Collection for Job Analysis?

4.13 Further Readings:

1. Sales and Distribution Management, NG Nair and Latha Nair, Himalaya Publishing House, Hyderabad, 2003.
2. Advertising, Sales and promotion management, S.A. Chunawalla, Himalaya Publishing House, 2005.
3. Advertising Sales Promotion, Kazmi, Satish K Batra.

- Dr. B. Krishna

LESSON - 5**RECRUITMENT AND SELECTION****5.0 OBJECTIVES:**

After studying this lesson you should be able to :

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

STURUCTURE :

- 5.1 Introduction of Recruitment and Selection**
- 5.2 Sources of Recruitment**
- 5.3 Recruitment Methods**
- 5.4 Recruitment Sources of Sales Representatives**
- 5.5 Selection Process**
- 5.6 Selection Procedure for the Selection of Middle Level Mangers and Lower Level Managers**
- 5.7 Summary**
- 5.8 Keywords**
- 5.9 Self Assessment Questions**
- 5.10 Further Readings**

5.1. INTRODUCTION:

Planning indicates the number of persons to be recruited by the sales manager. The sales force structure, the sales force 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. 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 recruited. 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.

5.2 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.

5.3 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.

(a) **Internal source search:** The method to notify vacancies for filling up from internal sources such as :

- Notice or Bulletin for internal circulation
- Memos circulated among supervisors
- In house magazine
- Word of mouth
- 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.

5.4 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 make their training an easy proposition. Their 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 show 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 possess the necessary technical knowledge. These recruits are easily adaptable than their more experienced counterparts. They can be moulded into the organizational 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 through 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 used. 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.

B- SELECTION

5.5 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 job. 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, marital 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 know the company and its products. The company will also know 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 form 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.

5.6 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.

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

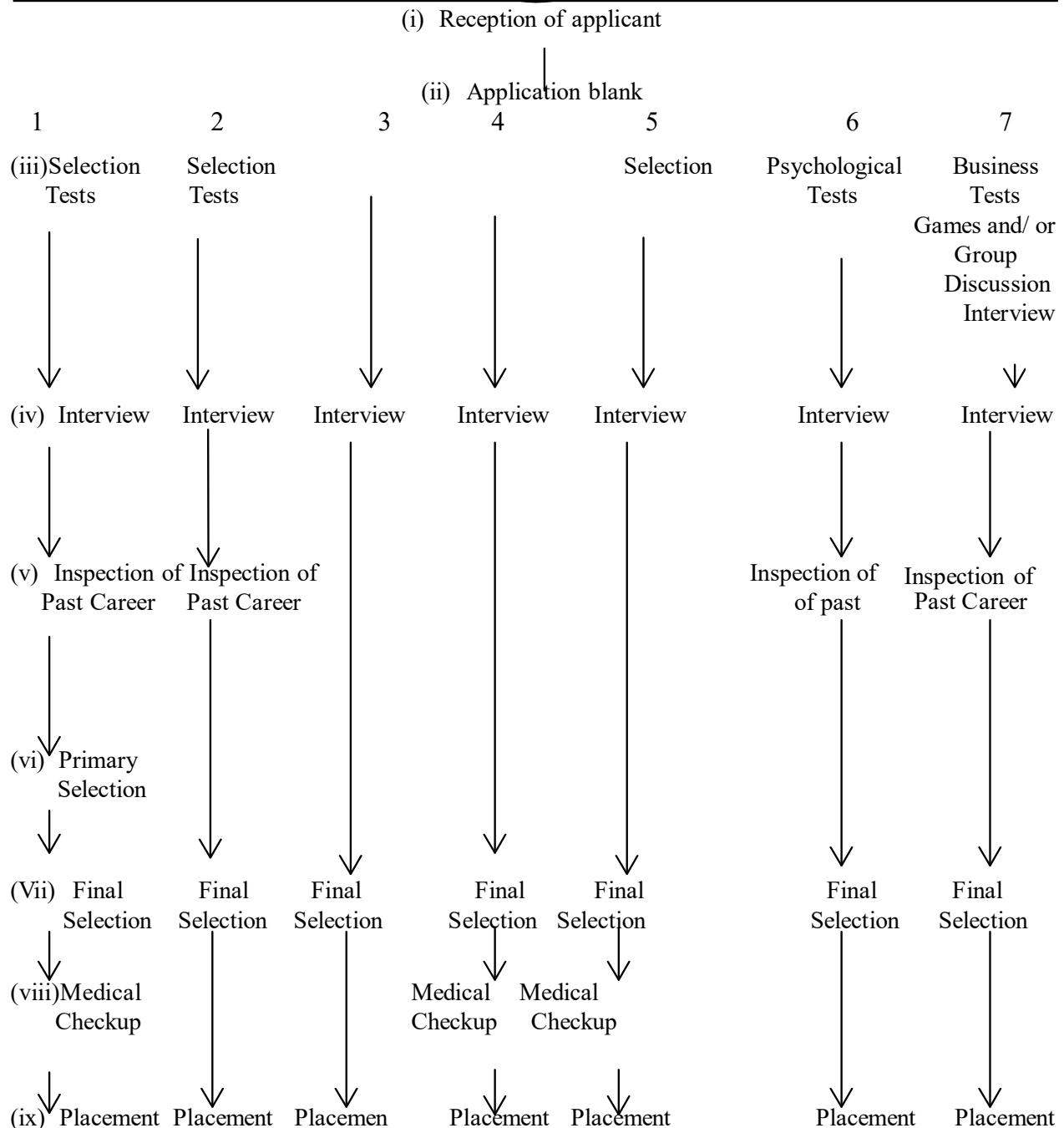


Fig: Selection Procedure

1. Reception of Applicant: The selection process begins with the reception of applicant. The candidate will form his first 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 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. 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 in interview with the information given in the application blank so as to find out 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 rewritten. 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 to 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, i.e., placement, takes place.

5.7 SUMMARY:

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.

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.

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

5.8 KEY WORDS:

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 through 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.

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 involves 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.

5.9 SELF ASSESSMENT QUESTIONS:

1. What are the sources of recruitment? Discuss various recruitment methods.
2. What are the recruitment sources used in the organization for recruiting the sales representatives?
3. What are the stages in the recruitment and selection procedure?
4. What are the steps taken into consideration in the Selection of Middle level persons and Lower level employees?

5.11 Further Readings:

1. Marketing Management, SA. Sherlekar, 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.
6. Selling and Sales Management, David Jobber and Geoff Lancaster, Pearson Education Limited, Delhi.

LESSON – 6**TRAINING THE SALES FORCE****6.0. Objectives:**

After studying this should be able to :

- Understand the training programmes of the sales force.
- Analyze various methods of Training

Structure:

- 6.1 Meaning of the Training**
- 6.2 Need for the Training**
- 6.3 Objectives of the Training**
- 6.4 Components of the Training Programme**
- 6.5 Training Methods**
- 6.6 Importance of Training**
- 6.7 Execution and Evaluation of Sales Training Programmes**
- 6.8 Summary**
- 6.9 Key words**
- 6.10 Self Assessment Questions**
- 6.11 Further Readings.**

6.1 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 job. 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.

6.2 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.

6.3 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.

6.4 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 from 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 organisation 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 in 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.

6.5 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 just 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 report 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.

6.6 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.

6.7 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 influence 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 personnel 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 thorough knowledge of the corporation, its mission, its objectives, its product line, its markets, and its broad policies. 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 who 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 than 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 field 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 mastered 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 through 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. Decentralised 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 from 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 outline 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 blackboard 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 emerge 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 an 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 eb 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.

6.8 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 from 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 organisation 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.

6.9 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.

6.10 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.

6.11 FURTHER READINGS:

1. Marketing Management, SA. Sherlekar, 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.
6. Selling and Sales Management, David Jobber and Geoff Lancaster, Pearson Education Limited, Delhi.

- Dr.B. Krishna

LESSON – 7**MOTIVATION, COMPENSATION AND
CONTROLLING OF THE SALES FORCE****7.0. Objectives:**

After having gone through 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:

- 7.1 Motivation of Sales Force**
- 7.2 Types of Motives**
- 7.3 Objective of Motivation**
- 7.4 Types of Motivation**
- 7.5 Steps in Motivation**
- 7.6 Motivational Theories**
- 7.7 Compensating the Sales Force**
- 7.8 Compensation Objectives**
- 7.9 Characteristics of a Good Compensation Plan**
- 7.10 Factors Influencing Sales Compensation Plans**
- 7.11 Types of compensation plan**
- 7.12 Controlling the Sales Force:**
- 7.13 Main Aspects of Control Process:**
- 7.14 Control of the Sale Force and Sales Operation**
- 7.15 Summary**
- 7.16 Key words**
- 7.17 Self Assessments Questions**
- 7.18 Further Readings**

A - MOTIVATION**7.1 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 in 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.

7.2 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, 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.

7.3 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.

7.4 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.

7.5 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.

7.6 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 of organizational objectives.
3. The average human being prefers to be directed, wishes 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. External control and threat of punishment are not the only means of bringing about effort towards organizational 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 assumes that a person's motivation to exert effort is dependent upon his expectations for success. Vroom based his theory on three concepts-expectancy, instrumentality and valence.

Expectancy: 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 lead 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 valence 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 desire 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 - COMPENSATING

7.7 COMPENSATING THE SALES FORCE:

Compensation is essential for the purpose of retaining and motivating the sales force. Since monetary rewards are important factors in the motivation of salesmen, they are considered the methods of compensating them. Monetary incentives may be in the form of salary, commission, bonus, etc. The commission is considered to be a useful method of compensating because it provides a direct link between sales performance and compensation. A minimum amount of salary is guaranteed to salesmen to ensure the safety of and satisfaction with the job. Commission and salary are combined to compensate salesmen and stimulate them to achieve the targets. The salaries are commensurate with the responsibility and nature of job. Travel and out station allowances should be adjusted properly to motivate them.

7.8 COMPENSATION OBJECTIVES:

Sales managers should consider carefully type of compensation plan they wish to use. This is because there are number of objectives which can be achieved through a compensation scheme. First, compensation can be used to motivate a sales force by linking achievement to monetary reward. Second, it can be used to attract and hold successful salespeople by providing a good standard of living for them, by rewarding outstanding performance and providing regularity of income. Third, it is possible to design compensation schemes which allow selling costs to fluctuate inline with changes in sales revenue. Thus, in poor years lower sales are offset to some extent by lower commission payments, and in good years increased sales costs are financed by higher sales revenue. Fourth, compensation plans can be formulated to direct the attention of sales personnel to specific company sales objectives. Higher commission can be paid on product lines the company particularly wants to move. Special commission can be paid to salespeople who generate new active accounts if this is believed to be important to the company. Thus, compensation plans can be used to control activities.

7.9 CHARACTERISTICS OF A GOOD COMPENSATION PLAN:

- 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.
- It should be integrated to the motivational programme
- It should be fair and should ensure equal pay for equal work.
- It should be easy to understand. Each employee should be in a position to compute his own salary.
- It should be flexible enough to accommodate changes in salary as per performance.
- It is should be economical to administer.
- It should further the objectives of the sales organization.

7.10 FACTORS INFLUENCING SALES COMPENSATION PLANS:

Following factors influence sales compensations.

- a) Nature of job, working condition responsibility (corporate headquarters, field work etc.)
- b) Level of employment, seniority/ranking etc.
- c) Firms wages and salaries structure, classification, grading, point rating, merit rating, and performance evaluation.

- d) Compensation pattern in the industry.
- e) Compensation pattern in the geographic area
- f) Employee's level of knowledge, skill and experience.
- g) Compensation package structure: There are following elements in the compensation package.
 - Fixed element (e.g. salary)
 - Variable element (e.g. commission, bonus etc.)
 - Fringe element (e.g. insurance, paid vacation etc)
 - Incidental element (e.g. reimbursing expenses on travel) fuel etc.
- h) Special Company Allowance: These are given to salesmen to assist special marketing problems of a firm, such as checking P.O.P. displays, proper location of advertisement, hoardings and allowances for promoting product on decline stage etc.
- i) Opinion of Sales Force: Constructive criticism of existing policy by field staff assists to improves existing compensation plans.

7.11 TYPES OF COMPENSATION PLAN:

Compensation may be in 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.

i) **Straight Salary Plan:** In this plan, a salesman is given a fixed sum as a salary at regular intervals of say a week, a fortnight or a month. The straight salary plan normally offers the maximum security to salesmen. The management guarantees payment of at least a minimum salary to salesmen and expects from them a minimum productivity. This method is based on the time-wage system. The salary is fixed whether work is more or less.

The straight salary method suffers from certain disadvantages. It does not offer any incentive to salesmen. Since all the salesmen are given almost the same salary, none strives to prove himself to be more efficient than others. There is no direct relationship between the volume of sales and the cost of sales. Salesmen do not take up any difficult task because that does not yield any extra remuneration to them. The salary method is suitable when salesmen are newly recruited, and management desires to enter untapped territories to sell new products in the market.

ii) **Straight Commission Plan:** The straight commission plan incorporates payment of compensation on the basis of the sales made by each salesman. Commissions can increase with increase in sales, and decrease with decrease in sales. There can be different products, product categories, customers served, and seasons in which sales are generated. This is the most suitable method of expending sales. It attracts those people who are energetic, inductions and enthusiastic. There is no dissatisfaction because of either over payment or less payment. The selling cost is controlled in relation to the sales volume. This plan has been useful in motivating the sales force. Straight commission plans are not very popular. Such plans are useful when selling is more important than non-selling tasks.

iii) **A Salary Plus Commission Plan:** Majority of compensation plans are combinations of salary and commission. The effort is to maximize the advantages of both, and minimize the disadvantages. A fixed salary is paid to all salesmen. If they sell more than the minimum requirement

they are given commission at fixed rate total sales effected by them. Salesmen are satisfied with the fixed regular salary because it assures safety and security. Combination plans have certain demands. It involves more clerical work, more recordkeeping and complications. Sometimes the commission element is so low that it is not sufficient enough incentive. The management and salesmen decide the minimum level of sales for the salary paid and the rate of commission to be given for a sales performance higher than the minimum laid down mutual agreement guides future activities.

iv) Salary plus Bonus Plan: This is an altogether different concept. It is considered in India as a deferred wage-wage that is not paid right now but is deferred to a future date. Another school of thought considers bonus as part of profit. Bonus payment is governed by payment of bonus act. Even when there are no profits from which bonus can be paid, organized work force claim bonus as a matter of right once a year. Here, bonus becomes ex-gratia payment. Bonus thus becomes an additional financial reward. Bonus can be linked to productivity and promotional activity. Bonus appears with any three payment methods in combination.

v) Commission plus Bonus Plan: Salesmen may be motivated by the offer of commission and bonus if their performance is better than the average laid down. Bonus is paid when the sales are higher than the targeted level. In some cases, bonus is paid if the commission exceeds a fixed amount. Salesmen are motivated to earn a higher amount by way of bonus on higher sales.

vi) Salary plus commission and Bonus Plan: Salesmen may be given salary as well as commission on their regular sales. If their performance exceeds the prescribed level, they are rewarded with a bonus. The bonus stimulates, the commission gives incentives, and the salary ensures security. Thus, the three elements are combined to ensure the highest performance.

C - CONTROLLING

7.12 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 to 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 has three 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.

7.13 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.

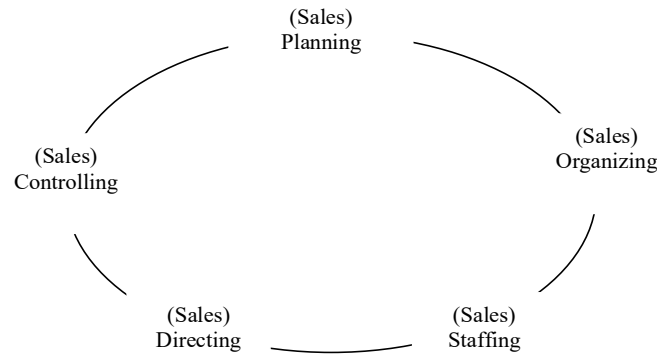


Fig: Circular Management Process

All decisions as to what is to be achieved-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 planned 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.

7.14 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 are a 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.

7.15 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 to 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 has three 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 planned 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 sales 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.

7.17 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 week, 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

7.18 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 compensation what the objectives and characteristics of good compensation plan.
6. Explain different types and factors of sales compensation plan.
7. Define controlling. What are the main aspects of control process?
8. How to control of the sales force and sale operation?

7.19 FURTHER READINGS:

1. Marketing Management, SA. Sherlekar, 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.
6. Selling and Sales Management, David Jobber and Geoff Lancaster, Pearson Education Limited, Delhi.

- Dr. B. Krishna

LESSON - 8**SALES PLANNING, FORECASTING &
BUDGETING****8.0. Objectives :**

After studying this lesson you should be able to:

- Understand different types of plans.
- Evaluate Deferent Methods of Forecasting
- Analyze Deferent Types of Budgets.

Structure:

- 8.1 Planning Defined**
- 8.2 Advantages of Planning**
- 8.3 Limitations of Planning**
- 8.4 Types of Plans**
- 8.5 What is a sales forecast**
- 8.6 Purposes of forecasting.**
- 8.7 Approaches to Sales forecasting.**
- 8.8 Methods of forecasting.**
- 8.9 Uses of Sales forecasting.**
- 8.10 Role of Sales forecasting.**
- 8.11 Definition of Budget.**
- 8.12 Difference Between Budget, Budgeting and Budgetary Control.**
- 8.13 Objectives and functions of Budgeting.**
- 8.14 Essentials of Successful Budgeting.**
- 8.15 Types of Budgets.**
- 8.16 Summary**
- 8.17 Key Words**
- 8.18 Self Assessment Questions**
- 8.19 Further Readings.**

A – SALES PLANNING

A plan is a blueprint for future action. The success of an action depends on planning. The sales management should therefore, formulate concrete, useful and effective plans, which should include objectives, forecasting, budgeting, strategy, programming and controlling. The plan should be specific and properly classified in relation to time, objectives and budget.

8.1 PLANNING DEFINED:-

George Terry defines planning as – Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

Koontz and O'Donnell also describe planning as “the selection from among alternatives for future courses of action for the enterprise as a whole and each department with it”. Thus, planning involves thinking and analysis of information, arriving at certain assumptions in connection with what is likely to happen in the future and then formulating the activities required to achieve desired results or goals or objectives. The planner must be able to look in to the future and conceptualise the proposed pattern of activities. Planning concerns the future. It has been established that planning stems from the sales forecast and the purpose of planning is to allocate company resources in such a manner as to achieve these anticipated sales.

The purpose of planning may differ from enterprise to enterprise. Some may plan with a view to achieve a strong and persistent growth, while others may plan in order to increase their market share, enter into new fields or markets, or make major organizational changes. In some cases, planning may do just to maintain the present position of the company. Many managers feel that the purpose of planning is to do business and stay in business. Planning also helps the managers attain his true status by enabling him to manage his affairs with confidence and provide dynamic leadership.

8.2 ADVANTAGES OF PLANNING:-

The following are briefly some of the advantages offered by adequate planning.

- Planning increases the organization's ability to adopt to future eventualities.
- Planning helps crystallize objectives.
- Planning ensures relatedness among decisions.
- Planning helps the company to remain more competitive in its industry.
- Adequate planning reduces unnecessary pressures of immediacy.
- Planning reduces mistakes and oversights.
- Planning ensures a more productive use of the organisation's resources.
- Planning makes control easier.
- Planning enables the identification of future problems and makes it possible to provide for such contingencies.
- Planning can help the organization secure a better position or standing.
- Planning enables the organization to progress in the manner considered most suitable by its management.
- Planning increases the effectiveness of a manager.

8.3 LIMITATIONS OF PLANNING:-

The following are briefly some of the limitations claimed for planning:-

- The effectiveness of plans depends upon the correctness of assumptions.
- Planning is expensive.
- Planning delays actions.
- Planning encourages a false sense of security.

8.4 TYPES OF PLANS:-

There are different ways in which plans are classified. For example, plans may be classified according to the time dimension into (1) short-term plans extending upto one year, (2) medium-term plans of more than one year but less than five years, and, (3) long-term plans of five years or a longer period.

Plans could also be classified in terms of functions like production planning, marketing planning and so on as against overall company planning.

Another way to classify plans is to divide them into – (1) objectives or goals (2) strategies (3) standards (4) budgets (5) policies (6) procedures (7) programmes (8) rules and (9) methods. These are now briefly described below.

(1) Objectives or Goals: - The first and foremost function of sales planning is to determine the sales objective. An environmental study helps in setting these objectives. The internal as well as external factors of environment are properly evaluated to find out how far they would assist in the achievement of objectives. The strengths and weaknesses of the company are assessed to formulate feasible and useful plans. The objectives should be specific and framed within the limits of the corporate objectives. Sales objectives are always subordinate to corporate objectives.

Sales objectives are broken-down in potential targets, territorial goals and departmental objectives. So that each unit may specifically know its respective targets and goals. Specific and well-defined objectives can be easily achieved. The channels of distribution, the duties and responsibilities of the sales force, the need for a sales force, recruitment, training and motivation and many other functions of the sales management are decided under sales objectives and planning. Territorial planning and sales force planning are important elements in sales planning and sales force planning are important elements in sales planning and are properly decided in the very beginning. The sales manager should formulate meaningful objectives for each territory and salesman.

(2) Strategies: - A comprehensive and concrete strategy assists in the achievement of sales objectives. The sales manager decides the strategy in the light of the suggestions made by sales representatives and on the recommendations of the top management. The strategy may determine how to approach the buyer and organize a sales group. It guides the sales persons how to contact various persons in the buying and selling organizations. Technical salesmen may approach customers before, during and after the sale. The number and quality of men in the sales force are decided before a programme of organizational development is launched.

(3) Standards: - A standard is a measure of the level of achievement expected. It is a model for comparison or evaluation. Standards are therefore very useful in evaluating deviations from the plan.

(4) Budgets/Budgeting: - The term “budgeting” refers to the inflows and outflows of resources estimated by planners. Budgeting is confined not only to money, it includes materials, manpower etc. The “sales budget” refers to the volume of sales to be achieved during a particular period, viz., a month, a year etc. The actual sales are compared with the budgeted sales to discover deviations and reasons therefore. Sales expenses are also budgeted to rationalize the funds allocation. They may be divided into manpower expenses, travel expenses, administrative expenses and soon. The sales budget may be prepared for each territory, salesman and branch. Periodical estimates of the sales performance of the budget should be made.

(5) Policies: - Policies are general statements aimed at guiding thinking whilst making decisions. They constitute broad boundaries, permitting initiative of the manager to the extent of interpreting the particular policy, Policies need not necessarily be written as they may be implied from the past actions of managers. An example of a policy would be that “promotions must be from within the company or the existing staff”. If such a policy is prescribed, it gives a direction or guidance for future promotions. Both objectives and policies guide the mental and physical actions of manager.

(6) Procedures:- A procedure is another kind of plan as it involves a selection and establishment of a logical series of tasks within the framework of predetermined policies and objectives. Procedures are therefore more definite than policies, defining specific activities to be accomplished towards a predetermined goals. They are generally more numerous at the lower levels because of the need for greater control.

(7) Programmes/Programming:- The term “programming” refers to the specific activities to be performed by workers in future. It also determines the sequence in which specific activities will be performed by sales persons. It decided on the resources to be allocated between the sales force and branch offices. Procedures follow programming. Procedures are means and methods of performing activities. Sales programming is also known as an action plan. Each salesman decided how to achieve the pre-determined objectives. The programming may consider customer classification, product line emphasis, sales approach and new designs of sales functions.

(8) Rules:- Rules are also looked upon as plans as they prescribe the course of actions required. Rules are related to procedures as they guide action but there is no time sequence attained to them.

(9) Methods:- The method prescribes specifically and in detail how a task is to be done constituting the best manner of performing such task.

B - FORECASTING

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 compiled 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.

8.5 WHAT IS A 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.

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.

8.6 PURPOSES OF FORECASTING:-

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

(i) Purposes 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.

8.7 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.

8.8 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 certainty 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 now 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/User 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 if 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 advanced 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 diary 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 and 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 test 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 now 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.

8.9 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 patterns 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.

8.10 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.

C - BUDGET/BUDGETING

8.11 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, Lindon, 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.

8.12 DIFFERENCE BETWEEN 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.

8.13 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.

8.14 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.

8.15 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

(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. It 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:-**

- ❖ **Meaning of performance Budget:** Performance Budget involves evaluation the performance of the organization in the context of both specific as well as overall objectives of the organization. It presupposes the crystal clarity of organizational objectives in general and short-term business objectives as stipulated in the budget, in particular, by each employee of the organization, irrespective of his level. It, thus provides a definite direction to each employee and also a control mechanism to higher management.
- ❖ **Purposes of performance Budget:-** Performance Budgeting requires preparation of periodic performance reports. Such reports compare budget and actual data and show any existing variances. Their preparation is greatly facilitated if the authority and responsibility for the incurrence of each cost element is clearly defined within the firms' organizational structure. In addition, the accounting system should be sufficiently detailed and coordinated to provide necessary data for reports designed for the particular use of the individuals or cost centers having primary responsibility for specific cost.
- ❖ **Process of Performance Budgeting:-** The responsibility for preparing the performance budget of each department lies on the respective departmental head. Each department head will be supplied with a copy the section of the master budget appropriate to his sphere. For example:
 1. The chief buyer will be supplied with the copy of the materials purchase budget so that he may arrange for purchase of necessary materials.
 2. Periodical reports from the various sections of a department will be received by the departmental head who will in summary form submit a report about his department to the budget committee. The report may be daily, weekly, or monthly depending upon the size of business and the budget period.
 3. The purpose of submitting these reports is to convey promptly the information about the deviations in actual and budgeted activity to the person who has the necessary authority and responsibility so that he may take necessary action to correct any deviation from the budget.

b. Zero-Base Budgeting:- Zero-Base Budgeting is a new technique designed to revitalize budgeting. The technique of ZBB provides a solution for overcoming the limitations of Traditional budgeting by enabling top management to focus on key areas, alternatives and priorities of action throughout the organization.

- **Meaning:-** “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”.
- **Process:-**
 1. Determination of the objectives of budgeting
 2. Determination the extent to which the Zbb is to be introduced.
 3. Development of decision units.
 4. Development of decision packages.
 5. Review and ranking of decision packages.
 6. Preparation of budgets.
- **Advantages:-**
 1. Allocate resources according to prior of the programmes.
 2. Programmes undertaken by the managers.
 3. Budgets approved on the basis of cost-benefit analysis.
 4. Identifying areas of wasteful expenditure.
 5. Budgets links with corporate objectives.
- **Limitations:-**
 1. Implementation problems
 2. Decision packages formulation problems
 3. Ranking process problems
 4. Cost problems.

8.16 SUMMARY

A plan is a blueprint for future action. The success of an action depends on planning. The sales management should therefore, formulate concrete, useful and effective plans, which should include objectives, forecasting, budgeting, strategy, programming and controlling. The plan should be specific and properly classified in relation to time, objectives and budget.

The purpose of planning may differ from enterprise to enterprise. The following are briefly some of the advantages offered by adequate planning. 1) Planning increases the organization's ability to adopt to future eventualities. 2) Planning helps crystallize objectives. 3) Planning ensures relatedness among decisions. 4) Planning helps the company to remain more competitive in its industry. 5) Adequate planning reduces unnecessary pressures of immediacy. 6) Planning reduces mistakes and oversights. 7) Planning ensures a more productive use of the organisation's resources. 8) Planning makes control easier. Planning enables the organization to progress in the manner considered most suitable by its management. Planning increases the effectiveness of a manager.

The following are briefly some of the limitations claimed for planning: 1) The effectiveness of plans depends upon the correctness of assumptions. 2) Planning is expensive. 3) Planning delays actions. 4) Planning encourages a false sense of security.

There are different ways in which plans are classified. For example, plans may be classified according to the time dimension into (1) short-term plans extending upto one year, (2) medium-term plans of more than one year but less than five years, and, (3) long-term plans of five years or a longer period.

Plans could also be classified interms of functions like production planning, marketing planning and so on as against overall company planning.

Another way to classify plans is to divide them into – (1) objectives or goals (2) strategies (3) standards (4) budgets (5) policies (6) procedures (7) programmes (8) rules and (9) methods.

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

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.

Budgeting performs a series of functions and achieves a number of objectives. Following are the principal objectives and functions: 1) To guide action 2) To Co-ordinate different activities 3) To motivate employees 4) To provide basis for performance evaluation 5) To implement MBO and MBE. These essentials or pre-requisites for successful budgeting are listed below: 1) Support and involvement of top management 2) Built-by responsibility centers 3) Participation by responsible supervisors 4) Clear-cut organizational structure 5) Continuous budget education etc.,

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. In terms of time, the budget can broadly be classified in to three categories. 1) Long-term budget 2) Short-term budget 3) Rolling budgets 4) Classification According to Function. 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.,

8.17 Key Words:

Planning: Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

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”.

8.18 SELF ASSESSMENT QUESTIONS:

1. Define Planning? What are the Advantages and Limitations of Planning?
2. Discuss various types of plans.
3. What is a sales forecast? Discuss various approaches of the sales forecasting?
4. What is the role of sales forecasting?
5. What are the uses of sales forecasting?
6. Distinguish among budgets, budgeting and budgetary control?
7. What are the objectives and functions of budgeting?
8. What are the pre – requisites for successful budgeting?
9. Discuss various budget on the basis of the function?
10. What is the importance of Zero Base budgeting?

8.19 FURTHER READINGS:

1. Marketing Management, SA. Sherlekar, 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.
6. Selling and Sales Management, David Jobber and Geoff Lancaster, Pearson Education Limited, Delhi.

LESSON – 9**Sales Organisation****9.0. 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:

- 9.1 Introduction**
- 9.2 Sales Organisation**
- 9.3 Importance of Sales Organisation**
- 9.4 Functions of Sales Organisation**
- 9.5 Kinds of Sales Manager**
- 9.6 Purposes of Sales Organisation**
- 9.7 Types of Sales Organisation**
- 9.8 Organising the Field Force**
- 9.9 Summary**
- 9.10 Key wards**
- 9.11 Self Assessment Questions**
- 9.12 Further Readings**

9.1 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 indirect 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.

9.2 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 attain 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 is 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 in charge 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.

9.3 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.

9.4 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.

9.5 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.

9.6. PURPOSES OF SALES ORGANISATION:-

Good organization avoids overlapping of work 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.

9.7 . 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.

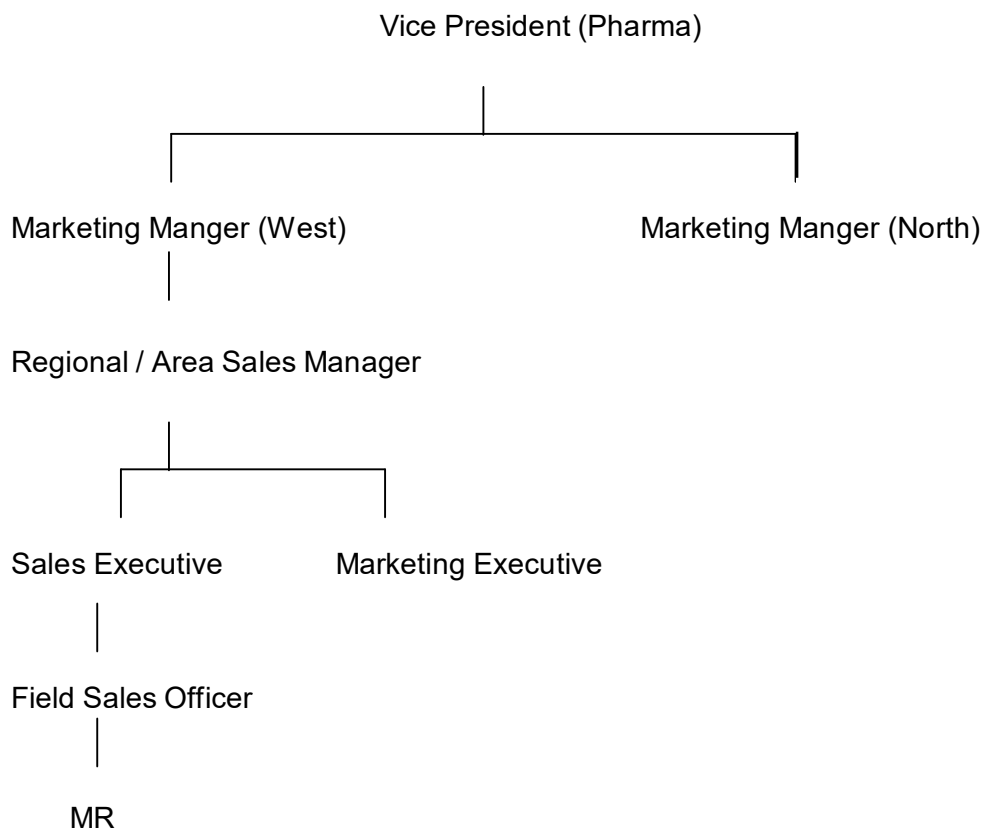


Fig : 24.1 : Line Sales Organisation

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.

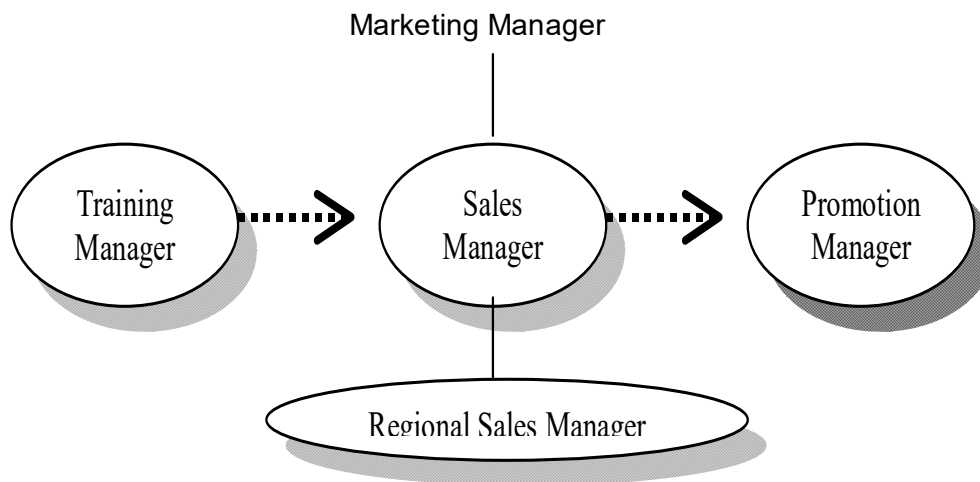


Fig. 24.2 Line and Staff Structure

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 in terms 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.

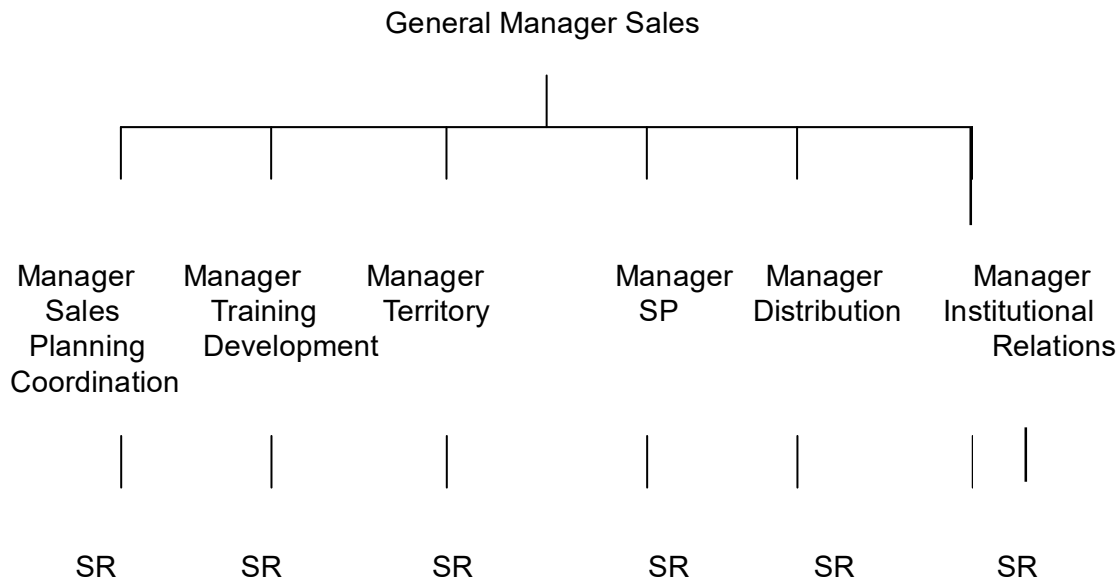


Fig: 24.3 Functional Sales Organization

9.8. ORGANISING THE FIELD FORCE:-

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

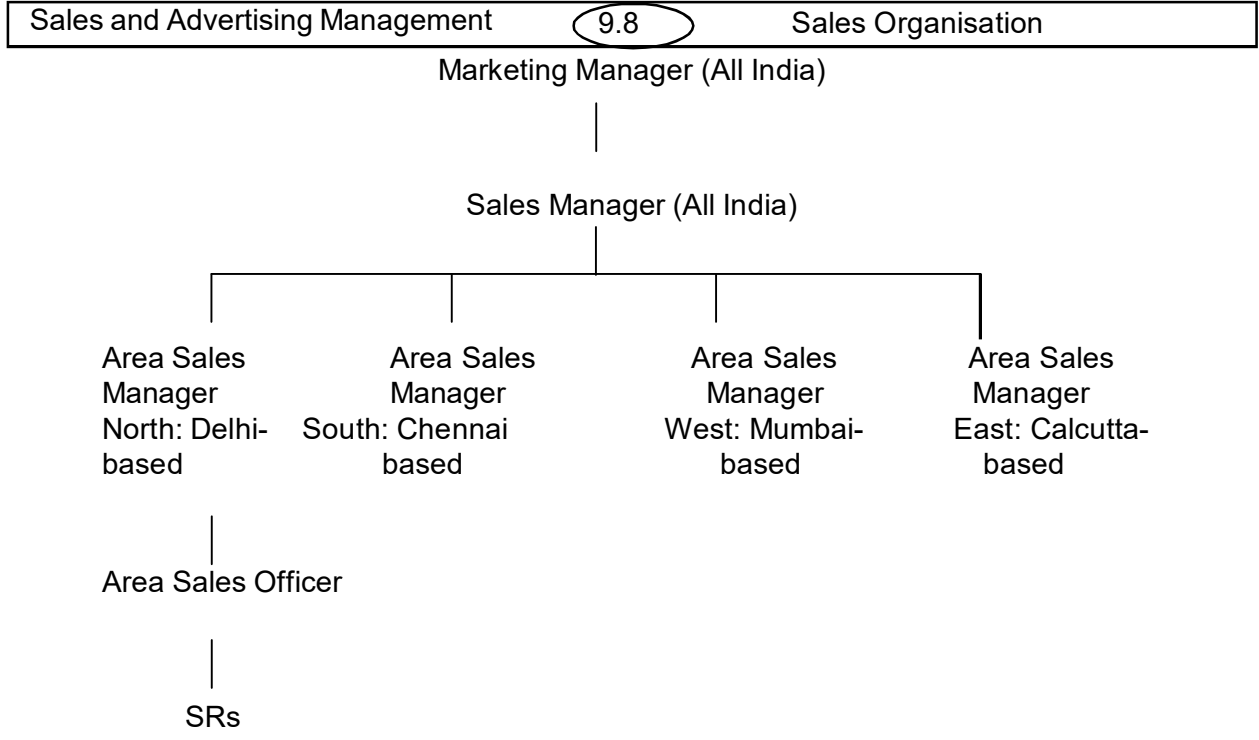


Fig: 24.4: Geographic Organisation

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 marketed by two separate divisions each having its own sales force.

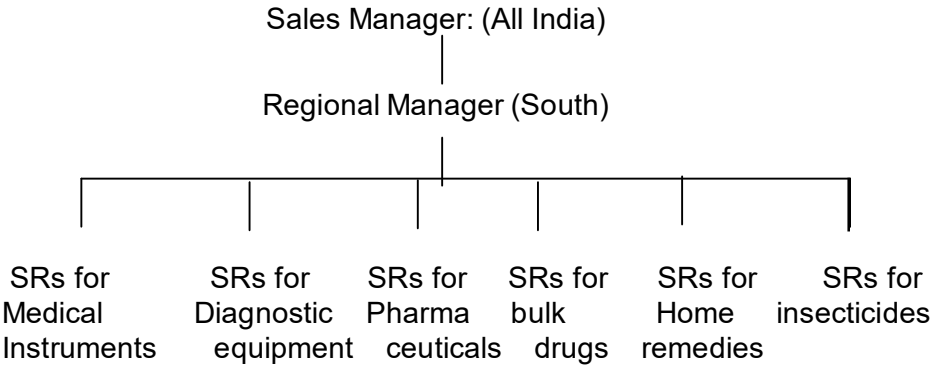


Fig: 24.5: Product Organization

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.

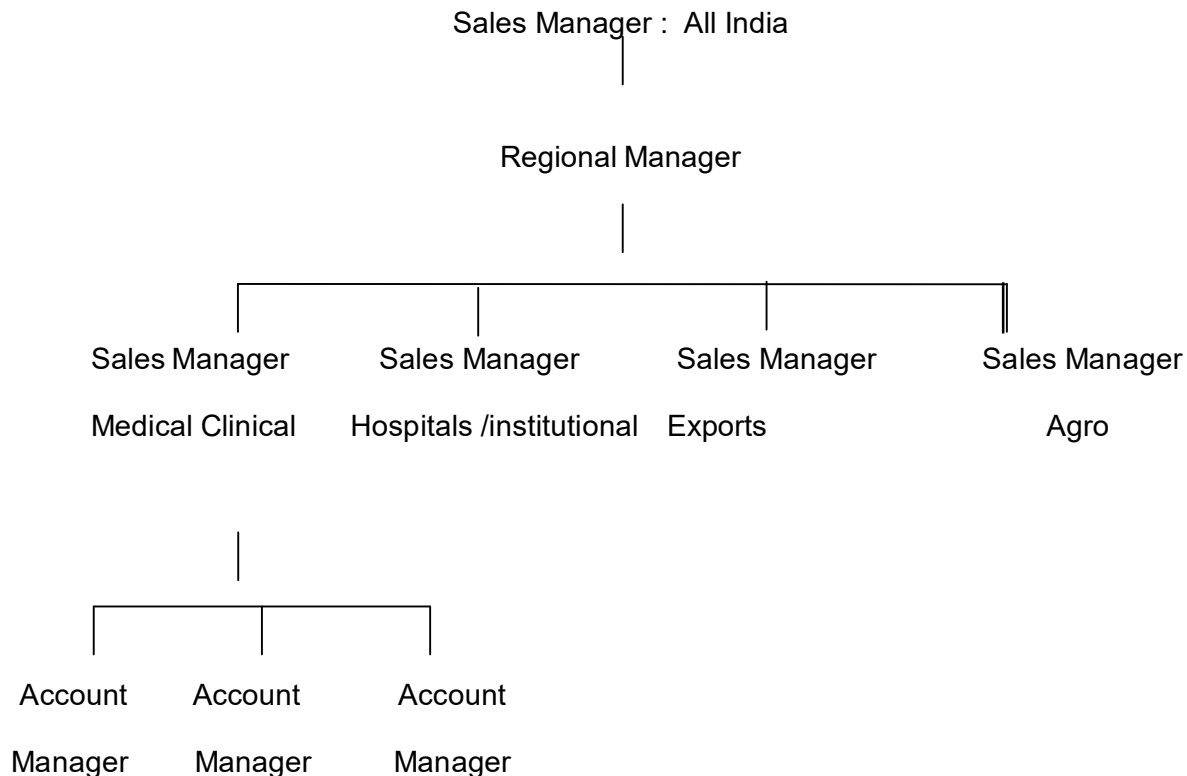


Fig: 24.7: Customer organisation

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.

9.9 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 work 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.

9.10 Key Words:

Sales Organization: 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.

9.11 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?

9.12 Further Readings:

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

Dr. B. Krishna

Lesson-10**SALES AND COST ANALYSIS****10.0 Objectives:**

The objectives of this lesson are to enable you to:

- ❖ Describe the importance of sales analysis and cost analysis.
- ❖ Discuss the techniques of sales and cost analysis.
- ❖ To determine relative profitability of particular aspects of sales operations.
- ❖ To scan the personal- selling operations for opportunities to exploit strength and overcome weakness.

Structure:-

- 10.1 Introduction**
- 10.2 Purpose of Sales Control**
- 10.3 Sales Control Systems**
- 10.4 Methods of Sales Control**
- 10.5 Summary**
- 10.6 Key Words**
- 10.7 Self Assessment**
- 10.8 Further Readings.**

10.1 Introduction

Sales executives are responsible for many activities. They participate in setting selling and profit objectives, formulating sales-related marketing policies, and designing personal-selling strategies. They build and develop a sales organization to carry the sales program into effect. They integrate the sales organization with the distributive network and other company marketing units such as advertising, sales promotion, and physical distribution.

Appropriately designed and skillfully implemented control mechanisms increase the chances that the sales organization will focus upon achieving selling and profit objectives. The sales budget is the key control mechanism, and quotas (sales volume, profit, activity), properly set and administered, stimulate sales personnel to achieve sales and profit objectives. In setting up sales territories, management makes the control of sales operations more effective.

Still other control mechanisms contribute to the effectiveness of the personal-selling effort. Among these are the sales audit, sales analysis, and cost analysis. These control mechanisms help sales executives to monitor profitability of the operation.

10.2 Purpose of Sales Control

By comparing the actual sales results with the objectives set and diagnosing the cause for the variance between the two, sales control assists the sales manager:

- ❖ to initiate remedial steps,
- ❖ to revise the sales policy and strategies followed,
- ❖ to implement steps for improving the productivity of sales force
- ❖ to improve the quality of target setting, sales planning and budgeting functions and
- ❖ to increase sales profitability.

10.3 Sales Control System

A sales control system can be set up by a firm by instituting action on the following five steps:

Setting retained objectives (at least around key result areas)



Establishing standards for appraising performance



Gathering information on actual sales activities and results



Comparing of actual results with established standards



Taking remedial action (need based)

The existence of comprehensive sales information system in the firm is a prerequisite for an effective sales control system. Such an information system can be built by regular recording sales by unit, by value, by customer, by sales person, by territory, by distribution outlet, by cash or credit. In addition to invoice, other important information sources including despatch notes, credit notes, customer call reports, daily activity (and time spent) reports, journey plan, sales quotation slips, sales expense forms, discount and allowance records, customers complaints, warrant claims settled, market intelligence including sales promotion special reports sent by sales person. In short, only comprehensive sales information system can lead to timely and meaningful sales control.

10.4 Methods of Sales Control:

Three most commonly used methods of sales controls are:

1. Sales Audit 2. Sales Analysis 3. Marketing Cost Analysis. These methods are discussed below;

10.4.1 The sales audit

A sales audit is a systematic and comprehensive appraisal of the total selling operation. It appraises integration of the individual inputs to the personal selling effort and identifies and evaluates assumptions underlying the sales operation. More specifically, a sales audit is a systematic, critical,

and unbiased review and appraisal of the basic objectives and policies of selling function and of the organization, methods, procedures, and personnel employed to implement those policies and achieve those objectives.

Proponents of the sales audit stress the importance of focusing on overall selling strategy and methods for implementing it rather than examining individual components piecemeal. A sales audit uncovers opportunities for improving the effectiveness of the sales organization. An audit identifies strengths and weaknesses- strengths have potential for exploitation, weaknesses have potential for improvements. While “audit” implies an after-the-fact evaluation (a carry-over from financial usage), a sales audit provides information useful for planning sales strategy.

Sales audits have no standardized formats. Each company designs a sales audit to fit its needs. Every sales audit examines the following aspects of selling operations:

- Appropriateness of selling function objections
- Role of the selling function in the promotion mix and sales marketing integrations.
- Organisation and work norms of the sales force and its size.
- Basis of sales quota, sales budget, territory allocation and their market need suitability.
- Quality of sales force, appraisal criteria, and training and development of sales personnel.
- Sales planning and control system.
- Commercial procedures and sales promotion methods used. Etc.,

Sales management audit is relatively a new technique of sales management control. Its conduct and format yet to be standardized and so is its coverage. From the limited experiences it is felt that if conducted by outside professionals it benefits the company immensely. In the case of a leading consumer desirable company this audit inter alias resulted in the re-organisation of its sales department from the functional system to product manager system, as also a change in its selling system from selling through distribution to retailers. This change carried out five years ago has improved the market share as well as profitability of the company.

10.4.2 Sales Analysis:

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

Through sales analyses, management seeks insights on strong and weak territories, high-volume and low-volume products, and the types of customers providing satisfactory and unsatisfactory sales volume. Sales analysis uncovers details that otherwise lie hidden in the sales records. It provides information that management needs to allocate sales efforts effectively.

Allocation of Sales Effort:

In most businesses, a small percentage of the territories, customers, products, or orders bring in a high percentage of the sales; conversely, a large percentage of the territories, customers,

product, or orders brings in a low percentage of the sales. A sales executive for a carpet manufacturing firm, for example, found that 80 percent of the customers accounted for only 15 percent of the sales. Comparable situations exist in most companies. These are examples of the “iceberg principle” – only a small part of the total situation is above the surface and known while the submerged part is beneath the surface and unknown. Sales analysis detects such situations, alerting management to opportunities for improving operations.

Iceberg-type sales patterns do not always mean unprofitable operations, but they frequently result in profits lower than necessary. Why? Simply because sales efforts, and hence selling expenses, ordinarily are divided on the basis of customers, territories, orders, and so forth, rather than on the basis of sales potentials or actual sales. It usually costs as much to maintain sales personnel in poor territories as in good ones, almost as much to promote a slow-selling product as one that sells “like hotcakes”. It costs as much to have sales personnel call on customers who give small orders as on those who place large orders. Commonly, a large proportion of the total spending for personal-selling efforts brings in a small proportion of the total sales and profits. Sales analysis detects these situations.

Data for Sales Analysis:-

Companies vary in the data they have available for sales analyses. At one extreme, some have no data other than the accounting system records as sales are made, and, of course, copies of sales invoices. At the opposite extreme, some maintain detailed sales records and have data readily available for use in making all types of analysis.

The original sources of data for sales analysis are the sales invoices. In a company with a good information system, detailed data from sales invoices are transferred to computer tapes or data-processing cards. The information on each transaction identifies the customer (name, geographical location, and so on) the sales person (name, territory, and so forth) and includes such sales data as order date, products sold and quantities, price per unit, total rupee sales per product, and total order amount. With information stored in this detail, sales analyses are performed quickly and at low cost.

Illustrative Sales Analysis:-

The southeastern sales manager of a carpet manufacturing firm has just learned that the region did not reach its quota for the second quarter. The region did not miss by far, achieving nearly 97 percent of its quota. However, the sales manager would like more details: Where did we fall down? Are we universally missing the target? Are there any bright spots?

Consequently, the sales manager asks for a sales analysis of the southeastern region by sales areas. Figure 10.1 shows this analysis.

**Figure 10.1: Sales Analysis Area Rupee Sales,
Southeastern Region, Second Quarter**

(In. Rs. 000's)

Sales Area	Quota	Actual	+/-%	of Quota
Andhra Pradesh	3,400	3,640	+240	107.1
Tamilnadu	3,300	2,960	-340	89.7
Karnataka	2,700	2,830	+130	104.8
Kerala	2,500	2,100	-400	84.0
.....
Total SE Region	11,900	11,530	- 370	96.9

The sales manager wants more details about the Tamilnadu and Kerala situations. It is decided to probe the Kerala sales area first, as it had a sales deficit of Rs. 4, 00,000, greater than the deficit for the entire region (Rs. 3, 70,000). The first sales analysis furnished details on the four members of the sales force assigned to the Kerala area (see Figure 10.2). Edwards and Emanuel are responsible for the area's poor quota performance.

**Figure 10.2: Sales Analysis by Sales Personnel Rupee Sales,
Kerala Area, Second Quarter**

(In. Rs. 000's)

Salesperson	Quota	Actual	+/-	% of Quota
Sk. Arief	750	770	+20	103.7
D. Samuelson	660	665	+5	100.8
H. Edwards	650	410	-240	63.1
R. Emanuel	440	255	-185	58.0
.....
Total N.O. Area	2,500	2,100	400	84.0

Edwards missed the mark by the largest amount (though Edwards' performance against quota was better the Emanuel), so the sales manager next asks for a breakdown (sales analysis) of Edwards' sales by class of account (A= large accounts, B= medium-sized accounts, and C= small accounts). Figure 10.3 shows this sales analysis. Edwards' sales performance by class of account indicates the most success in selling smaller accounts, but across the board it has been below par.

**Figure 10.3: Sales Analysis by Class of Account Rupee Sales,
Salesperson H. Edwards, Second Quarter**

(In. Rs. 000's)

Class of Account	Quota	Actual	+/-	% of Quota
A	350	210	-140	60.0
B	150	95	- 55	63.3
C	150	105	- 45	70.0

Total	650	410	- 240	63.1

The sales manager next asks for a sales analysis of Edwards' sales by product line. Figure 10.4 shows this analysis. Edwards has poor performance in the Deluxe and Standard lines, but goes over quota in the Economy line.

Purposes of Sales Analyses:

Sales analysis detects sales strengths and weaknesses, and each type of sales analyses sheds light on a different aspect. Analysis of sales territories answers how much is being sold

**Figure 10.4: Sales Analysis by Product Line Rupee Sales,
Salesperson H. Edwards, Second Quarter**

(In. Rs. 000's)

Class of Account	Quota	Actual	+/-	% of Quota
Deluxe	240	105	-135	43.8
Standard	300	150	- 150	50.0
Economy	100	155	+ 45	140.9

Total	650	410	- 240	63.1

where. Analysis of sales by products answers how much of *what* is being sold. Analysis of sales by customers answers *who* is buying how much. All sales analyses relate to *how much* is being sold, but each answers the question in a different way. Sales analyses identify different aspects of sales strengths and weaknesses, but they cannot explain why strengths and weaknesses exist. Answering the "why" question is up to sales management.

Sales analysis answered four of the sales manager's questions. First, it revealed sales areas with good (Andhra Pradesh and Karnataka) and poor (Tamilnadu and Kerala) performances. Second, it showed that salespersons Arief and Samuelson were above quota, while Edwards and Emanuel were below. Third, it indicated that Edwards' performance improved as accounts got

smaller, but was unsatisfactory with all sizes of accounts. Fourth, it showed that Edwards' performance was unsatisfactory in selling the Deluxe and Standard lines and above par in selling the Economy line. The sales manager, in other words, learned where sales were weak and strong, which salespersons were performing above or below quota, which classes of accounts were buying, and which products were being sold. No "why" questions were answered. It is up to management to explain why, training salespersons to sell balanced sales mixtures, sales compensation, and sales support (for example, local advertising, sales promotional pieces, and dealer incentive campaigns).

10.4.3 Marketing Cost Analysis:

Marketing cost analysis analyses sales volume and selling expenses to determine the relative profitability of particular aspects of sales operations. The first step in marketing cost analysis is sales analysis by territories, sales personnel, products, class of account, and size of order, marketing channels, and other categories. Having broken down sales volume, for instance, by sales territories, the next step is to break down and assign selling expenses by sales territories. The outcome indicates relative profitability of the sales territories. Marketing cost analysis searches for ways to improve profit performance through exposing relative strengths and weaknesses.

Usefulness of Marketing cost Analysis:

Successful conduct of Marketing cost analysis benefit the sales manager in ascertaining relative cost and profitability of sales operations, profitable, not so profitable and not profitable territories, products, pack size, market segment and distribution channels, minimum order level quantities, productivity of sales persons profitability of different sales promotion techniques, and profitability of different marketing mix programmes.

Marketing Cost Analysis Techniques:-

1. Classifying selling expenses: Marketing cost analysis requires the classification of selling expenses as either separable (direct) or common (indirect). A separable expense is one traceable to individual sales personnel, sales territories, customers, marketing channels, products, or the like. A common expense is one that is not traceable to specific sales personnel, sales territories, customers, marketing channels, products, or the like.

Whether a given expense is a separable or common expense may depend on company policies or aspects of the operation under study. If sales personnel are paid salaries, for example, the outlay for salaries is a common expense as far as selling individual products is concerned. But if sales personnel are paid commissions, sales commissions are a separable expense of selling individual products and of selling particular categories of account or individual customers.

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

3. Bases for allocating common expenses: - Selection of bases for allocating common expenses is troublesome. In contrast to the analysis of production costs, where a single allocation basis, such as number of machine hours, is used for allocating all manufacturing expenses, some forms of marketing cost analysis require the allocation of selling and marketing expenses on several bases.

Allocation bases are factors that measure variability in the activities for which specific expenses are incurred. Allocation bases permit logical assignment of portions of common expense items to particular aspects of sales operations. Some expenses, such as credit and collection expenses, can be allocated according to a logical base in any type of marketing cost analysis. But other expenses, such as sales salaries, can be allocated to sales territories or to customers but not usually to products, unless available data show the allocation of sales time among different products.

For most marketing cost analyses, no attempt is made to allocate all common expenses, only those that can be allocated on logical bases. Marketing cost analyses determine relative profitability, not profitability, of particular aspects of sales operations. There is no need to allocate all common costs.

4. Contribution margin:- Because marketing cost analyses focus upon separable expenses and those common expenses allocatable on logical bases, relative profitability is measured as a contribution margin. By definition, contribution margin = net sales - cost of goods sold - (separable expenses + common expenses allocatable on logical bases). Put differently, contribution margin is the rupee amount available to cover unallocated common expenses and profit (if any).

Marketing Cost Analysis-An Illustration

The ABC Company prepared monthly and annual Salesperson Performance Reports for each of its twelve salespersons. The annual performance reports for two salespersons- Santi Kumar and Raghu- are shown in Figure 10.5. The Company classified its twelve sales territories into three types (A, B and C), according to characteristics such as travel required, customer demographics, and product prices. A territory budget was formulated for each of the three types of territories. Santi Kumar and Raghu were assigned to type A territories.

The salesperson Performance Report had two purposes: (1) to compare the salesperson's performance with the budgeted performance, and (2) to show the salesperson's effort to generate and produce sales were included. Sales management and promotion expenses (including salaries) were charged to the salesperson according to the number of regular and special-handling orders sales personnel wrote. Special-handling orders required approximately twice as much administrative effort as regular orders; consequently, the charge for special-handling order was double the charges for regular orders (Rs. 32 versus Rs. 16). The 2005 rate was determined by dividing the amount budgeted for sales management salaries and sales promotion costs (Rs. 3,20,000) by the estimated total orders (regular, 18,000; special-handling, 1,000) weighted by the amount of administrative effort. Special-handling orders were approximately 5 percent of the total orders handled. The bases for allocating allocatable common expenses are shown in Figure 10.6.

Who is the better salesperson- Santi Kumar and Raghu? The marketing cost analysis (Figure 10.5) shows that the contribution margin for Santi Kumar is over Rs.18,000 higher than that for Raghu, neither reaching the budgeted contribution margin (evidently because the realized price for metal units was Rs. 19/unit rather than the budgeted Rs.20/unit). If the budgeted price for metal units is adjusted to Rs. 19, Santi Kumar's contribution margin exceeds that budgeted by over Rs.8, 000 while Raghu falls short by nearly Rs.10, 000.

Figure 10.6: Bases for Allocating Common Expences - ABC Company

Expences	Allocation Basis for Analysis by Sales Territory
Sales management and promotion	
Regular orders	Rs. 16/Order (see text)
Special-handling orders	Rs. 32/ Order (see text)
Credit and collection expense	Rs. 2/Order (total est. credit and collection expense divided by total est. # orders)
Packing and Shipping	Weight times number of units.
Metal = 9 lb	
Plastic = 3 lb	

What else can be said about the comparative performances of Santi Kumar and Raghu? Figure 10.7 shows eight calculations of the sorts that interest sales executives. The gross margin, expense, and contribution margin percentages, all derived from the territory sales analyses; again demonstrate Santi Kumar's superiority over Raghu. Santi Kumar, too, sells larger orders per sales call at a lower cost per call and with less travel and entertainment expenses. Santi Kumar travels fewer miles per sales call (this could imply room for improved route planning by Raghu). Santi Kumar generates a smaller proportion of special- handling orders than does Raghu- special-handling orders require more managerial effort than do regular orders. These calculations and comparisons illustrate how to enrich the findings of marketing cost analyses.

Figure 10.7 : Comparative Performance Analysis

	Santi Kumar	Raghu
Gross margin (%)	34.70	32.26
Expense (%)	14.97	15.72
Contribution margin (%)	19.73	16.54
Average order size	Rs.470	Rs.388
Average cost per sales call	Rs.100.43	Rs.102.54
Travel and entertainment		
Per sales call.....	Rs.10.00	Rs.15.00
Miles per sales call	26.67 mi.	28 mi.
Special handling/ regular orders	4.00%	10.34%

10.5 Summary:

Appropriately chosen control techniques contribute to the effectiveness of sales management. Periodic sales audits provide comprehensive appraisals of the total personal-selling operation, identifying areas of strength with potential for further exploitation and areas of weakness

with potential for improvement. Sales analyses also detect strengths and weaknesses and are valuable for identifying situations where weaknesses (or strengths) are obscured by surface strengths (or weaknesses), that is, for analyzing iceberg situations. Marketing cost analysis goes beyond analysis of sales volume and probes selling expenses to determine relative profitability of particular aspects of sales operations. Sales audits, sales analyses, and marketing cost analyses are not “final ends” in themselves- the results of each are enriched by combining them with other techniques, such as ratios and percentage calculations. Effective sales executives continually scan the personal-selling operation for opportunities to exploit strengths and overcome weaknesses- control techniques contribute to scanning productivity.

10.6 Key Words:

Natural Expenses: The traditional expense categories (Salaries, Rent, Depreciation, etc.) used in accounting statements.

Sales Analysis: The process of interpreting the pattern of sales orders obtained as the market place. This term may also refer, more widely, to the interpretation of all data including sales orders from the market place.

Standard Costs: Predetermined costs based on experience and research studies for achieving certain levels of volume.

Costs Vs Expenses: Two terms that are used interchangeably in describing marketing cost analysis. But costs tends to be specific and directly related to volume output, while expenses are more general or indirect expenses.

10.7 Self Assessment Questions:

1. What are the various methods of sales controls?
2. Discuss the use of marketing cost analyses in sales control.

10.8 Further Reading:

Richard R. Still, Edward W. Cundiff, A.P. Govaoni, Sales management: Decisions, Strategies and Cases, Prentice Hall of India Pvt.Ltd. New Delhi.

Rolph E. Anderson, Joseph F. Hair, Alan J. Bush, Professional Sales Management, MC Graw Hill Inc.

Eugene M. Hohnson, David L. Kurtz, Eberhad scheving, Sales Management Concepts, Practice and Cases Mc Graw. Hill Inc.

Dr.V. Tulasi Das

Lesson 11**MONITORING AND PERFORMANCE EVALUATION****11.0. Objectives:**

After studying this lesson you should be able to:

- ❖ Explain the need and purpose of monitoring systems
- ❖ Explain the monitoring system used for sales personnel
- ❖ Describe the various types of information sought through sales reports
- ❖ Discuss the quantitative and qualitative criteria use for performance appraisal
- ❖ Evolve a composite measures for evaluating sales performance

Structure:

- 11.1 Introduction**
- 11.2 Monitoring – Needs and Objectives**
- 11.3 Parameters Used to Monitor Sales Force**
- 11.4 Standards of Performance**
- 11.5 Performance Appraisal Evaluation**
- 11.6 Setting Performance With standards**
- 11.7 Comparing performance with Norms**
- 11.8 Summary**
- 11.9 Key Wards**
- 11.10 Self-Assessment Questioner**
- 11.11 Further Readings**

11.1 Introduction:-

Even the best organized sales department will not function effectively, unless the sales effort is planned and controlled on a regular basis. Sales reports form the basis for the monitoring of sales personnel. Business firms need regular sales information on efforts by product line, customer type or by geographic segment for appraising the sales men and analyzing them systematically. Most organizations today have performance management systems to aid them in evaluating their sales force. In this lesson, you will learn about the processes for monitoring the sales effort and the procedures for performance evaluation generally used for sales personnel.

11.2 Monitoring – Needs And Objectives :-

Once the sales plan has been put into action, it is important for the sales manager to know whether the sales effort is being operationalized in the way it was expected to be Organized depending upon their own needs, through periodic reporting or field visits, design monitoring

system, to keep themselves informed about the activities of the sales force on a regular basis. Monitoring has been explained as “keeping abreast of the salesmen’s activities through a formal feed back system. It is a vital aid in controlling the sales effort, and by furnishing a wealth of data about the salespersons day-to-day activities. The monitoring system becomes an input in the formal appraisal of the salesmen’s performance. Sales reports are the basic tools used for monitoring sales personnel. A good monitoring system also helps the sales management in determine. What can be done to secure more and large orders? The data furnished by the sales reports is processed to gain insights in the type of direction and help that can be given to field sales personnel.

A well designed monitoring system also aids in the self improvement of the salesmen. The basic purposes for which a good monitoring system is designed could be:

- ❖ to keep the sales manager informed about all the sales activities of the sales personnel.
- ❖ to enable the sales manager to get data for evaluating performance
- ❖ to enable the sales manager to detect deviations from standard performance and take timely remedial action
- ❖ to help the sales person plan his daily work
- ❖ to record customer complaints and reaction in respect of new products, price changes and services
- ❖ to record information on competitors activities and reactions
- ❖ to build a rich database of territorial information which can be put to a variety of uses.

11.3 Parameters Used to Monitor Sales Forces

The monitoring the sales force is closely related with the monitoring of sales. The sales performance of a company and its sales force is measured by using a number of parameters on a continuous basis. Some of the commonly used parameters are:

- ❖ Sales per salesman, per dealer, per product
- ❖ Expenses to salesman, ratio for each dealer and salesman
- ❖ Calls per day, order call ratio
- ❖ Average cost per call
- ❖ Direct selling expenses
- ❖ Profit contribution analysis
- ❖ Number of accounts and number of customers complaints

The emphasis in monitoring is on gathering information on day-to-day activities with respect to the chosen parameters and taking a timely stock of deviation from expected performance. Monitoring therefore, is a way of achieving day-to-day control over the sales effort.

11.4 Standards of Performance:

Setting standards of performance requires consideration of the nature of the selling job. In other words, sales job analysis is necessary to determine job objectives, duties and responsibilities, and the like. These, in turn, depend upon selling strategy in some companies, for example, the

key problem is to obtain new customers, New-business selling requires skills different from those needed in companies whose main problem is that of servicing established accounts (that is, trade selling). Setting performance standards for new-business sales personnel requires different measures from those for trade-selling sales personnel. In companies relying upto dealer sales effort to push the product through the marketing channel, selling strategy calls for the manufacturer's sales personnel to devote major segments of their time to training dealers' sales personnel, assisting in the planning and preparation of dealer advertising, and securing "preferred" display space in dealers' showrooms. Performance standards are designed to measure the performance of activities that the company considers most important.

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

11.5 Performance Appraisal Evaluation:

Standards of sales performance facilitate the measurement of progress made toward departmental objectives. Specific objectives vary with changes in the company's marketing situation, but are reconcilable with the general objectives of volume, profit, and growth performance standards are established for the business as a whole and, ultimately, for each salesperson. These standards are used to gauge the extent of achievement of general and related objectives.

The first quantitative standard that any firm should select is one that permits comparisons of sales volume performance with sales volume potential. From the sales department's standpoint, the volume objectives. Before profits can be earned and growth achieved, it is necessary to reach a certain sales volume level. It is entirely logical for sales management first to develop a standard to gauge sales volume performance.

Quantitative performance standards also measure success in achieving profit objectives. needed for such factors as selling expense, the sales mixture, the call frequency rate, the cost per call, and the size of order.

Setting quantitative performance standards to gauge progress made to ward growth objectives is even more complex. Growth objectives are met to some extent through the natural momentum picked up as a company approaches maturity, but performances by sales personnel impact upon growth.

a) **Quantitative performance Standards :-** Most companies use quantitative performance standards. The particular combination of standards chosen varies with the company and its marketing situation. Quantitative standard, in effect, define both the nature and desired levels of performance. indeed, quantitative standards are used for stimulating good performance as well as for measuring it.

In the past the performances of individual sales personnel were measured solely in terms of sales volume. Today's sales managers realize that it is possible to make unprofitable sales, and to make sales at the expense of future sales. Each company selects that combination of quantitative performance standards that fits its marketing situation and selling objectives. If necessary, it develops its own unique standards designed best to serve those objectives. Some of the commonly used quantitative performance standard are :

(i) Quotas: A quota is a quantitative objective expressed in absolute terms and assigned to a specific marketing unit. The terms may be Rupees or units of product; the marketing unit may be a salesperson or a territory. As the most widely used quantitative standards, quotas specify desired levels of accomplishment for sales volume, gross margin, net profit, expenses, performance of nonselling activities, or a combination of these and similar items.

(ii) Selling expense ratio : Sales managers use this standard to control the relation of selling expenses to sales volume. Many factors, some controllable by sales personnel and some not, cause selling expenses to vary with the territory, so target selling expense ratios should be set individually for each person on the sales force. Selling expense ratios are determined after analysis of expense conditions and sales volume potentials in each territory. An attractive feature of the selling expense ratio is that the salesperson can affect it both by controlling expenses and by making sales.

(iii) Territorial net profit or gross margin ratio : Target ratios of net profit or gross margin to sales for each territory focus sales personnel's attention on the needs for selling a balanced line and for considering relative profitability (of different products, individual customers, and the like). Management using either ratio as a quantitative performance standard, in effect, regard each sales territory as a separate organizational unit that should make a profit contribution. Sales personnel influence the net profit ratios by selling more volume and by reducing selling expenses. They may emphasize more profitable products and devote more time and effort to the accounts and prospects that are potentially the most profitable. The net profit ratio controls sales volume and expenses as well as net profit. The gross margin ratio controls sales volume and the relative profitability of the sales mixture. But it does not control the expenses of obtaining and filling orders margin products while underemphasizing new products that may be more profitable in the long run. Both ratios are influenced by factors beyond the sales person's control. For instance, pricing policy affects both net profit and gross margin, and delivery costs, which also affect both net profit and gross margin, not only vary in different territories but are beyond the sales person's control. Neither ratio should be used without recognition of its shortcomings.

The net ratio profit presents computational problems. Since allocations of indirect selling expenses to territories are arbitrary, the practice is to use contribution to profit, which takes into account only direct selling expenses identifiable with particular territories. Similarly, questions arise as to whether sales salaries and commissions should be included in calculating territorial net profit.

(iv) Territorial market share : This standard controls market share on a territory by-territory basis. Management sets target market share percentages for each territory. Management later compares company sales to industry sales in each territory and measures the effectiveness of sales mixture is obtained by setting target market share percentages for each product and each class of customer or even for individual customers.

(v) Sales coverage effectiveness index : This standard controls the thoroughness with which a salesperson works the assigned territory. The index consist of the ratio of the number of customers to the total prospects in a territory. To apportion the salesperson's efforts more among different classifications of prospects, individual standards for sales coverage effectiveness are set up for each class and size of customer.

(vi) Call frequency ratio : A call-frequency ratio is calculated by dividing the number of sales calls on a particular class of customers by the number of customers in that class. By establishing different call-frequency ratios for different classes of customers, management directs selling effort to those accounts most likely to produce profitable orders. While defining call frequency ratio it must be endore that the interval between calls is proper. It should neither be so short that only small orders are possible, nor so long that competitors take away the sale.

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

(viii) Order call ratio : This ratio measures the effectiveness of sales personnel in securing orders. Sometimes called at "batting average", it is calculated by dividing the number of orders secured by the number of calls made. Order call ratio standards are set for each class of account. When a salesperson's order call ratio for a particular class of account varies from the standard, the salesperson needs help in working with the class of account.

(ix) Average cost per call : To emphasize the importance of marking profitable calls, a target for average cost per call is set. When considerable variation exists in cost of calling on different sizes or classes of accounts, standards are set for each category of account. Target average cost per call standards also are used to reduce the call frequency on accounts responsible for small orders.

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

(xi) Multiple quantitative performance standards : It is widespread practice to as sign multiple quantitative performance standards. Figure 11.1 shows a form used by a company whose sales personnel are assigned nine different quantitative standards per operating period.

b) Qualitative Performance Criteria :- Certain aspects of job performance, such as personal effectiveness in handling customer relations problems, do not lend themselves to precise measurement, so the use of some qualitative criteria is unavoidable. Qualitative criteria are used for appraising performance characteristics that affect sales, especially over the long run, but whose degree of excellence can be evaluated only subjectively.

Figure 11.1 Form used for Assigning Quantitative Performance Standards to Sales personnel.

ASSIGNED STANDARDS OF PERFORMANCE	
SALES PERSON : OPERATING PERIOD	
1. Sales during period :	(Quotas Rs.....)
STANDARD : Meet or exceed quota.	
2. New accounts obtained during period :	
STANDARD : 5 per period	
3. Sales to new accounts during period Rs.....	
STANDARD : 10% of total sales.	
4. Total calls during period :	Average calls per day
STANDARD : 6 calls per day	
5. Percent of accounts called on one or more times during period	%
STANDARD : 1000%	
6. Total contacts during period :	Average number of contacts per call
STANDARD : 2 contacts per call	
7. Proportion of calls on retail (R) accounts :	%, wholesale (w) account :
STANDARD : R 70%, W 30%	
8. Total sales meetings held :	Attended
STANDARD : Attend all.	
9. Customers entertained during period :	Average per week
STANDARD : 1 or more per week.	

Formally, one method being to rate sales personnel against a detailed checklist of subjective factors such as that shown in Figure 11.2.

Executive judgment plays the major role in the qualitative performance appraisal. Written job descriptions, up to date and accurate, are the logical points of departure. Each firm develops

its own set of qualitative criteria, based upon the job descriptions; the manner in which these criteria are applied depends upon the needs of management.

Figure 11.2 Form used for Quantitative Analysis of Salesperson Performance

SALESPERSON PERFORMANCE ANALYSIS					
Name		Date			
	PROBLEM	FAIR	AVER	GOOD	SUPERIOR
JOB FACTORS					
PRODUCT KNOWLEDGE					
AWARENESS OF CUSTOMER NEEDS					
RELATIONSHIP WITH CUSTOMERS					
NUMBER OF SALES CALLS					
QUOTA PERFORMANCE					
SERVICE FOLLOW-UP					
PERSONAL FACTORS					
PUNCTUALITY					
GENERAL ATTITUDE					
DRESS & APPEARANCE					
DILIGENCE					
COOPERATION					
ACCURACY					
ADAPTABILITY					
RELIABILITY					
STRONGEST POINT					
.....					
WEAKEST POINT					
.....					
COMMENTS					
.....					
SIGNATURE					

11.6 Setting Performance With Standards:

Sales management's next task is to measure actual performance. Emphasis in this phase of control, in other words, shifts to gathering performance information. It is necessary to define information needs, determine the information sources, and collect the information. There are two basic sources of performance information : Sales and expense records and reports of various sorts. Almost every company has a wealth of data in its internal sales and expense records, but

this information frequently requires reworking, or reprocessing, before it is useful for sales control purposes. Reclassified according to sales management's information needs, sales and expense data contribute to the determination and measurement of actual performances.

A) Sales and expenses Report :-

1. **Progress or call report** : Most companies have a progress or call report. It is prepared individually for each call (See Figure 11.3) or cumulatively, covering all calls made daily or weekly. Progress reports keep management informed of the salesperson's activities, provide source data on the company's relative standing with individual accounts and in different territories, and record information that assists the salesperson on revisits.

2. **Expense Report** : Most sales personnel are reimbursed for expenses and itemized expense records are required for income tax purposes, most companies have an expense report. From sales management's standpoint, the purpose is to control the nature and amount of salespersons' expenses. This report also helps the salesperson exercise self-control over expenses. A weekly expense form is shown in Figure 11.4

3. **Sales work plan** : The sales person submits a work plan (giving such details as accounts and prospects to be called upon, products and other matters to be discussed, routes to be traveled, and hotels or motels) for a future period, usually a week or a month (See Figure 11.5). The purposes are to assist the salesperson in planning and scheduling activities and to inform management of the salesperson's whereabouts. The work plan provides a basis for evaluating the salesperson's ability "to plan the work and to work the plan".

4. **New- business or potential new-report** : This report informs management of accounts recently obtained and prospects who may become sources of new business. It provides data for evaluating the extent and effectiveness of development work by sales personnel. (see fig 11.6)

Figure 11.3 Sales Coll Report

CALL REPORT

Date _____ 19 _____

Customer : _____

Street : _____

City : _____ State : _____

Persons

Contracted _____ Title : _____

_____ Title : _____

TYPE OF CUSTOMER

- n Road Contractor
- n Building Contractor
- n Water and Sewer Contractor
- n Governmental
- n Industrial
- n Utility
- n Mining and Quarry
- n Other _____

SELLING STEPS TAKEN

- n Catalogs
- n Movie
- n View Machine Demonstration
- n Service
- n Entertained
- n Other _____

INTERESTED IN

NEW

- n Euclid n Thew
- n Rogers n Dynahoe

USED

- n Gardner-Denver
- n Coastal

RENTAL

- n Pioneer n Bros.
- n Other _____

FOLLOW UP PLAN _____

Date of next call _____

REMARKS : _____

Sales person : _____ n Add to Mailing List.

WHITE-HOUSTON

PINK-BRANCH

YELLOW-SALESPERSON

Figure 11.4 Weekly Expense Report

Weekly Expense Report Cash Expenditures

Name _____

Week Ending _____

Date	From / To	Meals (including)		Lodging		Enter-		Miscellaneous		Daily	
								Descript.	Amount		
M											
T											
W											
T											
F											
S											
S											
Expense Item Totals For Week											
Itemize below										Amount to be reimbursed	

I hereby certify that the above expenses represent monies spent for legitimate business only

Approval _____

Signed _____

EXPLANATION OF ENTERTAINMENT EXPENSE (including meals, etc., others)

Date	Name Persons Entertained	Firm	Where	Nature and purpose	Amount
Total					

Figure : 11.5 Sales Work Plan

SALES WORK PLAN

Salesperson _____ Date _____ Week of _____

	Prospect	Location	Purpose of Contact
Monday			
Tuesday			
Wednesday			
Thursday			
Friday			
Saturday			

LOST ORDERS

Customer	Machine Quoted	Purchased Make and Model	Sale or Rent	Remark

5. Report of Complaint and/ or adjustment : This report provides information for analyzing complaints arising from a salesperson's work, complaints by class of customer, and cost of complaint adjustment. This assists management in detecting needed product improvements and changes in merchandising and service practices and policies. (See Figure 11.7)

B. Report from Field Sales Management : In decentralized organizations, field sales executives have an important part in setting sales performance standards. Branch and district sales managers and, in some cases, sales supervisors assist in establishing sales volume quotas for sales people who, in many companies, also are consulted on their own quotas. Branch and district sales managers, in addition, play roles in breaking down branch and district sales volume quotas to quotas for individual sales personnel, and to products or product lines and/or to types of customers-occasionally, even to specific accounts. At the district level, especially in larger companies, profit and/or expense quotas are sometimes set for individual sales personnel and by product line.

Field sales executives have responsibility for reporting information on personnel performance. Since they are in the most frequent contact with the sales force, they are well placed to observe individual sales personnel in the field. Consequently, field sales executives prepare "sales personnel evaluation" reports, often of the merit-rating type, which gather information on qualitative sales performances.

11.7 Comparing Performance with Norms:

The most crucial and also the most difficult step in the evaluation process is the comparison of actual performance with the defined norms. The difficulty arises because evaluation requires an exercise of discretion. The same standards indiscriminately cannot be applied to all salesmen as the sales territories assigned to them differ in term of sales potential, level of competition, personalities of sales personnel and their customers. Through variations in territories may be adjusted by setting territories wise norms, personality variations can not and there in judgment of the executive has to be exercised.

Similarly, there may be varying results in respect of the same salesperson, on quantitative contributions by developing excellent dealer relationships, which have long term implications. Again executive judgment is called for arrive at an overall assessment of performance.

The performance of the sales personnel results from many variables, some of them buy and the control of either the salesperson or the sales management. It is therefore, important that

while comparing actual performance with the defined norms, the effect of other variables that affect performance should also be kept in mind.

Figure 11.7 Customer Service Request

<u>CUSTOMER SERVICE REQUEST</u>	
	Date _____
Customer : _____	
Address : _____	
Phone : Ac () _____	
<p><u>MERCHANDISE PROBLEMS</u></p> <p>ORDER NOT FILLED ■</p> <p>DEFECTIVE ITEM ■</p> <p>REPAIR PROBLEM ■</p> <p>WRONG ITEM SOLD ■</p> <p>AMOUNT CHARGED IN ERROR ■</p> <p>CREDIT/ REFUND NOT ISSUED ■</p> <p>OTHER _____</p> <hr/> <p><u>DELIVERY PROBLEMS</u></p> <p>NCORRECT ADDRESS ■</p> <p>CUSTOMER OUT ■</p> <p>LOST IN TRANSIT ■</p> <p>DAMAGED IN TRANSIT ■</p> <p>MERCHANDISE MISSING ■</p> <p>OTHER _____</p> <hr/>	<p>REMARKS</p>
Disposition :	

11.8 Summary :-

In this lesson we have discussed the importance of monitoring salesmen and apprising their performance. Different parameters are used by different companies depending upon their product market portfolio. Sales report generated by salesmen give information on many decision making areas for the top management. Every company in accordance with its requirements sets standards of performance for specific criteria to develop a reporting system for comparing actual performance with the norms. Both quantitative and qualitative criteria are used to arrive at proper evaluation of sales performance

11.9 Key Words :-

Call planning : A specific planning sequence with which the sales representative defines the objectives of the call device a selling strategy to achieve his objectives and make the payments.

Contribution Margin per salesman : The amount that a sales man contributes to the firm's fixed cost and profit

Evaluation : A comparison of planned and actual results identifying reasons for deviations.

Evaluation Frequency or periodicity : The training of sales force evaluation

11.10 Self Assessment Questions :-

1. Explain the importance of monitoring and performance appraisal sales force
2. Describe some of the parameters used to monitor sales force
3. Explain the various standards of performance appraisal evaluation
4. What are the different reports generated to monitor sales force ? How are they used ?

11.11 Further Readings :

Albert H. Dunn and Engene M. Johnson, Managing your sales Team, Englewood chiffs, N.J. Prentice Hall.

Robert F. Hartley, Sales Management, Boston & Houghton Miffition.

Joseph P. Gultinan and Gordon W. Panl, Marketing Management Strategies & Programmes, Mc. Graw Hill, New York

Richard R. Still, Edward W. Cundiff, A.P. Govoni, Sales Management, Decisions, Strategies and cases, Prentice Hall of India Pvt., Ltd., New Delhi

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LESSON - 12**PROMOTIONAL SCENE IN INDIAN - THE MEDIA –
MEDIA USE AND USERS****12.0. Objectives :**

After reading this lesson , you should be able to :-

- Know a complete overview of media scene in India.
- Discuss the rationale and inputs for the media selection decision.
- Give a comparative Evaluation of media in India and media habits of Indian consumers.
- Evaluate the marketing implications of media habits.
- Establish the relationship between advertising expenditure and sales promotion of products in the Indian context.

Structure :

- 12.1 Introduction.
- 12.2 Media Selection.
- 12.3 Media Status in India.
- 12.4 Correlation between promotion expenditure and sales Generation.
- 12.5 Advertising Expenditure in General A Profile.
- 12.6 Advertising Agencies in India.
- 12.7 Promotional scene for service and financial products.
- 12.8 Summary
- 12.9 Key Words
- 12.10 Self Assessment Question.
- 12.11 Further Readings.

12.1 Introduction :

With in the last decade, the media has acquired a lot of significance in developing advertising campaign. The proliferation of media choice and their increased costs have made the task of media planner more difficult and risky. Mass media options including Television, Radio, Newspapers, Magazines, out of home media and others. The choice may seem to be straight forward, but it is not.

Nevertheless, you need to know something's else too i.e. an introduction to the world of realities of media scene in a country that you are working. Thus, the media manager of HLL (HLL manages 110 brands and spends around Rs.450/- crores on advertising every year) will have to be familiar with what are the major characteristics of promotion vehicles in India because the company even though MNC in character, can not expect to implement all its media plans in India in view of inherent limitations and peculiarities of media scene in India. The same is true for a new company/product entering the Indian market for the first time, to know media availability through facts and figures. The aim of this lesson is to provide substance to media planners dreams and expectations as to what they can do and what they cannot possibly do.

12.2 Media Selection :

The selection of media has become quite intricate because of the nature of media themselves. The characteristics of each alternative must be considered carefully. The process of choosing between alternatives becomes even more complicated considering the wide range of alternatives with in the same medium. New and evolving media have further contributed to the difficulty of planning when, where, and how the ad message will be delivered.

A number of media alternatives and media vehicles are available to advertisers. In certain cases it is possible that only one medium and vehicle may be used. This, sometimes may be the case with small budget companies. Large companies usually use a number of media alternatives and vehicles. Media planning and selection refers to a series of decisions that need to taken in delivering the ad message to the large number of target audience in the most effective manner at the Lowest cost. The decisions are on reach, frequency, Geographical coverage, relative cost of media and characteristics of media vehicles. In addition to that message needs, consumers purchase pattern, budget level, competitive activity and marketing objectives shall taken into consideration for selection of media. Table – I provides creativity advantages and disadvantages in selecting a certain medium.

Table – I: Creative Advantages and Disadvantages of Media

Media	Creative advantages	Creative disadvantage
Television	<ul style="list-style-type: none"> ● Offer Mass Coverage ● High Level of reach ● Combined impact of sight ● Sound and motion ● Prestige Value ● Low cost per exposure ● Attract attention 	<ul style="list-style-type: none"> ● Offer Low Selectivity ● Short span of message life ● High cost ● High production cost ● Creates advertising culture ● Waste coverage

Radio	<ul style="list-style-type: none"> ● Local Coverage ● Lower Cost ● High Frequency ● Focused segment selection ● Low production cost 	<ul style="list-style-type: none"> ● Only Audio ● Noise ● Low on attention getting ● Message short lived
News Papers	<ul style="list-style-type: none"> ● Mass coverage ● Low cost large space ● Short lead time for ad placing ● Ad position choice possible ● Good for current ads ● Reader control exposure ● Coupons can be inserted 	<ul style="list-style-type: none"> ● Short life of advertisement ● Clutter ● Low attention getting ● Poor production quality ● Selective exposure
Magazines	<ul style="list-style-type: none"> ● Potential for focused segmentation ● Very good production quality ● Longevity of message ● High information content ● More readers per copy 	<ul style="list-style-type: none"> ● Long lead time for ad placing ● Only visual ● Low frequency ● Lack of flexibility
Out door	<ul style="list-style-type: none"> ● Good for specific location ● High reputation ● High visibility 	<ul style="list-style-type: none"> ● Short exposure time ● Short message ● Poor Image
Direct Mail	<ul style="list-style-type: none"> ● High level of selectivity ● Reader controls exposure ● High information content ● Opportunity for repeat exposures 	<ul style="list-style-type: none"> ● High cost per contact ● Often thrown as junk mail ● Clutter
Internet	<ul style="list-style-type: none"> ● User controlled ● Increased attention and involvement 	<ul style="list-style-type: none"> ● Limited creative capabilities ● Technology limitation ● Limited reach ● Few valid measurement techniques

12.3 Media Status in India :

- ◆ Beyond facts and figures, there has been a substantial qualitative improvement in media status in the country. Both the demand and usage of media has been on the rise. Several factors have been accountable for this rise.
- ◆ Economic liberalization, globalization, both in the consumer and industrial markets, necessitated a different approach to markets. Competition was the new name of the game. Naturally, media was treated as on 'ally' in meeting competition.
- ◆ The markets were flooded with innovative, new and improved products. The traditional placid markets came suddenly to life. Media provides a significant vehicle for these products.

- ◆ There was an urgency in the efforts to defend market share by the traditional leaders of both consumer durables, non-durables and business products, use media in the process in a perceptibly bigger way.
- ◆ There is now a greater intimacy between media suppliers and media users in India. Media suppliers provide latest data about their reach and frequency to make advertisement, more effective. Value for money is the new slogan of media suppliers.
- ◆ Marketing research is being increasingly used by both media suppliers and users. This marketing research is used for both positioning the advertisement and effective use of reach and frequency in getting message across to the consuming public.
- ◆ The public preferences, knowledge and attitude toward media too has substantially changed. The awareness and appreciation of people is on the increase as to what media can or cannot do.
- ◆ Realizing fully the monetary gains and importance of media selling, media suppliers too have modernise the media services.

Media reach in India is illustrated by Table – 2

Which attempts major media reach in Urban and rural India and Table – 3 gives a very general view of metro media habits, especially useful to those media planners targeting at metro markets.

Table – 2 : Major Media Reach in India

Media (Figures in %)	Urban	Rural	Total
Press	49.4	17.4	26.8
T.V.	81.6	42.0	53.5
Radio	21.6	24.6	23.7
Cinema	15.3	8.6	10.6
Internet	1.6	0.1	0.5

Source :National Readership Survey, 2002

Table – 3 Metro Media Habits

Media	Mumbai	Kokatta	Delhi	Chennai
Press	65.1	52.2	54.2	66.4
T.V.	42.7	24.7	55.4	46.3
Cinema	32.7	37.6	38.2	54.8
Radio	54.2	45.6	57.2	70.2

Table – 4 Growth of Media in India

Media	1993	2003
T.V. No. of channels	17	218
Press No. of Publication Industry Estimates	31000	51000
ABC Member Publication (Audit Bureau of circulation)	0	3402
Radio No. of Stations	90	275
Cinema No. of Theatre	14000	12900

Source : Hindu Survey on Indian Industry, 2005.

1. The Press Medium in India :

In the last nearly 200 years, Newspapers and Magazines have remained a very important mass media for advertising. The power of written word has been recognized since the era of shared information. In the recent years, when press and print medium in general felt threatened by Television, several leading exponents of print medium began on concerted exercise to back its audience and, by implication, advertisers and adverteng revenue.

Newspapers are the major form of print media, and the largest of all advertising media. Newspapers are quite important to national advertisers and are an especially important advertising medium to local advertisers. As of 31 December-2002, the total number of Newspapers and periodicals was a who opting 51,960 published in India as compared to 41,705 in 1997. The number of dailies in different languages was 5,638, weeklies 18,582 and monthlies 14,634 (see Table-5). Newspapers are published from all states and Union territories. According to the recent readership survey maximum number of dailies in English – 22 (IRS) 18 (NRS), second largest figure in dailies is in Hindi – 26 (IRS) 23 (NRS). In the regional languages Marati and Gujatati dailies have the largest number – 23 (IRS) 15 (NRS) and 14(IRS) 11 (NRS) respectively. (See Table – 6).

2. Television in India :

Television is believed to be the most authoritative influential and exciting of all mediums. It is often said that television is the ideal medium for advertising because of its ability to combine visual images, sound, motion and colour. These characteristics allow the advertiser maximum opportunity to develop the most creative and imaginative ad messages as compared to any other medium. With the introduction of sponsored programmes, there will be an attempt to produce improved quality programmes. This will vastly improve the entertainment value and the consequent viewer ship. As it will also increase the cutter of commercials, we may see subject related commercials.

Advertising on television makes it possible to reach a large number of audiences. Durdarshan claim to have its terrestrial reach to 70 million house holds in India, including rural areas. It is estimated that over 191 Million TV audience are Urban and 171 Millions are rural areas. In villages, with population between 1000 and 5000, average time spent in viewing T.V. range between 24.6 to 32.0 minutes per working day. The same in metros and cities ranges between 32.1 to 36.8 minutes. C & S reach 20 million homes, mostly Urban.

Table – 5
Number of News Papers in 2002
 (Language and periodicity wise)

Language	Dailies	TRI/B1- Weeklies	Week- lies	Fort- nights	Month- lies	Quar- terlies	Bi Monthly	Annual Total	Total
							Half Yearly		
English	407	34	1010	745	3052	1308	854	186	7596
Hindi	2507	125	10243	3122	3633	693	228	38	20589
Assamee	18	3	77	39	65	13	10	1	226
Bengali	103	15	633	560	726	492	190	22	2741
Gujarati	159	13	1086	228	597	65	52	15	2215
Kannada	364	6	397	269	700	52	24	4	1816
Kashmir	0	0	1	0	0	0	0	0	1
Konkani	1	0	3	1	4	2	0	0	11
Malayalam	225	6	184	165	816	63	37	9	1505
Manipuri	15	0	6	5	10	7	4	0	47
Marathi	395	21	1410	226	594	123	49	125	2943
Nepali	3	2	26	6	12	17	7	0	73
Oriya	80	2	167	93	292	91	23	4	752
Punjabi	107	15	369	99	268	33	19	1	911
Sanskrit	4	0	9	4	17	16	6	0	56
Sindhi	13	0	38	11	37	9	2	0	110
Tamil	366	43	411	241	987	37	26	8	2119
Telugu	180	3	267	217	574	31	15	2	1289
Urdu	534	21	1348	377	533	72	18	3	2906
Bilingual	82	20	692	373	1334	389	161	37	3088
Multilingam	18	4	120	69	225	71	36	13	586
Others	57	15	85	31	128	56	13	1	380
Total	5638	348	18582	6881	14634	3640	1774	469	51960

Table –6 :**Top Dailies in India – 2004**

Publication	Language	Circulation
Times of India	English	24,71,884
Dainik Jagram	Hindi	21,61,446
Dainik Bhaskar	Hindi	20,08,778
Malayalam Manorama	Malayalam	13,73,079
Hindustan Times	English	11,87,913
Anand Bazar Patrika	Bengali	11,06,408
The Hindu	English	10,47,121
Eenadu	Telugu	9,85,278
Mathrubhumi	Malayalam	9,48,089
Rajasthan Patrika	Hindi	9,35,783

Audit Bureau of circulation, July, December, 2004

Top Weeklies

1.	The Sunday times of India (Except Delhi)	English	14,23,152
2.	Malayalam Manorama	Malayalam	9,82,419
3.	Mangalam	Malayalam	5,40,642
4.	Anand Vikatan	Tamil	4,30,534
5.	Kumudam	Tamil	4,22,141
6.	Balarama	Malayalam	2,95,288

Top Fortnights & Monthlies

1.	Sara Salil	Hindi	10,51,279
2.	Vanitha	Malayalam	5,43,233
3.	Meri Saheli	Hindi	3,58,353
4.	Grih Shobha	Hindi	3,64,096
5.	Gruha Lakshmi	Hindi	2,70,008

Top Annual

1.	Kalnimay	Marati	49,04,084
2.	Kalnimay	Hindi	5,39,876
3.	Malliga Panchanga Darshni	Kannada	2,83,446
4.	Manorama Year Book	English	2,22,778
5.	Sharadia Bartaman	Bengali	1,56,936

Source : Audit Bureau of circulations, July, December, 2004.

Table – 7 : T.V. Viewer ship by Region (Figures in Millions)

	West	South	East	North	Total
Urban	52.3	60.2	37.7	41.2	191.4
Rural	38.5	45.4	37.3	49.5	170.7
Others	33.4	24.7	28.3	31.0	117.4
Total	124.2	130.3	103.3	121.7	479.5

Source : Doordarshan 2001.

Table – 8 : DD, Cable and Satellite (C & S) Revenue

Year	DD (Rs. in crores)	C & S (Rs. in crores)
1994-1995	373	78
1995-1996	398	160
1996-1997	472	349
1997-1998	573	539
1998-1999	491	810
1999-2000	425	1175

3. Radio :

Radio can deliver ad message to a very large number of audiences across the length and breadth of our country. An estimated 104 million house holds in the country own radio's. Akashvani (AIR) reaches 97.3 percent population and its coverage by area is 90 percent. It has 208 stations and 313 transmitters (Medium Wave – 142, short wave – 85 and 116 FM transmitters). External service division covers about 100 countries in 26 languages (Indian Languages 10, and Foreign Languages 16). Commercial services of All India Radio include 30 Vividh Bharathi centres, 76 Local Radio stations and 4 FM Metro Channels. National Channel of AIR started in May, 1998, also accepts commercials.

Radio time in India is sold in spots of 7, 10, 15, 20 and 30 seconds. The ads are interspread among the programmes and a spot capsule contains a maximum of 4 spots not exceeding a total of 75 seconds. A 10 second spot on FM costs between Rs.250 to Rs.270/-

4. Outdoor :

Outdoor advertising is the oldest form of advertising, signs were used to mark the location of mercantile establishments. Today's outdoor media of advertising are nothing but a retirement of the ancient method of delivering a message to a large group of people. The modern outdoor media includes posters, bill boards, herding, non-standardised signs, highway advertising, transit advertising and at rail, bus and air terminals.

Outdoor ads are a Rs.650/- crores market, 1998 shared by some 80 different agencies. The rate of growth is 15% per year. Outdoor accounts for 10% of total ad business (Rs.5000 crores). Mumbai itself accounts for 20% of the spendings. The overall spend on TV is about Rs.1500 crores. This makes outdoor about 33% of TV spend. Rates are charged per unit of time say weekly, monthly or annually. Price very between Rs.5000/-, Rs.1.5 Lacks per hoarding and depends on location. India is said to be spending highest (10PC) on Outdoor followed by Korea, Japan and Malaysia.

5. Internet :

Advertiser can put their messages on the Net. In the evolution of Internet as a media, advertising will play a significant role. Internet will expand by leaps and bounds in the next few years. The year 2003 will have around 200 million internet users. We in India around 2-2.5 million internet users already. Internet access means a reduction in time to access other India.

12.4 Correlation between promotion expenditure and sales Generation :

Business organisation, particularly those manufacturing consumer goods has high correlation with the expenditure incurred on advertising and sales promotion of goods. A relatively high correlation was found to exist in the case of HLL, Colgate Palmolive, Food Specilities, Coca-Cola, Brooke Bond, Nestle. The expenditure on advertisement and related promotional activities is often constructed as a selling costs by the companies. But advertisement is a product cost, forming a part of the cost, for manufacturing and Distribution of a new or supposedly better products. The selling cost is the cost incurred generally in maintaining or enlarging the market for products

which are already in the market stream. Certain companies have high advertisement push effect on sales than others. Invariably the consumer good manufacturing companies have such a push – effect.

It has been found that there is no linear relation between generation of sales and expenditure on sales promotions. This is because the companies have generally a diversified product range. The media platform for advertisements and nature of products are also important factor in establishing linear relationship between sales promotion expenses and sales income of companies. It is concluded that sales promotion expenses do have an impact on the sales income of companies. But it appears that there is no one to one linear relationship between the two factors though these are highly correlated to one another.

12.5 Advertising Expenditure in General – A Profile :

As elsewhere in India too, there is a high spendings on advertising. Reasons for this reluctance are not far to seek. It is indeed a sensitive questions for any company to answer too. Secondly and perhaps more important is the inability to arrive at precisely the amount to be attributed to advertising as accounting practices in these companies do not accurately keep figures on various forms of promotions in a company.

Table – 9
Companies Allocations of Media Dollars – US and International

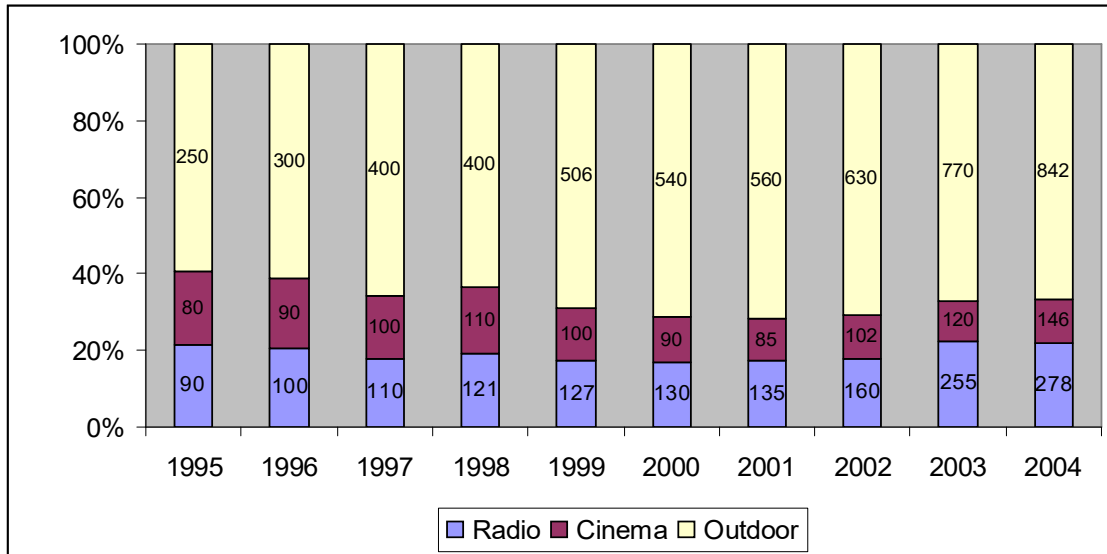
(Media Spendings in Millions)

Rank	Advertiser	Out side US	US	World Wide	Africa	Asia	Europe	Latin America	Middle East	Canada
1	Unilever	2967	698	3664	24	931	1713	291	7	0
2	P & G	2610	1542	4152	7	589	1513	397	41	61
3	Nestle	1560	327	1886	7	404	985	163	1	0
4	Toyoto	1345	790	2135	6	905	365	0	13	55
5	Volkswagen	1290	424	1714	4	14	1101	150	0	20

Table – 10
Top 10 Advertisers in India (Rank Wise)

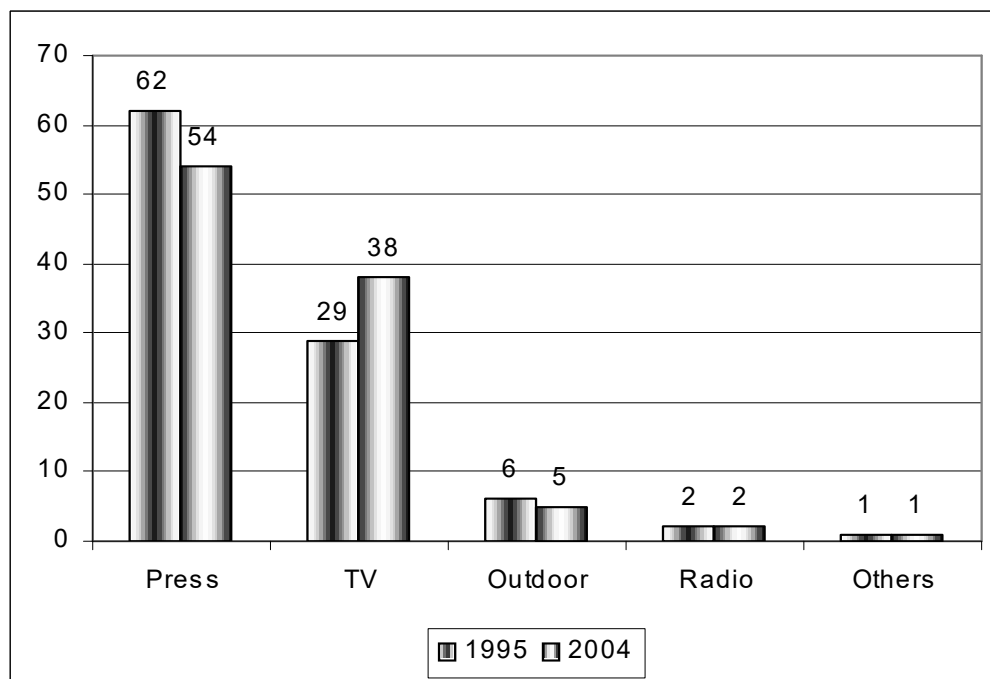
1985-86	1992	1998	2004
HLL	HLL	HLL	HLL
Colgate Palmolive	Tata's	Nestle	Hero Honda
Mc Donald's	MRF	Colgate, Palmolive	Bajaj Auto
Brooke Bond	Godrej	Coco-Cola	LIC of India
Peico	P & G	Dabur	Samsung
Reliance	Parle Exports	Pepsi	Hyndai Motors
ITC	Nestle	P & G	LG
Glaxo	Colgate, Palmolive	Reckitt & Column	ITC
Escort	ITC	Maruthi Udyog	Maruthi Udyog
Bombay Dying	Bajaj Auto	Tata Motors	Tata Motors

Table – 11
Advertising Expenditure by Medium



Source : Hindu Survey on Indian Industry, 2006 P. 277

Figure – 1
Share by Media – Spending (1995 – 2004)



In growth terms, TV is scoring over other media during the said period. The print media accounts for 54% of the total ad expenditure in 2004, with the similar formidable track record in the past. The expenditure on Radio is constant.

12.6 Advertising Agencies in India :

Advertising agencies in India have kept pace with the expansion of media business and expenditure on advertising. While in 1939, there was only 14 agencies accredited to the Indian Newspaper Society (INS) by 1986, this strength has gone up to 383 and by 2004, the strength has increased at about 675. The top ten agencies in India are Hindustan Thompson Association (HTA), Bombay; Ogilvy Business Master (OBM), Bombay, Clarion Advertising & Marketing, Calcutta; Pressman Advertisement & Marketing, Calcutta, Lintas India, Bombay, Rediffusion Advertisement, Bombay; Ulka Advertisement, Bombay, R.K. Swamy Advertisement, Madras, Chaitra Advertisement, Bombay; Mudra Communication, Chennai.

Along with the expansion in numerical strength of Advertisement agencies in India, there has been a substantial growth in billing of both accredited and non-accredited advertisement agencies in India. An important highlight of advertisement agencies in India is their affiliations with international agencies.

12.7 Promotional Scene for Service and Financial Products :

The promotional scene in India is so heavily tilted in favour of products in both consumer and Industrial Categories, that other emerging areas appear totally out shadowed. The purpose of this section is to pull two strongly emerging areas of marketing activities i.e., service and financial product out of their traditional neglect and make you aware of their current status.

Service Products : As stated earlier, promotional scene of service products is both exciting and peculiar because the contours of the same are yet to settle firmly. There are inbuilt reservations in the minds of both marketers and media about the suitability of already-known promotional methods in India and to find a perfect fit between them.

Financial Advertising : Since 1991 a new era of financial advertising has emerged in India, something that was seldom seen before. This is however inextricably linked to a new culture of savings and investments being witnessed these days. The culture was nurtured by a Virtuous – Circle of higher savings fuelled by newer avenues of investment and reinforced by better returns. The market was watershed where shares and debentures market experienced a boom. Financial advertising refers to the advertisement of financial instruments such as shares, debentures, bonds, bank deposits & advances, saving schemes, units, mutual funds etc. In many ways, financial advertising is akin to consumer advertising. Financial instruments are similar to consumer products, although engage higher customer involvement, commitment and risk. Thus, all marketing mix elements are of as much significance in financial products as they are in consumer products.

Two differences, however, are notable in comparing financial advertising with consumer advertising. Firstly, financial advertising is one time i.e., related to a particular event. There after, it is forgotten. Consumer advertising on the other hand is continual in nature. Secondly, the target audience in financial advertising is more limited and identifiable than in consumer advertising.

Thus, media choice is more precise in financial advertising. Financial advertising is different from corporate advertising too. While the former is primarily to persuade the existing and potential investors to the financial products, the latter deals with the task of building corporate image of the advertiser usually, financial advertising is preceded by corporate advertising.

12.8 Summary :

The lesson covers all the promotional media is use in India. Through relevant data information on readership and other media habits of the Indian Population, region wise and state wise. The reach of the different media has been discussed and a comparative evolution of media option has been provided.

Promotional scene in India is undergoing a turbulent high growth period, with most advertisers waking upto the need for advertising and promotions, to create a niche in the increasingly competitive market. Services have also joined taken the promotional route and unconventional products like financial products, have also begin to advertise while this growing outlay on promotional expenditure may bear testimony to a gradual shift from the sellers market to a buyers market.

12.9 Key Words :

1. **Alternative media** : A term commonly used in advertising to describe support media.
2. **Average Frequency** : The number of times the average household reached by a media schedule is exposed to a media vehicle over a specified period.
3. **Effective reach** : A measure of the percentage of a media vehicles audience reached at each effective frequency increment.
4. **Mass Media** : Non-personal channels of communication that allow a message to be sent to many individuals at one time.
5. **Media Vehicle** : The specific programme, publication, or promotion piece used to carry an advertising message.
6. **World Wide Web** : The commercial component of the internet.
7. **Web Site** : The information made available to users of the internet by the provider.

12.10 Self Assessment Questions :

1. Review the media use in India from your perspective and brings out at least three highlights.
2. Assess the merits of print media and television for an hotelier of national repute.
3. What strategies would you recommend for select an appropriate advertising media ?

12.11 Further Readings :

1. George E. Belch & Michael A Belch, Advertising and promotion. An Integrated Marketing Perspective, Tata Mc Grow Hill, New Delhi.
2. Chunawalla S.A., Advertising, Sales and promotion Management, Himalaya Publishing House, Mumbai.
3. Philip Kotter, Marketing Management, Prentice Hall of India, New Delhi.

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LESSON –13**MARKETING COMMUNICATION PROCESS,
PLANNING, MANAGING AND EVALUATING
PROMOTIONAL STRATEGY****13.0 Objectives:-**

After studying this lesson you should be able to :

- Explain the concept and role of Marketing Communication
- Analyse the Marketing Communication Process
- Come to know the role of Various Promotional elements in Marketing Communication Programme
- Explain the planning process of promotional strategy and
- Manage and evaluate the promotional strategy.

Structure :

- 13.1 Introduction**
- 13.2 Concept of Marketing Communication**
- 13.3 Developing Effective Communication**
- 13.4 Elements of Marketing Communication Mix**
- 13.5 Managing and Co-ordinating Integrated Marketing Communication**
- 13.6 Summary**
- 13.7 Key Words**
- 13.8 Self Assessment Questions**
- 13.9 Further Readings**

13.1 Introduction

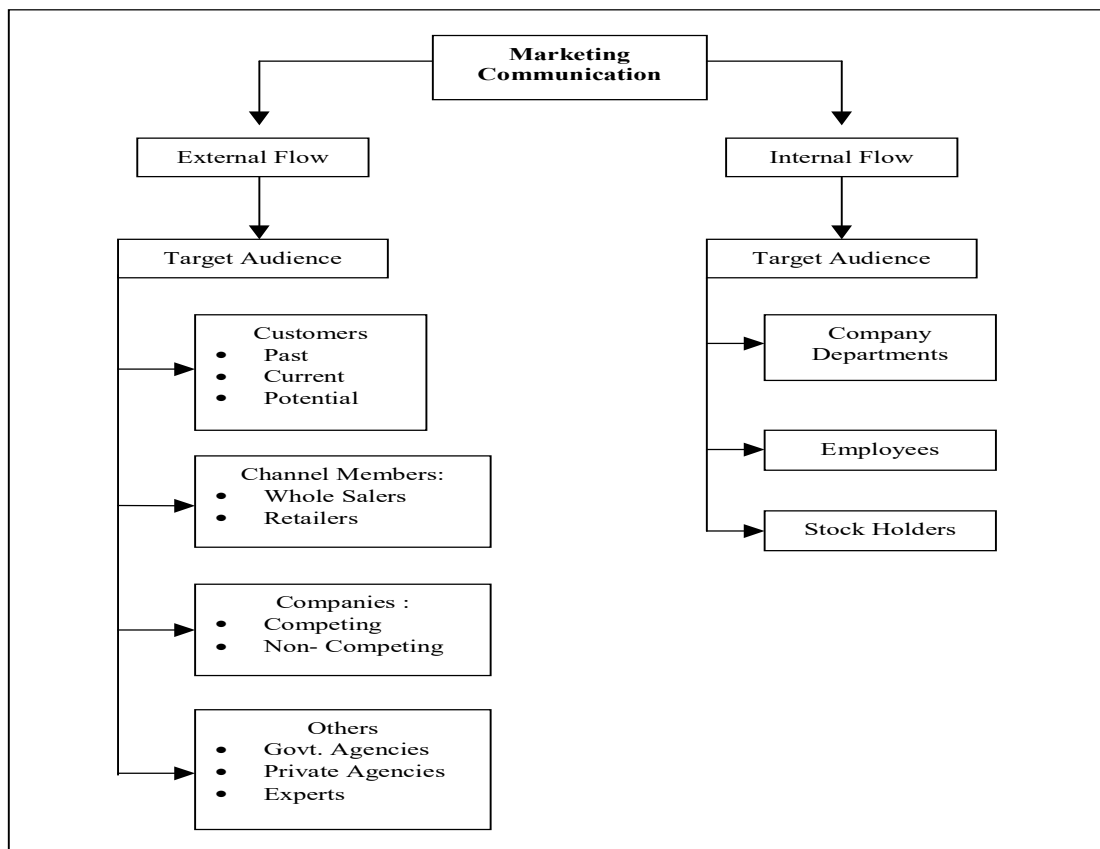
'Integrated Marketing Communications is a way of looking at the whole marketing process from the view point of the receiver. Modern marketing calls for more than developing a good product pricing it attractively, and making it accessible. Companies must also communicate with present and potential stakeholder, and the general public. Communication is a unique tool used by marketers in an attempt to persuade consumer to act in a desired manner. Suitable communication can trigger favourable feelings and emotions that put consumers in a more receptive frame of mind thereby encouraging and leading to purchase action. In fact, communication can work as a bridge between marketers and consumers and also between consumers and their socio- cultural environment. In its linkage with buyers, it encompasses everything including product, packaging and distribution channels, and forms as a vital part of overall marketing efforts towards buyers and also the other sections of society.

13.2 Concept of Marketing Communication

Today there is a new view of communications as an interactive dialogue between the company and its customers that takes place during the preselling, selling, consuming and post consuming stage. Marketing Communication supports the marketing plan and help the target audience to understand and believe in the advantage of the marketers offer over competition. This is possible only through the designing and implementing of persuasive communications. Marketing communication has an external flow and an internal flow.

The external flow of marketing communication is directed at the past, current and potential customers; at the channel members; at competing and non competing companies and at various other audiences who may influence the company's operations. Such as government agencies, private agencies, and experts in the field. The Communication may include advertising, personal selling, direct mail, point of purchase display, warranties, sales promotion, publicity, etc. Such communications help in developing and maintaining healthy relationships with different audience outside the company. The internal flow aspect of marketing communication flow involves various departments in the company, all company employees and stakeholders. When the company is introducing new products or dropping some existing products or product prices are resised or the company enters new markets or new distribution outlets, company employees often need to know what the marketing department is doing. Convening and persuasive marketing communication can help in influencing employees perception and shape their morale and performance. (See figure 13.1)

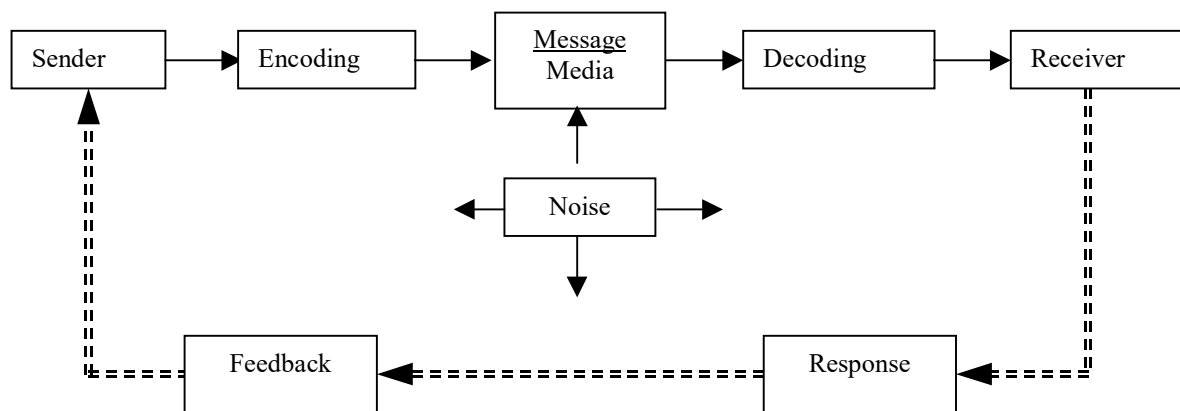
Figure 13.1 Marketing Communication Flow



Promotion strategy implementation requires a clear understanding of needs and wants of target audience and a great deal of data concerning competitors, new media, government and available techniques. Communication is the soul of promotion activity and understanding communication is essential to the betterment of a marketing communication programme.

Communication Process : To communicate effectively marketers need to understand the fundamental elements underlying effective communication. Figure 13.2 shows a Communication model with nine elements. Two represent the major parties in a communication sender and receiver. Two represent the major communication tools – message and media. Four represents major communication functions. encoding, decoding, response and feedback. The last element in the system is Noise. Company communication goes beyond this specific communication platforms.

Figure 13.2: Elements in the communication Process.



The model underscores the Key factors in effective communication. Sender must know what audience they want to reach and what response they want to get. They must encode their message in away that understands how the target audience usually decodes messages. They must transmit the message through efficient media that reach the target audience and develop feedback channels to monitor the response.

13.3 Developing Effective Communication

There are eight steps in developing effective communication. The marketing communicator must. 1) Identify the target audience, 2) Determine the communication Objectives, 3) Design the Message, 4) Select the Communication Channels, 5) Establishing total communication budget, 6) Decide the Communication Mix, 7) Measure the Communication's Results, and 8) Manage the Integrated Marketing Communication Process.

1) Identifying the Target Audience : The process must start with a clear target audience in mind: Potential buyers of the company's products, current users, Decider, Influences, Individuals, Groups, Particular Public, or general public. The target audience is a critical influence on the communicator decision on what to say? How to say? When to say it? Where to say it? And whom to say it?

A Major part of audience analysis is assessing the current image of the company, its products, and its competitors. To measure the audience's knowledge of the object using the familiarity scale consists of 5 points related to product awareness and favourability scale, then the organisation must overcome a negative image problem.

2) Determining the Communication Objectives : Once the target market and its perceptions are identified, the marketing communicator must decide on the desired audience response. The marketer can be seeking a cognitive, affective, or behavioural response. That is, the marketer might want to put something into the consumers mind, change an attitude, or get the consumer to act. Figure 13.3 illustrates the different models of consumer response stages.

Fig 13.3 Response Hierarchy Models

Stage	AIDA Model (a)	Hierarchy of Effects Model (b)	Innovation Adoption Model (c)	Communication Model (d)
Cognitive Stage	Attention ↓	Awareness ↓ Knowledge	Awareness ↓	Exposure ↓ Reception ↓ Cognitive Response
Affective stage	Interest ↓ Desire	Liking ↓ Preference ↓ Conviction	Interest ↓ Evaluation	↓ Attitude ↓ Intention
Behaviour Stage	↓ Action	↓ Purchase	↓ Trial ↓ Adoption	↓ Behaviour

Source : (a) E.K. Strong, the psychological selling, (Mc-Graw Hill U.S.A) (b) Robert J. Lavidge and Gray a steiner, A model of predictive measurement of Advertising Effectiveness, Journal of Marketing. Oct 1961, P.61(c) Everet M. Rogers, Diffusion of Innovations (New yark free press 1962, P.P.79 86, (d) various sources.

All these models assumes that the buyer passes through a cognitive, affective, and behavioural stage, in that order. By choosing the right sequence the marketer can do a better job of planning communication.

3. Designing the Message : After defined the desired response the communicator moves to developing an effective message. Ideally the message should gain attention, hold interest, arouse desire, and explicit action. In practice, few message take the consumer all the way from awareness through purchase. Formulating the message will require four logical components i.e., message, content, message structure, message format and message source.

- i) In determining message content, management search for an appeal, theme, idea, or unique selling proposition. There are three types of appeals rationale : engages self interest, emotional attempt to stir up negative or positive emotions that will motivate purchase, and moral appeals are directed to the audience's sense of what is right and proper.
- ii) Message effectiveness depends on structure as well as content. The systematic structure will enable the consumers easily understandable and early response.
- iii) The strong message format contains different components like headline, illustration, copy, color, words, Vocalization, non-verbal clues etc., depends on the nature of advertisement must copy appeals.
- iv) Message delivered by attractive or popular sources achieve higher attention and recall. The factors underlie source credibility are expertise, trust worthiness and likability

4) Selecting communication Channel:

The communicator must select efficient communication channels to carry the message. Communication Channels are of two types, personal and non personal. Within each are many sub channels. The personal communication channel involves two or more persons communicating directly with each other face to face, person to audience, over the telephone, or through e-mail. Non personal communication channels includes media, atmosphere and events.

5) Establishing the total marketing communications budget:

One of the most difficult marketing decisions is how much to spend on promotion. Usually the expenditure might amount to 30 to 50 percent of sales in the cosmetics industry and 5 to 10 percent in the industrial equipment industry. Within a given industry, there are low and high spending companies. To decide on the communication budget four common methods shall taken into consideration.

a) Affordable Method : Many companies set the promotion budget at what they think the company afford.

b) Percentage of Sales Method : Many companies set promotion expenditures at a specified percentage of sales (either current or anticipated) or of the sales price.

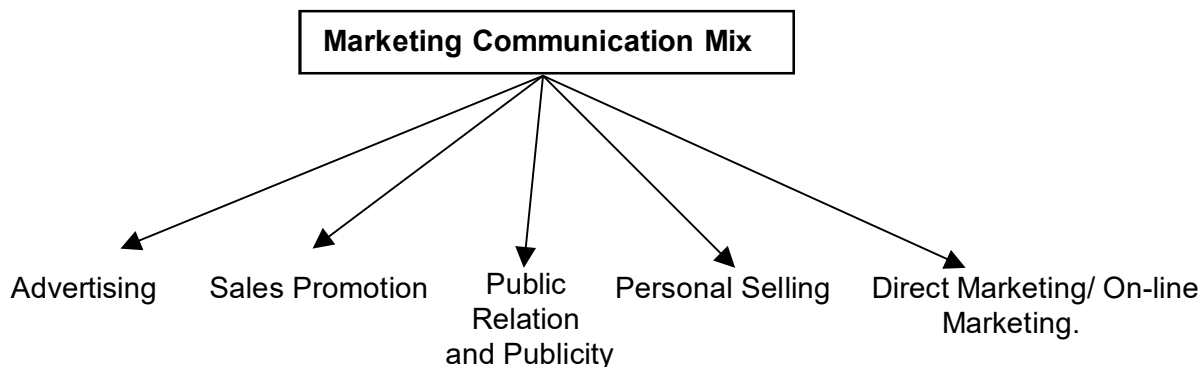
c) Competitive Parity Method : Some companies set their promotions budget to achieve share of voice parity with competitors.

d) Objective and Task Method: The objective – and Task method calls upon marketer to develop promotion budgets by defining specific objectives, determining the tasks that must be performed to achieve these objectives and estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget.

13.4 Elements of Marketing Communication Mix :

Companies must allocate the promotion budget over the five promotional tools – advertising, sales promotion, public relations and publicity, personal selling, and direct marketing. Within the same industry, companies can differ considerably in their allocations, and always searching for ways to gain efficiency by substituting one promotional tool for another. Many companies have replaced some field sales activity with ads, direct mail, and telemarketing. Companies have also increasing their sales promotion expenditure in relation to sales promotion and advertising.

i) The promotional Tools of Marketing Communication Mix :



a) **Advertising** : Advertising is any paid form of non-personal presentation and promotion of Ideas, goods or services by an identified sponsor. (AMA definition). The key elements in ad are non-personal, promotion of ideas, goods/services, paid form and identified sponsor. To advertise, ordinarily use a mass medium of T.V. Radio, News papers, Hoarding etc.,

b) **Sales promotion** : A variety of Short-term incentives to encourage trial or purchase of a product/ service. The tools are – coupons, contests, premium, and the like-are highly diverse, and offer three distinctive benefits of communication incentive and invitation.

c) **Public Relations and publicity** : A variety of programmes designed to promote or protect a company's image or its individual products. The appeal of PR and publicity is based three distinctive qualities: High credibility, ability to catch buyers off guard and Dramatization, form of non-paid publicity is formally defined as any commercially significant views of editorial comments about ideas, products and investments.

Difference between Advertising and Publicity

Advertising	Publicity
Paid from	Non-paid form
Product Related Message	Public welfare related message
Less creditable	More creditable
More subjective	More objective
Maximum control over the message	Little control over the message

d) **Personal Selling**: Face to face interaction with one or more prospective purchasers for the purpose of making presentations, answering question/ queries, and procuring orders. It is the most effective tool at later stages of the buying process, particularly in building up buyer preference, conviction and action. It has three distinctive qualities : personal confrontation, cultivation and response.

e) **Direct Marketing**: Use of mail, telephone, fax, e-mail, or Internet to communicate directly with or solicit a direct response from specific customers and prospects.

ii) **Factors in setting the Marketing Communication Mix**: Companies must consider several factors in developing their promotion mix. The factors are:

a) **Type of product market**: Promotional allocation vary between consumer and business markets (See fig 13.4). Consumer marketers spend on sales promotion, ad, personal selling, and public relations in that order. Business marketers spend on personal selling, sales promotion, advertising, and public relations in that order. In general, personal selling is more heavily used with complex, expensive, and risky goods and in markets with fewer and larger sellers.

Relative Spendings on Promotional Tools in Consumer Vs Business Markets.

Consumer Goods	Industrial Goods
Sales promotion	Personal Selling
Advertising	Sales promotion
Personal Selling	Advertising
Public Relation & Publicity	PR &P
Direct Marketing	Direct Marketing.

b) **Push Vs. Pull strategy**: The promotional mix is heavily influenced by push vs. pull strategy. A push strategy involves the manufactures using sales force and trade promotion to induce intermediaries to carry, promote and sell the product to end users. A pull strategy involves the manufacturers using advertising and consumer promotion to induce to ask intermediaries for the product.

c) **Buyer - Readiness stage**: Promotional tools vary is cost effectiveness at different stages of buyer readiness. Ad and publicity play the most important roles in awareness building stage, ad and personal selling influence customer comprehensions, customer conviction is influenced mostly by personal selling, and closing the sale is influenced mostly by personal selling and sales promotion ad reorders is also affected mostly by the personal selling and sales promotion.

d) **Product life cycle stage**: Promotional tools also vary in cost effectiveness at different stages of product life cycle. In introduction stage advertising & Publicity, growth stage all the tools, maturity stage. Sales promotion, ad & personal selling and in the decline stage sales promotion is strong.

e) Company Market Rank : Market leaders derive more benefits from advertising than sales promotion. Conversely, smaller competitors gain more by using sales promotion in their marketing communication mix.

Measuring Results :

After implementing promotional plan, the communicator must measure its impact on the target audience – Awareness, conviction, attitude, behavioural measure etc., of the consumers on programmes.

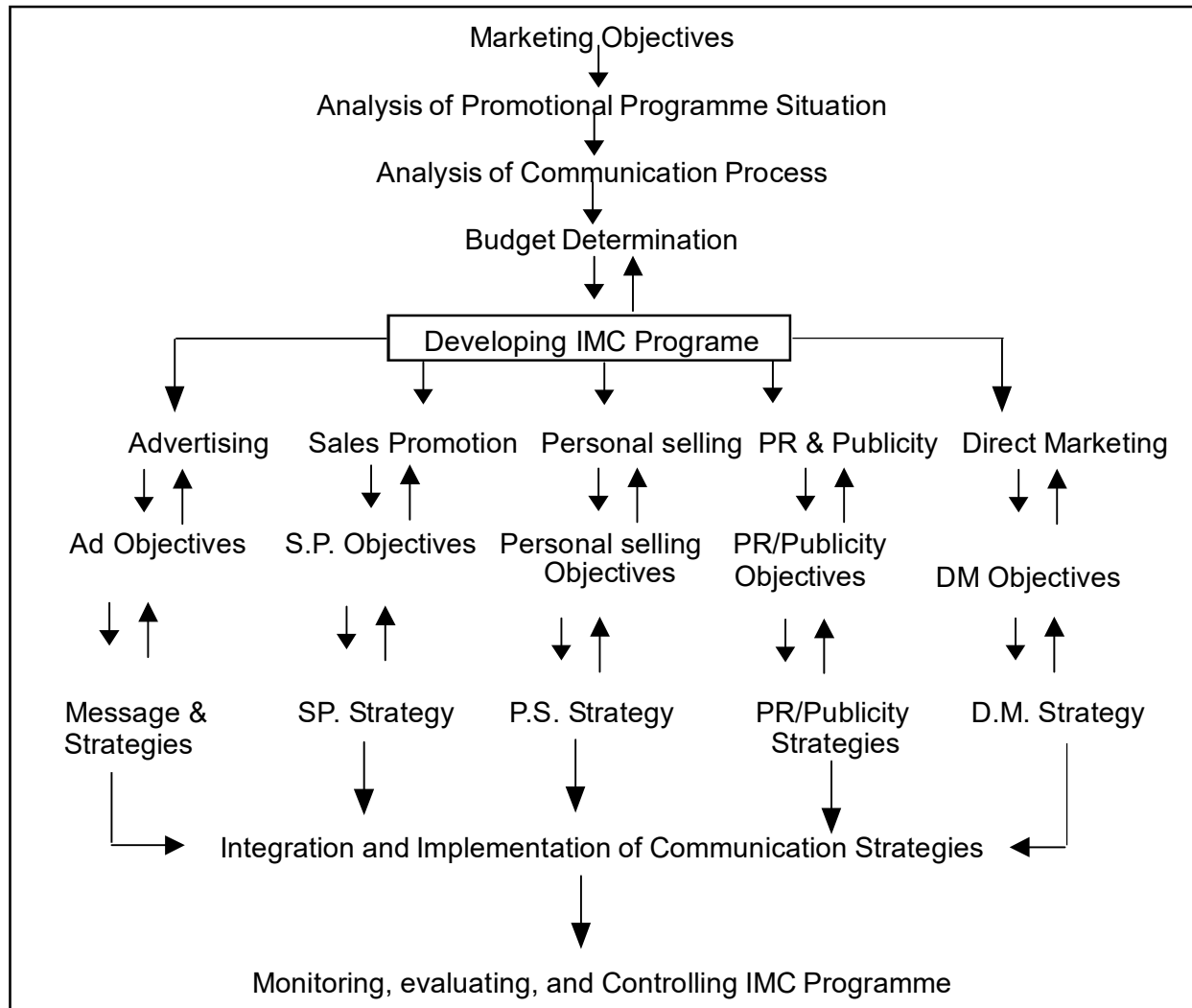
13.5 Managing and Co-ordinating Integrated Marketing Communication

Many companies still rely on one or two communication tools to achieve their communication aims.. Integrated Marketing communication (IMC) is an attempt to coordinate various marketing and promotional activities in such a manner that marketing communication to target customers becomes more effective and efficient.

The IMC can be defined as “..... a concept of marketing communication planning that recognises the added value of a comprehensive plan that evaluates the strategic roles of a variety of communication disciplines for example general advertising, direct response, sales promotion and public relations and combines these disciplines to provide clarity, consistency, and maximum communication impact” – Don E. Schultz, Integrated Marketing communications: May be definition is in the point of view, Marketing News, January 18, 1993, p.17.

The IMC calls for a big picture approach to planning marketing and promotion programmes and coordinating the various communication functions. It requires firms to develop a total marketing communication strategy that recognizes how all of a firms marketing activities, not just promotion, communicate with its customers.

The objectives of IMC are to co-ordinate all the company marketing and promotional efforts to project and reinforce a consistent unified image of the company or its brands to the market place. The IMC approach is an attempt to improve over the traditional method of treating promotion elements as totally separate activities. IMC is increasingly helping companies to develop most suitable and effective methods to contact customers and other integrated groups (See fig 13.5)

Fig 13.5 Integrated Marketing Communication Plant

A major reason for the growing importance of IMC is the ongoing revolution in global business practices that is changing the rules of marketing and the role of traditional advertising agencies. Some major features are :

- More budget allocation for sales promotion due to intensifying competition.
- In general, advertising has become more expensive and less cost effective.
- Escalating price competition is resulting in more price promotions than advertising.
- Power of trade compels companies to offer fees and allowances for promotion.
- Companies are using computers to build databases containing customer names; Geographic; demographic and psychographic profiles; purchase patterns; media preference; and other relevant characteristics.
- Companies are increasingly relying on direct marketing methods rather than relying on mass media
- Advertising agencies are being made more accountable.

13.6 Summary :-

All the elements of promotion mix work to communicate with the audience. Marketers use communications in an attempt to persuade customers to act in a desired manner. The process of communication can be fairly complex. Successful marketing communication depends on a number of factors such as the nature of message, the interpretation by the audience, and the environment in which the message is received. In deciding on the marketing communication mix, marketers must examine the distinct advantages and cost of each promotional tool. They must also consider the type of product market in which they are selling, whether to use a push or a pull strategy, how ready consumers are to make a purchase, the product stage in the PLC and the company market rank. Managing and coordinating the entire communication process calls for integrated market communication.

13.7 Key Words

Marketing Communication : A continuing dialogue between the firm and its target audience.

Advertisement : A non- personal way of promoting a product which is paid for by an identified sponsor.

Publicity : A way of informing about any marketing plan/ practice of a company by mass media, which is not sponsored and paid.

Sales promotion : The incentive to encourage quick adoption of a product.

Integrated Marketing communication : Managing and Co-ordinating the entire communication process.

13.8 Self Assessment Question.

1. Discuss the various elements of communication process.
2. Discuss the ways in which promotional mix for a refrigerator would differ from the promotional mix of a tooth paste.
3. What is marketing communication ? enumerate the steps in developing effective communication.
4. What factors would you taken into consideration for selecting promotion tool ?

13.9 Further Readings :

1. Philip kotler : Marketing Management, 10th Ed. (1999) Prentice Hall of India Pvt., Ltd., New Delhi
2. Michael L. Ray, Advertising and Communication Management (Upper Saddle Rivers NJ Prentice Hall 1982)
3. S.H.H Kazmi & Satis K. Batra, Advertising and Sales Promotion, (2004) Excell Books, New Delhi.

4. S.A. Chunawalla, Advertising, Sales and Promotion Managemetn (2005), Himalaya Publishing House, Mumbai.
5. J.F. Engel, Martin R. Warshaw and Thomas C. Kinnear (1987) Promotional Strategy Managing the Marketing Communication Process (6th Ed.) Irwon Homewood.
6. M.W. Delozier (1976) The Marketing Communication Process, Mc Graw Hill Book Company.

Dr.V. Tulasi Das

LESSON –14**PROMOTIONAL PLANNING****14.0 Objectives:-**

After going through this lesson you should be able to :

- define the concept of promotional strategy
- explain the planning process of promotional strategy
- help to manage promotional strategy and allocate desired funds to the process
- understand the decision sequence analysis for promotional planning.

Structure :

- 14.1 Introduction**
- 14.2 The Concept of Promotional Strategy and Tactics.**
- 14.3 The Planning Framework of Promotional Process**
- 14.4 Decision Sequence Analysis for Promotional Planning**
- 14.5 Summary**
- 14.6 Key Words**
- 14.7 Self Assessment Question**
- 14.8 Further Readings.**

14.1 Introduction :-

This lesson picks up the thread of discussion from the lesson 13 concerning the framework of marketing communication process. It has been observed in practice that firms have to manage more complex communication process than the literature might suggest. A wide range of communication tools and procedures are available to a firm to communicate with its target markets. It is therefore, imperative that they are well coordinated. Else, the communication process may not work to the fullest advantage of the firm. In fact, the financial and non-financial resources sunk in any marketing communication programmes are just too heavy to afford any misjudgment in promotional planning. The need of giving a strategic orientation to the potential efforts can hardly be over emphasised. A managerial perspective or a decision make approach to promotion efforts is the central concern this lesson. It seeks to cover the entire gamut of promotion planning process and strategies for a marketing firm.

14.2 The Concept of Promotional Strategy and Tactics :-

The strategic orientation to promotional activities is a sine-qua-non to a firm with a destiny to survive and profit in a highly competitive marketing environment. The orientation provides it with an orderly plan for putting marketing resources and for exploiting market opportunities. It is a design that guides promotional activities for a long period. Though the term strategy has been treated to numerous definitions and conceptualization, we would fall back on such definitions as

are simple to understand and easy to operation alive in the context of promotional efforts. – “Strategy is the art of distributing and applying business means to fulfill the end of policy”-B.H. Liddele Hast. It is clear that strategy is the way of achieving the ends (or) objectives of a firm often termed as the corporate mission. It is a long term vision of what the business is or is striving to be.

Fig 14.1



In many leading texts on promotional strategy, the term tactics is also used. Tactics are the ways for strategy application and involve a deployment of resources with a view to implement strategy objective. This will be amply clear by an illustration of two marketing firms – called x & y supposing that firm x has formulated a strategy of offering continuously new products in the market. Since new products take time in customer acceptance, marketing tactics for the firm would be to issue generous discount coupons to encourage first trial and repeat purchase rates. Similarly, if company 'y' has wished to introduce up-market products, it will have to use, inter-alia, tactics of attracting packaging and promotion of high grade dealers.

14.3 The Planning Frame Work of Promotional Process :-

As with any business function, planning plays a fundamental role in the development and implementation of an effective promotional programme. The individuals involved in promotion design a promotional plan that provides the frame work for developing, implementing, and controlling

the organization's promotional programs and activities. Promotional planners must decide on the role and functions of the specific elements of the promotional mix, develop strategies for each element and implement the plan. Promotion is but one part of, and must be integrated into, the overall marketing plan and programmes.

A model of the promotion planning process is shown in Figure 14.2. The promotional planning process comprises the following steps.

1) Review of the Marketing Plan:-

The first step in the promotional planning process is to review the marketing plan and objectives. Before developing a promotional plan, marketers must understand where the company has been, its current position in the market, where it intends to go, and how it plans to get there. Most of this information should be contained in the marketing plan, a written document that describes the overall marketing strategy and programme developed for an organisation.

For most firms, the promotional plan is an integral part of the marketing strategy. Thus, the promotional planners must know the roles of promotional mix elements in overall marketing program. The promotional plan is developed similarly to the marketing plan and often uses its detailed information.

2) Situation Analysis :-

After the overall marketing plan is reviewed, the next step in developing a promotional plan is to conduct the situation analysis. The situation analysis focuses on the factors that influence or are relevant to the development of a promotional strategy. The promotional programme situation analysis includes both an internal and external analysis. Among the major external variables, attention is focussed on market demand, competition, positioning. As for internal variables, the focus will be on how the employees and publics within an organization consider its capability, good will and resources for carrying out its marketing and promotional assignments.

3) Analysis of Communication Process :-

This stage of the promotional planning process examines how the company can effectively communicate with consumers in its target markets. The promotional planner must think about the process consumers will go through in responding to marketing communication. Communication decisions regarding the use of various sources, message, and channel factors must also be considered.

An important part of the stage of promotional planning process is to establish communication goals and objectives. Communication objectives refers to what the firm seeks to accomplish with its promotional program. It may include creating awareness or knowledge about a product and its attributes, or benefits, creating an image. Should be the guiding force for development of the overall marketing communication strategy and of objectives, or developing favourable attitudes, preferences, or purchase intentions. Communication objectives for each promotional mix area.

4) Budget Determination :-

After the communication objectives are determined, attention turns to the promotional budget. Two basic questions are asked at this point. What will be the promotional program cost? How will money be allocated?. In reality, promotional budgets often determined using a more simplistic approach, such as how much money is available or a percentage of a brand sales revenue. At this stage the budget is often tentative.

5) Specification and Management of Program Element:-

This step is most detailed step of the promotional planning process. As discussed earlier lesson each promotional mix element has certain advantages and limitations. At this stage of the planning process, decisions have to be made regarding the role and importance of each element and their coordination with one another. As figure 14.2 shows, each promotional mix element has its own set of objectives and a budget and strategy for meeting them. In a promotional strategy, marketers endeavor to arrive at the best possible mix of promotional elements.

6) Coordination and Integration of promotional Efforts :-

A promotion coordination has to ensure that unless otherwise required, advertising should not overshadow personal selling for a given product or vice-versa. Similarly, a careful decision has to be taken for involving outsiders like ad Agencies, market research and media buying services in your promotional efforts. A proper balance is to be arrived at between management and outside experts thinking.

7) Monitoring, Evaluation and control :- This final stage is important to determine how well the promotional program is meeting communication objectives and helping the firm accomplish its overall marketing goals and objectives. The promotional planner wants to know not only how well

the promotion programme is doing but also why. This final stage of the process is designed to provide managers with continual feedback concerning the effectiveness of the promotional program which to turn can be used as input into planning process

14.4 Decision Sequence Analysis for promotional Planning:-

Figure 14.3 Illustrates a decision sequence analysis for promotional strategy. It provides an illustration of the stages in the promotional planning framework discussed in the previous section. It should be noted that the decision sequence analysis is based on the propositions that the promotional planning is a continual and on-going process. Evaluation, feedback and follow up are the integral part of the process that provide it with vitality and relevance in the changing needs of promotion. based on an 'adaptive' process. It, thus, includes systematic procedures for gathering information and bringing about modifications when needed in the promotional planning.

14.5 Summary:-

The lesson sheds light on the hidden aspects of promotion strategy. It first differentiates between strategy and tactics orientation. The lesson follows with a detailed framework of promotional planning process. It contains a number of steps: a review of the marketing plan, situation analysis, analysis of communication process, budget determination, development of promotional program, integration and implementation of promotional program, and mentoring, evaluation and control of the program. The lesson finally develops a managerial framework for evaluating and controlling the promotional effort.

14.6 Self Assessment Questions :-

1. Evaluate the Decision sequence analysis for promotional strategy of a firm.
2. Define Promotional strategy. What objective should a firm set for promoting its products targeted at women ?
3. What do you understand by the decision making frame work of promotional planning process? What are its components and stages?

14.7 Further Readings :-

1. John Wright, Advertising, Tata McGraw Hill
2. W.M. Weilbacker, Advertising, McMillan publishing
3. George E. Belch and Michael A. Belch, Advertising and Promotion, Tata McGraw-Hill, New Delhi

Dr.V. Tulasi Das

LESSON - 15**ADVERTISING AGENCY : MANAGING CLIENT -
AGENCY RELATIONS****Objectives :**

After reading this lesson you should be able to understand.

- ❖ The role of advertisers in organizing advertising and other aspects of promotion.
- ❖ The different types of advertising agencies- structure and its functions.
- ❖ Methods for selecting, compensating and evaluating advertising agencies.

Structure :

- 15.1 Introduction.**
- 15.2 Evolution of Agency – Client Relationship.**
- 15.3 The Role of an Advertising Agency.**
- 15.4 Functions and Structure of an Advertising Agency.**
- 15.5 The Agency Client Relationship and Productivity.**
- 15.6 Selection of an Advertising Agency.**
- 15.7 Methods of Paying the Agency Services.**
- 15.8 Evaluating Agencies.**
- 15.9 Summary**
- 15.10 Keywords**
- 15.11 Self Assessment Questions**
- 15.12 Further Readings**

15.1 Introduction :

Major part of advertising execution function is being performed outside the organizations, through the medium of advertising agencies, who over a period of time have attained specialization in the creation, generation and execution of promotional communications. A network of client agency relations therefore typifies the promotional scene today. This lesson plans to discuss various aspects of agency business in global background, with reference to Indian conditions. It concentrates on its functions, services, working, selection, client – agency relationships and the methods of compensation.

15.2 Evaluation of Agency – Client Relationship :

Advertising has performed the communication function even in ancient civilizations. To overcome the lack of literacy, signs were popularly used to symbolise goods for sale. Historians believe that the outdoor signs used by ancient Greek & Roman merchants were the first form of advertising. These signs were carved in clay wood or stone. Branding, the cornerstone to advertising, found its roots when early artisan took pride in their work and placed their own marks on goods such as cutlery, cloth and pottery they produced.

The first known advertising agency in the world was set up by Voney B. Palmer in Philadelphia in 1841. He was the only agent for advertising space till 1848. Within a period of two decades, that is, by 1861 there were some 30 agencies. In 1865, George P. Rowell who opened an agency and undertook wholesaling of space for Newspapers. Mr. J. Walter Thompson added literary magazine to his selling portfolio. However, advertising agency as we understand it today, was setup by Mr. F.W. Iyer & Sons in 1876. It planned, created and executed complete advertising campaigns for clients. It operated an open contract plus – commission plan. The commission ranged from 8 to 15 percent. Today agencies, of course, offer a wide range and quality of services with the development of new media and expanding markets for which media reimburses then by a 15% commission, for outdoor media it is 16.66%.

The advertising agency today however enjoys a different agency – client relationship than the traditional agency client relationship that exists between lawyers and their clients. The legal and historical definition of an agent is one who acts on behalf of the principal. However, in the way the advertising-agency business has evolved, an important difference exists. For all the space and time contracted by a client with the media, it is the agency which shall be liable to pay even in case the client defaults on payments to the agencies for any reason. Thus, the agency – client relationship has evolved interestingly from ancient time when the client undertook the agency role himself, to the agency being a wholesaler of media – space to the growth of the modern full service agency with liability of client payment.

15.3 The Role of an advertising agency :

An advertising agency has a vital role to play. It converts the goals of the client into creative work which is carried by media so as to reach the target audience. It is an independent organisation that provides one or more specialised advertising and promotion related services to assist companies in developing, preparing and executing their advertising and other promotion programmes. Most large and medium sized companies usually use an advertising agency.

The American Association of Advertising Agencies defined “Advertising agency is an independent business, composed of creative and business people who develop, prepare and place advertising in advertising media for sellers seeking to find customers for their goods or

services.” In the present Scenario, more and more ad agencies are acting as partners with clients and assuming more responsibility for developing the marketing and promotional programmes. Such an interpretation is founded on the following.

- A study of client’s product or service in order to determine the advantages and disadvantages inherent in the product itself and its relation to competition.
- An analysis of present and potential market for which the product or service adopted as to location, the extent of possible sales, season, trade and economic conditions, nature and amount of competition.
- A knowledge of the factors of distribution and sales and their methods of operations.
- A knowledge of all the available media and means which can be profitably be used to carry the interpretations of the product or service to consumers, wholesalers, dealers and other factors.
- Formation of definit plan and presentation of the plan to the client.
- Execution of this plan by writing, designing, illustrating, of advertisement or other appropriate forms of the message; contracting for the space; the proper in corporation of message in mechanical forms and forwarding it for proper insertion and instructions for the fulfillment of the contract, checking and verifying of insertions and displays, the auditing, billing and paying for the services, space and preparation.

Co-operation with the client’s sales work to ensure the greets effect from advertising.

Exhibit : 15.1

Advertising Services Rendered by Modern Advertising Agencies.

1. Basic Services

- ◆ Planning
- ◆ Copy writing
- ◆ Layout
- ◆ Media Selection

2. Research Services

- ◆ Market Research
- ◆ Consumer Research
- ◆ Copy Research
- ◆ Media Research

3. Trade Promotional Services

- ◆ Wholesale Promotions
- ◆ Dealer Promotions
- ◆ Book-lets, Pamphlets, Broad - sides
- ◆ Catalogues, Catalogue Sheets, Specification Sheets
- ◆ Exhibits

6. Product Services

- ◆ New Product Development
- ◆ Product Design
- ◆ Creation of Brand Names
- ◆ Creation of trade – marks
- ◆ Complete Packaging Design

7. Merchandising Services

- ◆ Displays
- ◆ Package Inserts
- ◆ Banners, Streamers
- ◆ Other Point of Purchase Material

8. Direct Mail Services

- ◆ Letters, Folders, Booklets
- ◆ Brochures
- ◆ Sampling
- ◆ Couponing

4. Sales Training Services

- ◆ Planning Sales Meetings
- ◆ Salesman's Manuals and port-folios
- ◆ Visual Aids

9. Other Services

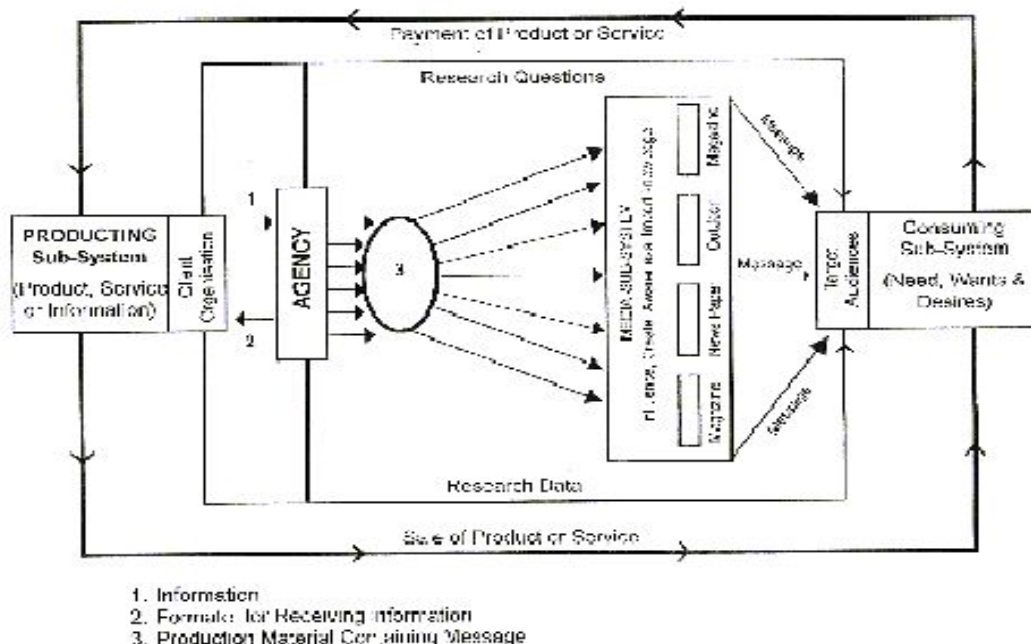
- ◆ House Organs
- ◆ Contests
- ◆ Calendars
- ◆ Pricing
- ◆ Premiums
- ◆ Instruction Booklets
- ◆ Annual Reports

5. Publicity and Public Relations Services

- ◆ New Product Publicity
- ◆ New Stories
- ◆ Company Image Building
- ◆ Consumer Relations
- ◆ Employer Employee Relations

When need for advertising is not too acutely felt, the client himself takes on the role of the advertising agency. By designing message for the target audience. However, in today's complex market place the customer is faced with various product alternatives. Similarly the media through which he gets information about these products has increasing in number as well as efficiency of transmitting messages. With this information explosion, the tastes, choices and needs of customer have become complex. The procedure no longer finds it simple to cater to all consumers. In this complex interaction the role of an advertising agency can be illustrated as follows in addition to the above.

Fig. 15.1: Role of Advertising Agency.



The producing sub-system for advertising agencies consists of client organisation who offer product, services or information to be disseminated. The Consumer sub system consists of set of consumers with different needs, wants and desires. The role of client and agency is to identify the target audience for the product offered to this sub system. Then there is the media sub-system which consists of various media vehicles and perform the role of providing knowledge, awareness and influencing the consumings sub-system.

15.4 Functions and Structure of an advertising Agency :

There two great masters who are served by the advertising agencies, namely, the client and the media owners. To perform such function of marketing and advertising, an agency warrants a keen understanding of the complete marketing and merchandising problems of the advertisers as well as an intimate knowledge of the markets, media and consumer psychology. These functions of agencies are discussed under two heads, namely, client functions and media functions.

(a) Functions for the client :

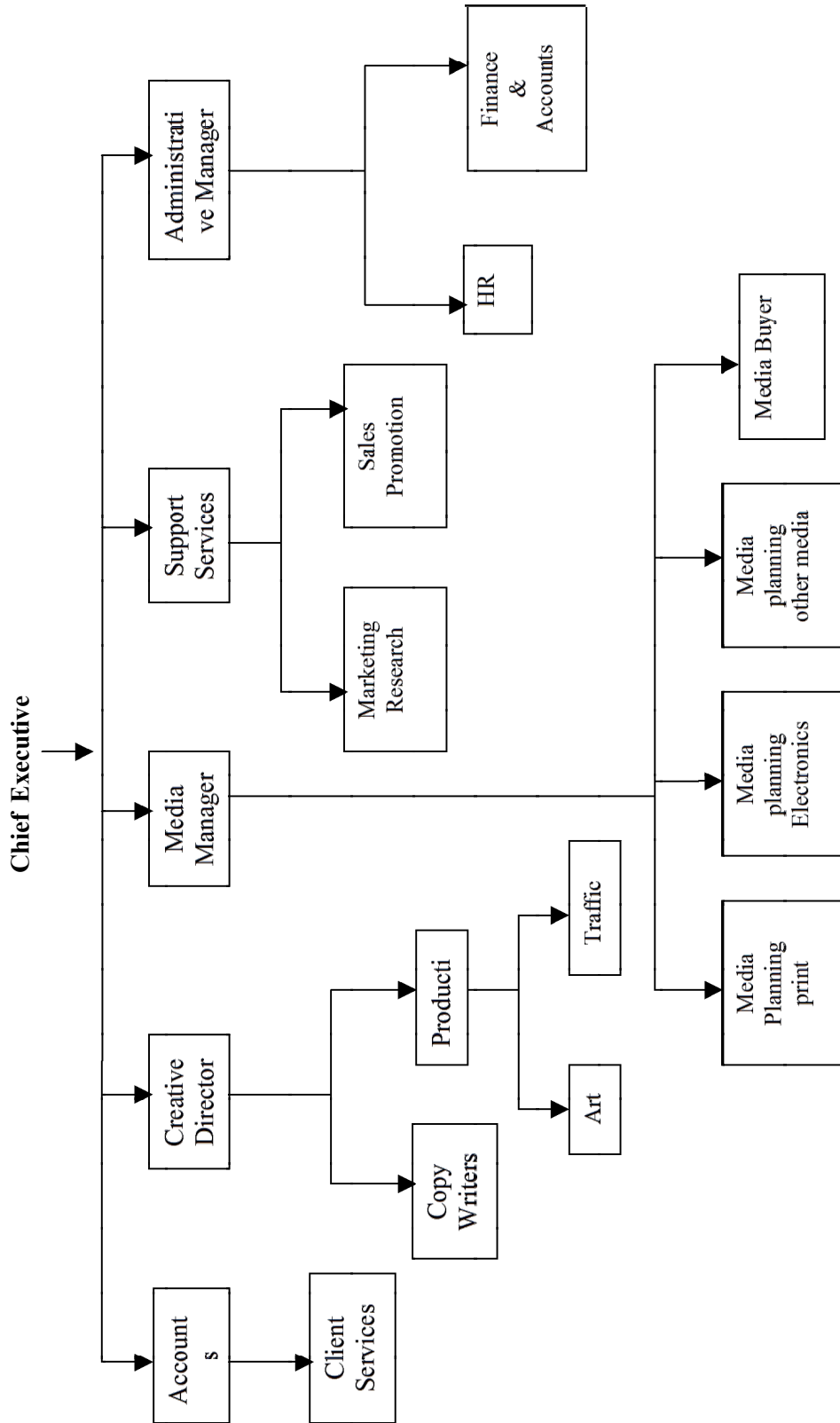
- ◆ It replaces the advertisings department.
- ◆ It provides expert view point.
- ◆ It brings in economy and excellence.
- ◆ It shares its rich experience.

(b) Functions for the Media Owners :

- ◆ It assures risk-free business .
- ◆ It takes away the sales job.
- ◆ It undertakes the advertising scheduling.
- ◆ It slashes down the production cost.

The above functions are carried out with the help of expert staff grouped into account management, creative services, media services, support services administrative services and marketing services. Though these are all separate departments, their work is carried out in close cooperation and coordination. (See Fig.15.2 simple organisation structure of an advertising agency.)

Figure 15.2 : Organisation of an Advertising Agency



Account Services : Account services, or Account management, is the link between the advertising agency and its clients. The account executive is responsible for understanding the advertisers marketing and promotion needs and interpreting them to agency personnel. He or she coordinates agency efforts in planning, creating, and producing advertisements. The account executive also presents agency recommendations and obtain client approval.

Marketing Services : The use of marketing services has dramatically increased in the last couple of decades. Research has gained increased attention because agencies are most concerned about the need to communicate effectively with their target audience, that is the client. Most full service agencies maintain a research department whose function is to gather, analyse and interpret information that will be useful in developing advertising for their clients. The research department may also design and conduct research to pretest the effectiveness of advertising the agency is considering.

Media Services : The media department of an agency, analyses, selects and contract for space or time in the media that will be used to deliver the client's advertising message. It is expected to develop a media plan that will reach the target market and effectively communicate the message. Since most of the client's advertising budget is spent on media time and/or space, this department must develop a plan that both communicate with the right audience and is cost – effective. It reviews information on demographics, magazines, Newspapers, readership, radio listnesrship and consumers TV viewing pattern to develop an effective media plan.

The media department is becoming an increasingly important part of the advertising agency business. An agency's ability to negotiate prices and effectively use the vast array of media vehicles, as well as other sources of customer contact is becoming as important as its ability to create advertisements.

Creative Services : Advertisements are actually made by the creative service people – copy writers, art directors, print and electronic production people. Here the actual ad message is put into words. The art director is responsible for the illustrations, photographs, visual elements layout, typography of the advertisements. Creative work on approval of the clients is to be converted into a finished ad. This is the work of Production Department, Traffic Department co-ordinates between creative and production people. As agencies work on several campaigns simultaneously, traffic has to see that all dead – lines are met so that the ad appears in the media on time.

Administrative Services : It is concerned with the day to day running of the advertising agency. It has to manage the assets of the agency. It looks after the personnel aspects of the agency. It also takes care of the financial management of the company.

Types of Advertisement Agencies :

An advertisement agency can be a one-man show or a partnership of just a handful of creative persons and visualizers. An advertising agency can be a full fledged agency offering all services and having various departments. We have mega agencies doing businesses all over the world. Agencies do differ in size and services offered.

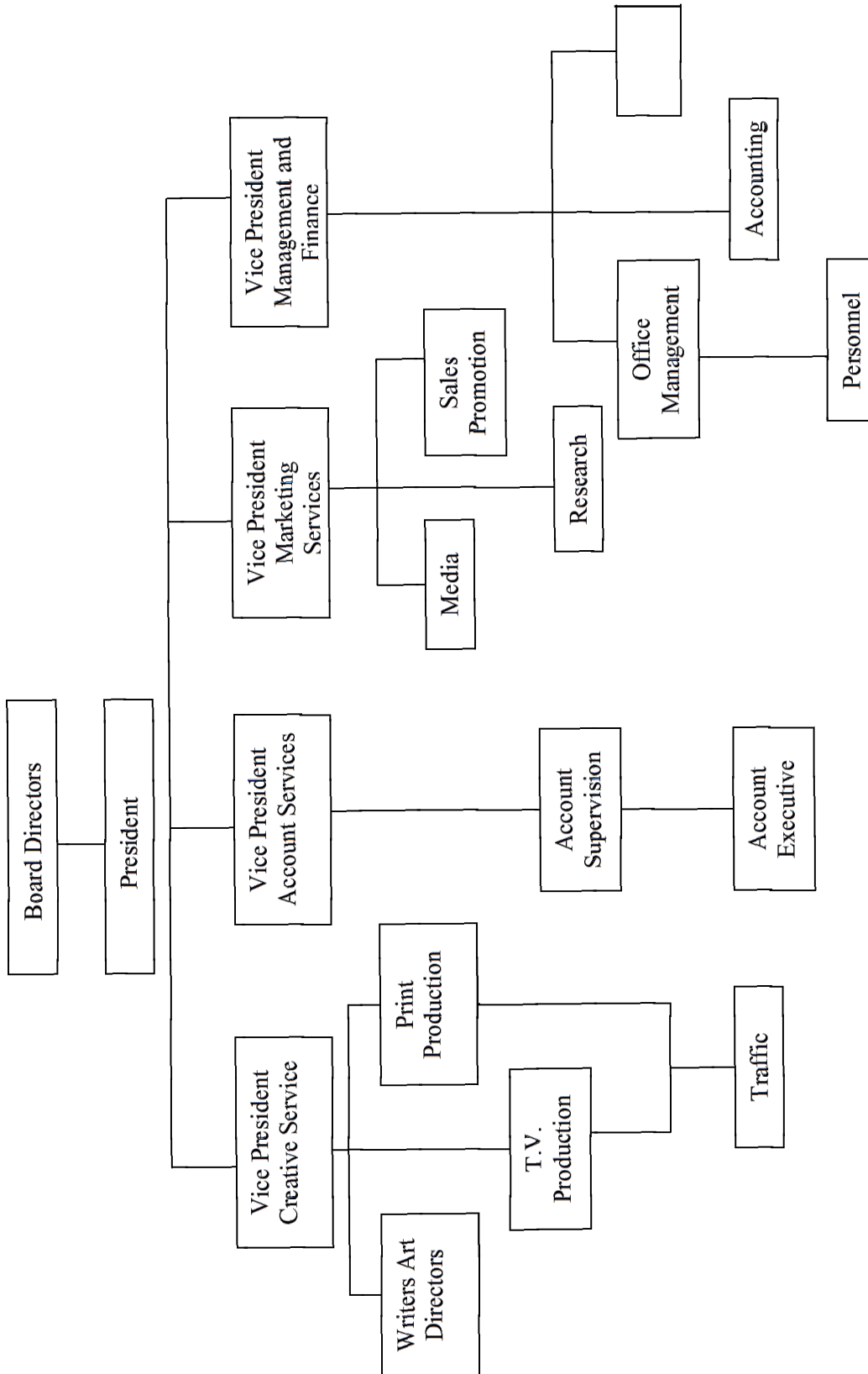
- i. Full service advertising agency provides all services of advertising to its clients (See Fig.- 15.3). It conceives and develops advertisements and puts them in suitable media. These agencies can have some limited specialization, but mostly they cater to consumer good industry. These days many new services are being added to the traditional services like public relation, sales promotions and direct marketing. The agency creates integrated marketing communications for the client.
- ii. Limited Service Agency, as the name itself indicates, concentrate on some selective services. Here the client chooses an agency depending upon the type of service he desires. Creative boutique is one type of limited service agency, concentrates on innovations in message development and design. Media-buying service is another type of limited service agency, concentrate on media planning, buying and scheduling.
- iii. Specialized agencies concentrate on a specific audience or market. They are full service agencies but operates only in their limited field. Financial advertising in India is handled by specialised agencies.

However, that form of agency structure which enable agency to provide the best service is the one that would be implemented.

15.5. Agency – Client Relationship and Productivity:

The quality of relationship between client and agency is important and require that both parties should work hard to develop the right kind of relationship. The business of advertising is

Figure 15.3 : Organisation Structure of Full Service Advertising Agency



unique in the sense that its prosperity and future growth is very closely linked with the success of its clients. Good clients develop a sense of partnership with the agency. They trust and respect the agency's expertise, honest with it; and ask for its best thinking and not to settle for safety and mediocrity in creating advertisements. They ask the agency to encourage their personnel to visit client's business premises and interact freely with client's personnel in the concerned Departments.

Wise clients treat their agencies as an important part of their marketing organisation. It is realised that an agency can make occasional mistakes and this is the part of human effect. An agency that never makes mistakes by playing it safe is probably averse to thinking differently and trying fresh creative approaches for the agency, it is critically important to display an above average ability to listen and empathetically understand what the clients needs are. The agency should be open – minded in its approach to appreciate that anyone can be the source of good creative ideas, including the client. The agency should be bold in developing and pushing for creative work of high quality on the clients account and be intellectually honest in offering an independent outside perspective.

The primary concern for the agency should be to seek the kind of creative work most suited to the client's marketing objectives and not for sake of awards. The agency must also respect and meet the agreed upon deadlines, not treat the client's money wastefully and stay within budget limits. It is equally important for the client to ensure that the agency makes adequate profits on the clients account.

a) Basic principles of Client Agency Relationship (CAR) are as follows :

- ❖ The agency avoids advertising a close substitute competing product. The client, too, avoids engaging the services of another competing agency.,
- ❖ The agency receives the acceptance signal from the client for all the expenses incurred on its advertising.
- ❖ The agency keeps the media commission for itself, and the client undertakes, to pay the bill promptly.
- ❖ If the media grants any cash discount, it is passed on to the client.
- ❖ The agency is not taken to task for media lapses in terms of scheduling, positioning etc.,

b) Principles of Agency – Media Relationship :

- ❖ The agency alone is responsible for payment to the media.
- ❖ The agency does not allow any cut from the commission received from the media to go to the client.
- ❖ The media do not discriminate amongst the agencies dealt with, and follow a uniform policy for all the agencies.
- ❖ The media do not alter the advertising material without the prior consent of the agency.

15.6. Selection of an advertising Agency :

Though the advertising agencies are almost indispensable these days, much care is to be exercised in selecting the agency of the choice of a particular organisation. A set of seven factors serves best the process of choosing the best possible agency. These seven factors are suitability, creativity, facilities, imagination, reputation, management of the agency previous records of the agency and method of payment.

Other factors that need consideration is the staff of the agency and its caliber, its flexibility, practical and consumer oriented approach, the use it makes of marketing research, its media understandings, the attention it gives to the client, its growth, the ability to handle below – the – line publicity and its international tie – ups. It concludes that creativity, commitment to client and the quality of its top management go a long way in the selection of an agency.

15.7. Methods of Paying the Agency Services :

To begin with, advertising agencies just sold space for the media and made their money. The early agencies marketed space for the press and magazines. They were paid on the basis of amount of space they sold by the media. What started as space selling for the media got converted into a modern outfit that conceives and executes advertising keeping in mind the interests of the advertisers. The billing even today are for buying space and time and compensation comes as commission paid by the media. In addition to this, the agency also receives fees mark-ups from clients, sometimes, the agency is given incentive based compensation by the client.

There is no unanimity as to making payment for the services of the agencies. The most commonly used methods are commission method, Negotiated fee, percentage charges and sometimes agencies given incentive based / performance – based compensation.

- (i) **Commission Method** : The most traditional method for compensating advertising agencies for their service is through a commission system. The agency is paid a fixed commission (usually it is 15%) from the media on any advertising space or time purchased for the advertiser. The rates of outdoor media are slightly higher (usually 16.66%). This is a simple system to determine the amount of commission.
- (ii) **Negotiated Fee** : A number of agencies and their clients negotiate some type of fee system or cost – plus arrangement for compensation. Some use on incentive based compensation system combining a fee and commission system. The fee system is used in TV advertising where once the commercial is created it may be used over a long period of time. Without an agreed fee system, the agency would receive 15% commission on media time, every time the commercial is run. Under the cost plus system, the client

agrees to pay a fee based on the cost of work the agency performs, plus some mutually agreed margin of profit for the agency. The agency is required to keep detailed records of the costs incurred in performing the desired services for the client.

- (iii) **Percentage Charges** : Agencies have to buy certain services for creating ads from outside sources, eg photographs or video films. When such services are purchased, the client has to pay for the services plus a certain mark-up, for supervisory service of the agency. The mark up is a percentage of the purchase cost of the service, e.g., 17.65%.
- (iv) **Incentive – Based / Performance Based Compensation** : It is the most scientific way to pay an agency. Here the agency is rewarded on the basis of the results it achieved for the client. The more effective it is, the higher is its compensation.

15.8. Agency Evaluation :

The process of agency evaluation involves regular assessment of two aspects of performance area – financial and qualitative. The financial assessment focus on how the agency conducts its business vis-à-vis costs and expense, the number of personnel hours charged to an account and what payments are made to media and other outside service suppliers. Qualitative assessment explores the agency's efforts devoted to planning, developing and implementing the client company's advertising campaign and an assessment of the achievements.

The agency evaluation is often done on a subjective, informal basis, particularly in smaller companies where ad budgets are low or advertising is not seen as the most critical factor in the firms marketing performance. However some companies have developed formal, systematic evaluation system, particularly when budgets are large and the advertising function receives much emphasis. The top management of these companies wants to be sure money is being spent efficiently and effectively. As the cost of advertising and other forms of promotion rises, more companies are adopting formal procedures for evaluating the performance of their agencies.

The evaluation process describe above provides valuable feed back to both the agency and the client, such as indicating changes that need to be made by the agency and / or the client to improve performance and make the relationship more productive. Many agencies have had very long – lasting relationships with their clients. There are a number of reasons clients switch agencies. Understanding these potential problems can help the agency avoid them. In addition, it is important to understand the process agencies go through in trying to win new clients.

(a) Common Reasons Agencies Lose Clients :

- ◆ Poor Performance
- ◆ Unrealistic demands by the client
- ◆ Personnel Changes
- ◆ Conflicts of interest
- ◆ Declining Sales
- ◆ Change in policies etc.,
- ◆ Poor Communication
- ◆ Personality conflicts
- ◆ Change in size of client or agency
- ◆ Changes in the clients corporate and / or marketing strategy
- ◆ Conflicting compensation philosophies

If the agency recognizes these warning signs, it can try to adapt its programs and policies to make sure the client is satisfied. Some of the situations discussed here are unavoidable, and others are beyond the agencies control. But to maintain the account, problems within the agency's control must be addressed.

(b) How agencies gain clients : Competition for accounts in the agency business is intense. Since most companies have already organised for the advertising function and only a limited number of new business require such services each year.

Thus, agencies must constantly search and compete for new clients. Some ways they do this follow.

- (i) Referrals :** Many good companies obtain new clients as a result of referrals from existing clients, media representatives, and even other agencies. These agencies maintain good working relationships with their clients, the media, and the outside partners that might provide business to them.
- (ii) Solicitation :** One of the more common ways to gain new business is through direct solicitation.
- (iii) Presentations :** A basic goal of the new business development group is to receive an invitation from a company to make a presentation. This gives the agency the opportunity to sell itself – to describe its experience, personnel capabilities, and operating producers, as well as to demonstrate its previous work.
- (iv) Public Relations :**
- (v) Image and Reputation :**

15.9 Summary :

Beginning in 1841 as a space setting business, advertising agency business today is a flourishing industry, specialising in creation and execution of promotional communication. The lesson explores the basis of client – agency relationships, types of agencies and their services, criteria for selecting agency and method of compensate their services. In addition to that the lesson also high lighted the agency evaluation reasons to lose clients and how to get new clients of the entire process of adversary.

15.10 Key Words :

1. **Advertising Agency** : A firm that specialise in the creation, production and placement of advertising message and may provide other services that facilitate the marketing communication process.
2. **Ad Creativity** : The ability to generate fresh, unique and appropriate ideas that can be used as a solution to communication problems.
3. **Clients** : The organisations with the products, services or causes to be marked and for which advertising agencies and other marketing promotional firms provide services.
4. **Copy Writer** : Individual who helps conceive the ideas for advertisings and commercials and write the words and copy for them.
5. **Full Service Agency** : An advertising agency that offers clients a full range of marketing and communication services.
6. **Super agencies** : Large external agencies that offer IMC on a worldwide.
7. **Media buying services** : Independent companies that specialise in the buying of media, particularly radio and T.V. time.

15.11 Self – Assessment Question :

1. What is the structure of full service advertising agency? What function do different departments perform ?
2. What criteria would you use in selecting an advertising agency ?
3. Why is client – agency relationship ? Suggest ways to improve the CAR?
4. What are the different agency compensation methods? If you were an advertising executive in a company, which compensation method would you favour ?

5. How do agencies gain customers ? What are the reasons that client change agencies?

15.12 Further Readings :

1. Sandage C.H. and Fry burger Vermon, Advertising theory and practice, Richard D. Irwin Inc. Homewood Illinois.
2. Khazmi S.H.H. & Batra K. Satish (2004), Advertising and sales promotion, Excel Books, New Delhi.
3. George E. Belch & Michael A. Belch (2003) Advertising and promotion Tata Mc Graw Hill Edition.
4. Chunawalla, S.A. (2005) Advertising, sales and Promotion Management, Himalaya Publishing Company, Mumbai.

Dr. V. TULASI DAS

LESSON –16

ADVERTISING COPY : MESSAGE DESIGN AND DEVELOPMENT.

16.0 Objectives:-

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

- ❖ Explain the importance and relevance of message design in communication frame work.
- ❖ Discuss the tools used to create message
- ❖ Comment upon the order of presentation.
- ❖ Describe the principles underlying message development.

Structure :

- 16.1 Introduction**
- 16.2 Message Design and Positioning**
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16.1 Introduction :-

In addition to media planing and selection, every advertiser is closely concerned with formation and presentation of his advertising message. The advertising message formulation involves designing of advertising copy and structuring the layout so that the firms USP (Unique Selling Proposition) may be effectively presented to the target audience for appropriate product position. Before an advertisement appears in public, two activities must be undertaken. First message design and second message development including message execution. This lesson deals with these two important aspects of communication,

16.2 Message Design and Positioning:-

The message is often considered as the most vital component in the communication process. The message is the thought, idea, attitude, image, or other information that the advertiser wishes to convey to the target audience emphasizing the importance of message design. How an advertising message is presented is critically important in determining its effectiveness. Promotion managers must focus on what will be the message content, how this information will be structured for communication and what kind of message appeal will be appropriate. Ogilvy. David said " My original magic lantern started with the assertion that positioning and promise were more than half the battle". True, but spotting the uniqueness or association of the product that will help the advertiser, win a place in the consumer's mind isn't easy. An excellent example of brand positioning is Maggi Instant noodles.

The above example helps us in understanding positioning, the key word to modern day advertising. Position of a product is what the consumer think about it. And not what the marketer feels about his product. Identifying and applying consumer's true mental perceptions of the product in your communication is what message design in all about. While Designing the message for a certain product we must consider the nature of the product, Identify generic product category, target audience and the segment, special attributes of the product, consumer expected benefits with the product, competitors, frequency and occasion of product usage, prospect requirements, product peculiarities, expected positioning etc., The message designers have come to know the above said all through well conduct market research.

"Through consumer research the company (food specialist limited) found that the most profitable position (for maggi) would be as a tasty, instant snack, made at home and initially aimed at children. The target market was the in-home segment of the very substantial snack category. This positioning decision automatically determined the competition which included all snack products in general. These would range from ready to eat snacks – biscuits, wafers, and peanuts-to ready prepared snacks such as samosas. All were bought out items."

16.3 Message Design and Marketing Objectives:-

The message is the thought, idea, attitude, image, or other information that the sender wishes to convey to the intended audience. The marketer's objectives tend to vary with audience. Objectives in communicating with consumers, for example, may be one or all of the following : Informing them what is for sale, creating brand awareness getting them to buy the product, reducing their dissonance after the purchase is made. The marketer's objectives with intermediary customers is to get them to stock the product; with other manufacturers, to get them to buy the product and use it to make their own.

Senders must also know their audience characteristics in terms of education, interests, needs and realms of experience. They must then endeavor to encode or phrase their message in such a way that they will fall within the consumers zones of understanding and familiarity. To attract the attention and interest of their target audiences, marketer's starts their advertisements with an appeal to the needs and interests of audience, and end with an appeal relevant to their own needs (with an effective sales closing). Advertisements that do not conclude with an action

closing tend to provoke much less action on the part of the consumer than those that do. The following techniques summarized to make messages more memorable and persuasive.

- ◆ Get the audience arouse
- ◆ Give the audience reasons for listening
- ◆ Use Questions to generate Involvement
- ◆ Cast the message in terms of familiar to audience and build on point of interest.
- ◆ Use thematic Organization the message materiel together by a theme and present in a logical, irreversible sequence.
- ◆ Use simple category words more concrete, specific terms
- ◆ Repeat key points
- ◆ Use rhythm and rhyme
- ◆ Leave the audience with an incomplete message, something to ponder. So that they have to make an effect to achieve closure.
- ◆ Ask audience for conclusion
- ◆ Tell the audience the implications of their conclusions.

16.4 Message Presentation :-

Marketing is all about satisfying consumer needs and wants at a profit and, at the sometime, protecting the larger and longrun interests of the society. Through the use of a variety of appeals, advertising attempts to communicate and influence the purchase and consumption behaviour of existing and potential consumers. One of the most critical decisions about creative strategy in advertising involves the choice of an appropriate appeal. Some ads are designed with the intent of appealing to the rational and logical aspects of the consumer's decision making process, and other attempt to stimulate consumer's feelings with the intent of evoking some designed emotional response. Many advertising professional belive that effective advertising is created by combining practical reasons for purchasing a product or service with emotional values of the audience.

Advertising appeals are often classified as rational appeals 'emotional appeals' and 'moral appeals'. Rational appeals are those that focus on the audience's self interest and are directed at the thinking aspect of the decision making process. Such appeals attempts to show that the product or service will produce the desired benefits. Examples are ad messages that promise economy, assurance of resale value, quality, durability, reliability, ease of use etc., Rational appeals are particularly relevant for industrial buyers who chose products according to some of the mentioned criteria. In case of general consumers, they confidently rationalise most of their purchases even when the purchase decisions are based on emotional grounds.

Emotional appeals are put under two categories : positive and negative emotional appeals, depend on what kind of emotions are to be triggered. Love, affection, Joy, prides humour, prestige, status etc., are some examples of positive emotional appears. Fear, shame, guilt, embarrassment, rejection etc., are negative emotional appeals. Such appeals motivate the audience to do things that they should do, such as cleaning teeth (Colgate Commercial) or to stop doing things they should not, such as smoking and using other tobacco products.

Moral appeals attempts to draw audience attention to what is 'right'. Moral appeals are generally used to urge people to support social causes such as environmental concern population exposition, donating money to help victims of some natural calamity, or equal status for women etc.,

16.5 Message Sidedness:-

A message can be either one-sided or two-sided. A one sided message mentions only benefits or positive attributes of the product or service. For ex. Advertisements of 'Maruti 800' only address its advantages and don't mention any possible weaknesses. If the audience is favourably predisposed, or if it is not likely to hear an opposing argument, then a one sided message is most effective. A two – sided message presents not only the strong points of the products or service, but also admits to any weaknesses. If audience is critical, unfriendly or hostile, well educated, or if it is likely to hear opposing claim about the product or service, then a two sided message is most likely to be more effective. Two-sided advertising messages are especially useful in a highly competitive marketing environment. Where every competing brand claims superiority over others. Ex Khaitan Mara than fan ad claims superiority about its features but admits that it is expensive than other fans. This strategy actually helps provide consumers with counter agreements to dilute any attacks by competing brands.

Two-sided message are often seen in case of comparative advertising where the name of one or more competitors are openly mentioned for the purpose of claiming overall superiority or superiority on selective attributes basis. Recent examples seen in Indian Media are RIN and Tide, Cannon & Rodi Xerox.

Although comparative advertising is widely used, it is not without critics. Researchers dispute its effectiveness in aiding message recall. Some maintain the message recall effectiveness of comparative ads is somewhat higher than that of ads which do not explicitly name the competition.

16.6 Message Development – Meaning and Tools:-

Basically an advertisement is an expression of an idea and the success of the advertisement rests on the strength of the idea the total message pictures and the words intruded to express. Any advertisement we come across is the outcome of visualization or creative visualization. Creative Visualization is the starting point of message development. Prof Mawerice I. Mandell has emphasized that the term creative visualization, refers to "Seeing in the mind's eye the form of the idea as it would appear in the advertisement". It is a creative process dealing with visioning or imagining the units, or masses or elements that go into the advertisements that is to be presented to the audience. Still we find many creative persons follow certain steps to find innovative ideas. Mr. Aleso Osborn- The founder of creative Education foundation in USA has done a lot of work on a creative process. He spells out a seven step model of creative process. The seven steps are orientation (Familiar with the company product - its markets – company history, philosophy, policies and peculiarities), preparation (Gathering all types of information both relevant and irrelevant. Analysis' (The collected information is to be manipulated-thoroughly examined, studied, weeded, screened, and arranged in unusual combinations and synthesized) Ideation (Creative spark or concrete shape to the brain waves), Incubation : (ideas into the subconscious), synthesis: (process of organizing ideas) evaluation, and verification. So, creativity is the quality of being able to produce

original work or ideas by human intelligence and imagination in any field. A new creation can win praise of people only if it is completely new. Some thing that had never existed before.

For creating a good ad there are few tools that are normally used. These are like chisel and mallet, for transforming ideas into meaningful shapes. These are the means towards achieving the goal.

16.7 Advertising Copy :-

One of the most important function in advertising is writing copy. An ad copy is all the written or spoken matters in an advertisement expressed in words or sentences and figures designed to convey the desired message to the target audience/consumers. In a print media an advertisement copy is made-up of head-line, sub-headlines, both of the copy, illustration, logo-type, slogan and brand name. Strictly speaking, written content of ad is called as copy and visual part is called as illustration an advertisement copy is the product of the collective efforts of copy writers, and artists and the layoutman. The ad copy is drafted with certain objectives to be achieved. These objectives are 'Direct Action' and 'Indirect Action'. Direct Action objective of a copy is to cause immediate direct action on the part of the consumer, eg., coupons for soliciting inquiries. Indirect action objective of a copy is to create indirect action on the part of prospects.

Good ad copy is not the result of a sudden flash of inspiration. Rather, it is built or put together according to a definite plan to produce a definite results. Before any copy is written, the copy writer should have pre-thinking a prelude to successful copy writing. He should have designed background information a stuff for his copy. It relates to buyers, products, channels, promotion and legalities. However, a good or effective ad copy is one that succeeds in reaching the target consumers to create a favourable attitude towards the product and the producer impelling an action. To perform these functions, an effective copy should be brief, clear, apt, personal, honest, and conforming are called as the essentials or attributes.

In print media, the ad copy is made-up of the components like,

Head line

Sub-Head lines

Body of the copy

Illustration

slogan

Identification mark or logo type

Colours and

Composition

These elements are used to design and develop the message in a way that the basic objectives of communication is fulfilled. Be it informing the consumers about the sales, or persuading him to buy the merchandise or simply creating an awareness about the brand.

16.8 Copy Head Line :-

Research shows that most advertisements are not read beyond the headline. If the headline arouses curiosity only then the reader proceeds further. Naturally the headline deserve more attention and imagination than other parts of the advertisement. It is the name given to the display

line which appears at the top or near top of the ad and acts as a sign post in stopping the reader and impelling him to read the message. It is a word or phrase or a sentence printed in large sized letters and implying the message underlying the advertisement. Head line is the essence boiled down from the substance of advertising message. It is so important that it makes clear distinction between the success or failure of an ad. The important functions of head line are (i) To attract the attention of readers, (ii) To induce the readers to read the text, and (iii) to give concised selling message.

Copy head lines are classified in a number of ways by experts in the field of advertising. According to C.M. Edwards and W.H. Howards, head lines can be of four types namely, Informative, Provocative, Selective and label.

(i) Informative Headline :

Informative (or) News(or) message head line features the most important selling point of the product/services, provides new information to the readers. Eg. Innovations in electronics an advertisement of "National", "Look your loveliest with LACTOCALAMINE" Dulphar Interform Ltd.,

(ii) Provocative Head Line:

Bait the readers curiosity in order to complete the reading of a copy. Eg. "Don't gun mosquitoes –use TORTOISE MOSQUITO COIL – Bombay Chemical Ltd., Growing children need COMPLAN- Glindia Ltd.,

(iii) Selective Head Lines :

Seek their clientele by directing their appeals to those for whom the product holds a special interest Eg. "You need not be a millionaire to look a Multi-Millionaire" – Raymond's, "To all collegian CLEARASIL for pimples" Halen Curtis Ltd.

(iv) Label Headlines :

Identify and name the product with its price., eg : Peter England shirts ranging from Rs. 399. "Moccasins-Rs.195 per pair"- Bata India Ltd.

Headlines to be effective can be supported visually. Both together involves the readers with ad.

Sub headline:- While many ads have only one headline, it is also common to see print ads containing the main head and one or more secondary heads, or sub-heads. Sub-heads are usually smaller than the main headline but large than the body copy. They may appear above or below the main headline or within the body copy. These are often used to enhance the readability of the message by breaking up large amounts of body copy and highlighting key sales points. Their content reinforces the headline and advertising slogan or theme.

Eg: ONLY BRYL CREAM

- * Grooms your hair perfectly without making it oily or messy
- ** It is so economical – one application keeps your hair naturally in the place all the day
- *** It has unique formula that nourishes the scalp, encourage healthy hair growth
- **** It brings out natural colour to your hair change to BRYL CREAM !

Used by millions of well groomed men through out the world – H.M.M., Ltd., India.

Slogans:- A slogan is any word or a group of words used regularly by the advertiser to impress the readers of the basic idea about his product/ service. It is brief, general and unchanging that widens horizons of publicity. It signs of the qualities of product or producer.

Eg:	1.	Diamonds are forever	-	DeBeers
	2.	Just do it	-	Nike
	3.	Let's make things Bother	-	Philips
	4.	The coolest one	-	Kelvinater
	5.	We know India Better	-	L.I.C

Seals, Logos, and Signatures:-

A seal is awarded when a product meets the standards established by a particular agency or institute such as ISI, ISO 9002, or Energy Star, etc... These seals provide an independent, valued endorsement to the advertises product.

Logotypes and signature are special design of the advertisers company or the product name. They appear in all the company ads, are immediately recognised and give the product individuality at the point of sale, such as kellogge, Intel inside, hp, etc.

16.9 Illustration:-

The illustration is often a dominant part of a print ad and plays an important role in determining its effectiveness. The Visual portion of an ad must attract attention, communicate an idea, or image, and work in a synergistic fashion with the headline and body copy to produce an effective message. In some print ads, the visual part of ad is essentially the message and thus must convey a strong and meaningful image. The visuals capture a mood and evoke a feeling, a context for the consumer's perception of product or service. Selecting the focus of ad visuals often determines how well the big idea is executed. The art director has to make many decisions regarding the visual portion of the ad, such as identification mark (Company Name, Trade Marks, Logos, etc.) photoes hand draws illustrations, black and while or colour etc.,

16.10 Body Copy:

The main text portion included in the advertisement is called the body copy. The body copy contains the complete sales story and is the logical continuation of the headline and subheads. It covers the attributes, benefits and the utility of the product or service, but getting the audience to read the body copy is often difficult. It is estimated that just about ten readers actually read the

body copy which must be long enough to accommodate the complete message and short enough to retain the reader's interest. The copy writer must speak to the prospect's self interest, explain how the product or service will satisfy the consumer need.

16.11 Colour:

Colour is another physical element of an ad copy and can be used with impact only if its dimensions are understood. The decisions to use colour, and how much of it, can influence the development of copy and art and the production of finished print advertisement. The use of colour directly influence the cost of advertisement but also offers significant advantages.

- ◆ It adds attention – Capturing value to the advertisements.
- ◆ Help in imparting emphasis to important elements in an ad
- ◆ Add a sense of realism or atmosphere
- ◆ Help in easy identification of brand name, package and trademark
- ◆ Imparts a feeling of quality and prestige to the advertisement.

Print advertising had the potential to compete with television. It had a ability to generate astonishing, eye –catching colour in ad's. Use of colours suits many product categories such as food items, fabrics, fashion item, etc., national origin or culture can play a role in colour preferences. Colours have a symbolism of their own that can influence the communication process. Greens and blues are perhaps associated with grass, trees, sea, and sky, they are cool and restrained colours. At the other end of the spectrum are red and orange. These are warm colours, suggesting fire stimulation, passion, action and excitement. Yellow is viewed as a bright and cheerful colour and suggests warmth without heat.

16.12 Composition (Layout) :

A layout is an orderly physical arrangement of headline, subheads, body copy, slogan, seal, logo, signature and the visual elements into a finished advertisement. It shows where each component of the ad will be placed and gives guidelines to people working on the ad creation. The comprehensive layout is a highly refined exact copy of finished ad. It is quite detailed, with photos, the final type styles and font sizes, and sub visual, and a glossy spray coat.

Rules of composition are followed in every art form ever created by man. One can safely say that there can be no beauty unless the rules of proportion are followed. A poor idea remains poor no matter how well laid out it is, but a good idea had a chance of success only if it is presented clearly on the page. The manner of arranging components on the page has a lot to do with attracting and controlling the readers attention. The subject has also been investigated by scientists who have arrived at conclusion about eye movement and attention fatigue. There are not set formulae that can assure effective layout. However, there will be a great opportunity for successful layouts if the following factors taken into consideration.

1) Sequence or eye movement : The ad should be arranged in an orderly manner so that consumers can read it from left to right and top to bottom. Arrangement of elements in a sequence helps direct the readers eye in a structural motion. The elements should be placed in a manner that the eye starts where the advertiser wants it to start and traverses its course through out the ad.

2) Balance: There is a belief among many designers that balance is a fundamental law of nature. Balance means controlling the size, tone, weight and position of the elements in the ad. It occurs when equal weights or forces are equidistant from a reference point, which is the imaginary vertical line drawn from the centre of the ad. One can test the balance by examine the relationship between the right and left halves of the ad. When the weights of all elements on both sides of the vertical centre line is equal the layout had formal balance. Such symmetrical ads give an impressions of stability and conservation.

3) Contrast: An effective way of drawing attention to a particular element is with the use of contrast. It imparts life to a layout and adds emphasis to selected elements. Variations in the size, shape and colour of layout elements creates contrast. Altering type to bold or italic brings attention to a word or phrase and create contrast between type elements.

4) Emphasis or proportion : Elements in an advertisement are accorded space based on their importance to the complete advertisement. For best appearance, elements frequently use varying amounts of space in some proportion.

5) Unity : Unity is considered as most important design principle. All creative advertising had a unified design. The complete layout (Copy, Visual, Headline, Logo, etc.) should appear as a simple unified composition. Unity contributes order lines to the elements.

6) Continuity : Continuity refers to the relationship of one advertisement to the rest of the campaign. This is achived by using the same design format, style and tone for all advertisements.

7) Clarity and Simplicity: Any element that can be eliminated with out damaging the effect the advertiser is trying to achive should be eliminated. Too many different type styles, type that is too small and unnecessary copy make the layout complex too busy. It makes the ad, hard to read and hurt the overall effect desired.

16.13 Summary :

The lesson message design and development, discusses the basic tools used in message design and development. Message is the central theme on which the communication to the audience depends. Making use of its elements like headline body copy, colour, shape, size, order of presentation and direct/peripheral approach to presentation, a message seeks to fulfill the communication objectives effectively.

16.14 Key Words :

- 1) Advertising campaign_:** A comprehensive advertising plan that consists of a series of messages in a variety of medic that centre on a single theme or idea.
- 2) Advertising Creativity_:** The ability to generate fresh, unique and appropriate ideas that can be used in solution to communication problems.
- 3) Body copy_:** The main text portion of a print ad.

- 4) **Creativity** : A quality possessed by persons that enables them to generate novel approaches, generally reflected in new and improved solutions to problem.
- 5) **Emotional Appeal** : Advertising message that appeal to consumers feelings and emotions.
- 6) **Sub heads** : Secondary headline in the print ad.
- 7) **Unique selling proposition** : An advertising strategy that focuses on a product/ service attributes that is distinctive to a particular brand and offers an important benefit to the customer.

16.15 Self Assessment Question :

1. Discuss the steps involved in the design process of a print ad, what is the role of headline and visual ?
2. Select two advertising campaign and develop what you think are the objectives of the ad's. How has a message design attempted to achieve these objectives.
3. Suggest what message strategies and order of presentation should be used for the following products and services and why?
a) Detegenis b) Cigaretts c) Fire Insurance d) Housing Loans.
4. How do colour and size affect the response to an ad : illustrate with examples.

16.16 Further Readings:

1. Philip Kotler, Marketing Management, Prentice Hall of India Pvt., Ltd., New Delhi.
2. George E. Besch & Michael A. Belch, Advertising and Promotion. Tata McGraw-Hill, New Delhi.
3. Schiffman & Kanuk, Consumer Behaviour, Prentice Hall of India Ltd., New Delhi.
4. S.H.H. Kazmi & Satish K. Batra, Advertising and sales Promotion, Excel Books, New Delhi.

Dr.V. Tulasi Das

LESSON - 17**MEDIA SELECTION, PLANNING AND SCHEDULING****17.0 Objectives :**

After reading this lesson you should be able to :

- ❖ Explain the concept of media planning and role of media in overall marketing and advertising plan.
- ❖ Discuss the strategies relevant to media selection .
- ❖ Explain the dominant factors in scheduling.

Structure :

- 17.1 Introduction.
- 17.2 Meaning and Types of Media
- 17.3 Media Planning : A Process
- 17.4 Media Selection : A Process
- 17.5 Developing and Implementing Media Strategies
- 17.6 Media Scheduling
- 17.7 Summary
- 17.8 Key Words
- 17.9 Self Assessment Questions
- 17.10 Further Readings

17.1 Introduction :

Media management involves one of the most crucial decisions for an advertiser in its objectives to reach effectively the target markets. The decisions assume further critical importance with the wide availability of media vehicles and changing in buying public. Media planners must know consider new options as well as recognize the changes that are occurring in traditional sources. New and evolving media contribute to the already difficult task of media planning. Planning when, where, and how the advertising message will be delivered is a complex and involved process. The primary objective of the media plan is to develop a frame work that will deliver the message to the target audience in the most efficient, cost effective manner possible that will communicate. What the product, brand, and / or service can do. This unit presents the various methods of

message delivery available to marketers, examine some key considerations in making media decisions and discusses the development of media strategies, plans and media scheduling.

17.2 Meaning and Types of Media :

Media as a term can be defined both from the users and the suppliers perspectives. To the users of media i.e. advertisers and audiences, it is the mix of medium that carry the advertisers message and constitute as the vital link between the company that manufacturers and serve the product and the customer who buy or might wish to buy it. Media suppliers on the other hand, includes the institutions that offer media. To them it is a “mix of service organization which aim to fulfill the needs of listeners, viewers and readers for information and entertainment”. Note that the media are not primarily and purely for carrying the marketing messages. They render a far more meaningful and comprehensive set of beneficial services in which besides entertainment and information, marketing messages are carried to the audiences. Naturally therefore, each medium will do its best for making it more attractive and closer to its audience.

Types of Media : Advertisers face virtually an ocean full media choices, though many of them may be summarily rejected as being irrelevant either to the product type or to consumer types. The following are the major types of Media.

- ◆ Direct Mail Media
- ◆ Radio Advertising
- ◆ Outdoor Media
- ◆ Magazine
- ◆ Screen Media
- ◆ Specialty Media etc.,
- ◆ Directory Media
- ◆ Point of Purchase Media
- ◆ News Paper Media
- ◆ Transit Media
- ◆ Television

17.3 Media Planning : A Process :

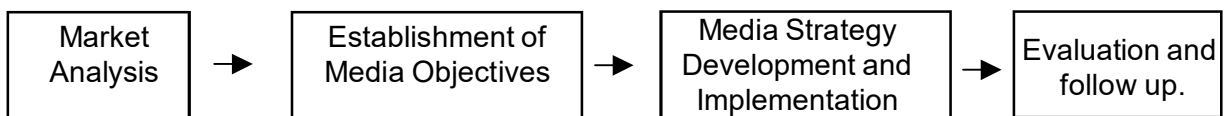
The media plan determines the best way to get the advertiser’s message to the market. In a basic sense, the goal of the media plan is to find that combination of media that enables the marketers to communicate the message in the most effective manner to the largest number of potential customers at the lowest cost.

Like any other planning, media planning is done by specialists who have necessary amount of training and experiences. Media planning is a process of designing a course of action that shows how advertising time and space will be used to contribute to the achievement of marketing objectives. In this process the media planner takes into consideration factors like media strategy, media tactics, media planning models and the cumulative effect of advertising along with procedures for buying media.

The activities involved in developing the media plan and purpose of each are presented in figure 17.1. As you can see, a number of decisions must be made throughout this process. As the plan evolves, events may occur that necessitate changes. Many advertisers find it necessary to alter and update their objectives and strategies frequently.

At each stage of the planning process you would recognise the importance of facts and figures, and ways to study them in order to take the subdivisions. So, the relevance of information analysis base begins right at the first stage and stays right through till the evaluation stage. What information is required at each stage will be studied as we go along. Let us study the important stages in the planning process. (See Fig. 17.2).

Figure 17.2 Developing the Media Plan



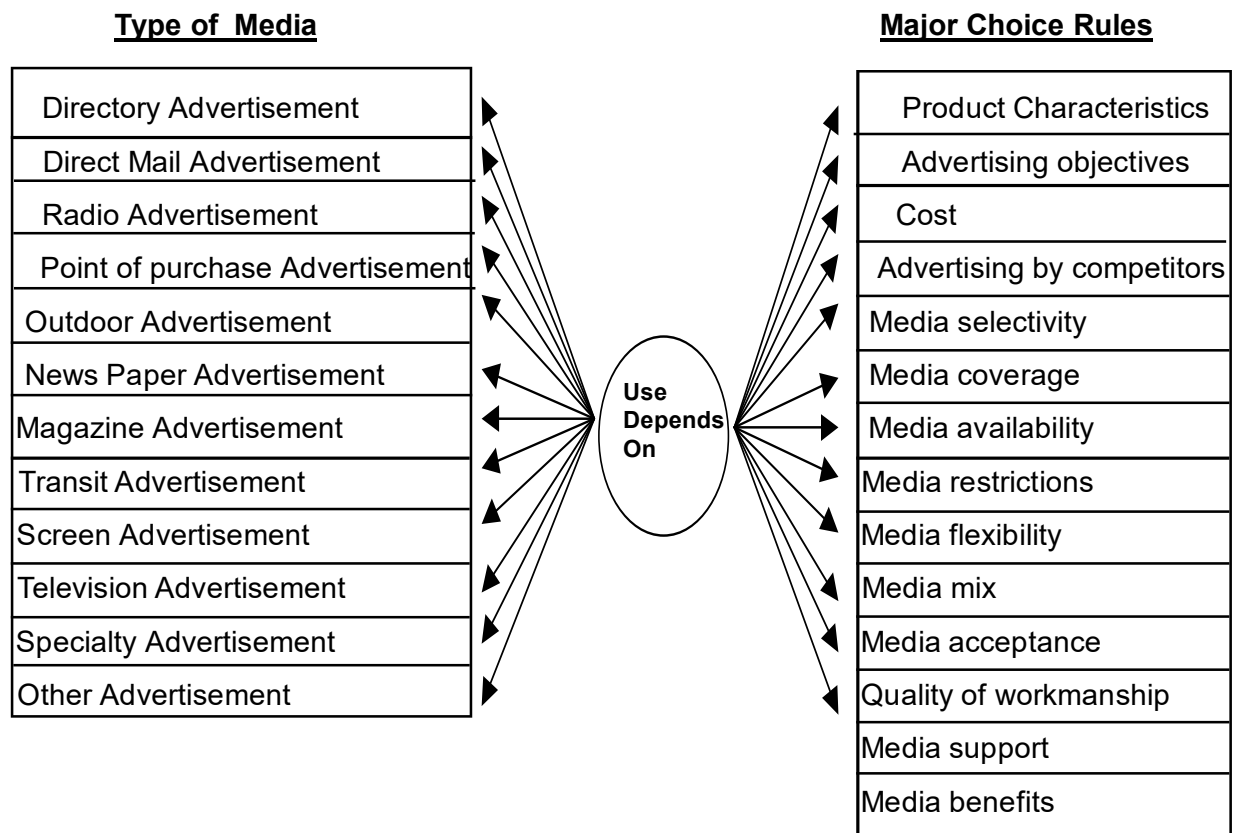
Media plan is derived from advertising plan. Advertising plan itself, in its turn, is derived from marketing plan. Marketing plan considers the total marketing environment and sets the marketing objectives. To realise these objectives, we formulate marketing strategies. Advertising plan is derived from marketing plan, and lays down the promotional strategy as part of marketing strategy. Our media plan is derived from the advertising plan. It sets media objectives. These objectives are realised through media strategy.

Setting media objectives is the first step in media planning. Media objectives are in harmony with the advertising and the marketing plans. There are broadly five elements in a media objective statement. Target audience, Geographic concentration, Timing consideration, reach / frequency and creative requirements.

17.4 Media Selection: A Process :

Media selection is a highly involved task for a marketer. The major reasons for this involvement is that there could be no single best media strategy that would apply to different situations. The attempt is, therefore, to identify a fit between media choice and market preferences. Differences in these choice approaches necessitate a change in media mixes. Further, media selection differs continuously on account of an imperfect state of knowledge that exists about the media scene. The pattern of advertisement expenditure on media vehicles keep on changing with the passage of time. Thus, advertisers and marketers in the same industry may be found spending different amounts on various media instruments even though the products and markets are the same. Figure 17.3. Outlines the major media considerations in media selection.

Fig-17.3 : Major Consideration in Media Selection.



Source : Advertising : W.H. Bolen P.191.

In view of the complexities and involvement in media selection, a managerial framework is quite helpful. The following selection process deals with a series of considerations in the pursuit of media selection. Target audience; creative requirements (Nature of message delivered); Seasonal and Geographic concentration; cost; reach / frequency; Degree of synergy between message content and media.

17.5 Developing and Implementing Media Strategies :

Having determined what is to be accomplished, media planners consider how to achieve these objectives. That is they develop and implement media strategies, which evolve directly from the actions required to meet objectives and involve the criteria considered is the development of media plans.

- ◆ The media mix
- ◆ Target market coverage
- ◆ Geographic Coverage
- ◆ Scheduling
- ◆ Reach Vs. Frequency
- ◆ Creative aspects and mood
- ◆ Flexibility
- ◆ Budget consideration

Let us examine each of the above criteria in developing and implementing media strategies.

a. The Media Mix : A wide variety of media and media vehicles are available to advertisers. While it is possible that only one medium and / or vehicle might be employed, it is much more likely that a number of alternatives will be used. The objectives sought, the characteristics of the product or service, the size of the budget, and individual preferences are just some of the factors that determine what combination of media will be used. As an example, consider a promotional situation in which a product requires a visual demonstration to be communicated effectively. In this case, TV may be the most effective medium. If the promotional strategy calls for coupons to stimulate trial, print media may be necessary. For in-depth information, the Internet may be the best.

By employing a media mix, advertisers can add more versatility to their media strategies, since each medium contributes its own distinct advantages. The combination of media, help the marketers to increase coverage, reach and frequency levels.

(b) Target Market Coverage : The media planner determines which target markets should receive the most media emphasis. Developing media strategies involves matching the most appropriate media to this market by asking "Through which media and media vehicles can I best get my message to prospective buyers"? The goal of the media planner is to extend media coverage to as many of the members of the target audience as possible which minimizing the amount of waste coverage.

(c) Geographic Coverage : In view of the market priorities and the differential media objectives set for such market, how the media mix is to be used in order to allocate the advertising effort is explained in strategic terms.

(d) Scheduling : Obviously, companies would like to keep their advertising in front of consumers at all times as a constant reminder of the product and/or brand name. In reality, this is not possible for a variety of reasons. Nor is it necessary. The prime objective of scheduling is to time promotional efforts so that they will coincide with the highest potential buying times. For

some products these times are not easy to identify; for others they are very obvious. Three scheduling methods are available to media planners to decide - continuity fighting and pulsing.

Continuity refers to a continuous pattern of advertising, which may mean everyday, every week or every month-used for advertising for food products, detergents, cosmetics, etc., consumed on an on going basis without regarded ad seasonality. Fighting method employees a less regular schedule with intermittent periods - seasonal products. Pulsing is actually a combination of the first two methods. In a pulsing strategy, continuity is maintained, but at certain times promotional efforts are stepped up – Garments ads in festival seasons. Educational institute ads in admission time etc.,

(e) Reach Vs. Frequency : Based on the marketing adjectives, it is always important to quantify the actual number of target audience desired to be covered and the number of time the target person is to be exposed to the advertising in order to effect the desired response. These are the physical dimensions of the achievement of any plan. The actual number of target persons covered in known as reach, and the number of exposures they are to receive is the frequency.

Since advertisers have a variety of objectives and face budget constraints, they usually must trade off reach and frequency. They must decide whether to have the message be seen or heard by more people or by fewer people more often. To determine effective frequency, one must consider marketing factors, message factors and media factors. (See Exhibit – 17.1). The Reach Vs. Frequency decision, while critical, is very difficult to make. A number of factors must be considered, and concrete rules do not always apply. The decision is often more of an art than a science.

Exhibit 17.1 : Determinant Factors of Effective Frequency

Marketing Factors

- ◆ **Brand History :** Is the brand new or established ? New brands generally require higher frequency levels.
- ◆ **Brand share :** An inverse relationship exists between brand share and frequency. The higher the brand share, the lower the frequency level required.
- ◆ **Brand loyalty :** An inverse relationship exists between loyalty and frequency. The higher the loyalty, the lower the frequency level required.
- ◆ **Purchase cycles :** Shorter purchasing cycles require higher frequency levels to maintain top-of-mind awareness.
- ◆ **Usage cycle :** products used daily or more often need to be replaced quickly, so a higher level of frequency is desired.
- ◆ **Competitive share of voice :** Higher frequency levels are required when a lot of competitive noise exists and when the goal is to meet or beat competitors.
- ◆ **Target group :** The ability of the target group to learn and to retain messages has a direct effect on frequency.

Message or Creative Factors

- ◆ **Message complexity** : The simpler the message, the less frequency required.
- ◆ **Message uniqueness** : The more unique the message, the lower the frequency level required.
- ◆ **New versus continuing campaigns** : New campaigns require higher levels of frequency to register the message.
- ◆ **Image versus product sell** : Creating an image requires higher levels of frequency than does a specific product sell.
- ◆ **Message variation** : A single message requires less frequency, a variety of messages requires more.
- ◆ **Wear out** : Higher frequency may lead to wear out. This effect must be tracked and used to evaluate frequency levels.
- ◆ **Advertising units** : Larger units of advertising require less frequency than smaller ones to get the message across.

Media Factors

- ◆ **Clutter** : The more advertising that appears in the media used, the more frequency is needed to break through the clutter.
- ◆ **Editorial environment** : The more consistent the ad is with the editorial environment, the less frequency is needed.
- ◆ **Attentiveness** : The higher the level of attention achieved by the
- ◆ **Scheduling** : Continuous scheduling requires less frequency than does flighting or pulsing.
- ◆ **Number of media used** : The fewer media used, the lower the level of frequency required.
- ◆ **Repeat exposures** : Media that allow for more repeat exposures (for example, monthly magazines) require less frequency.

(f) **Creative aspects and Mood** : The context of the medium in which the ad is placed may also affect viewers' perception. A specific creative strategy may require certain media. Because TV provides both sight and sound, it may be more effective in generating emotions than other media. Magazines may create different perception from newspapers. In developing a media strategy, marketers must consider both creativity and mood factors.

(g) **Flexibility** : An effective media strategy requires a degree of flexibility. Because of a rapidly changing marketing environment, strategies may need to be modified. If the plan has not built in some flexibility, opportunities may be lost and/or the company may not be able to address new

threats. Flexibility may be needed to address the Market opportunities, Market threats, availability of media, changes in media or media vehicles etc., Fluctuation in these factors mean the media strategy must be developed with enough flexibility to allow the manager to adopt to specific market situation.

(h) Budget Consideration : One of the more important decisions in the development of media strategy is cost estimating. The value of any strategy can be determined by how well it delivers the message to the audience with the lowest cost and the least waste. The marketer tries to arrive at the optimal delivery by balancing cost with reach, frequency, and availability.

Advertising and promotional costs can be categories into two ways. The “absolute cost” of the medium or vehicle is the actual total cost required to place the message. “Relative cost” refers to the relationship between the price paid for advertising time or space and the size of the audience delivered; it is used to compare media vehicles. Relative costs are important because the manager must try to optimise audience delivery within the budget constraints. Since a number of alternatives are available for delivering the message, the advertiser must evaluate the relative costs associated with these choice. Unfortunately the broad cost, print and out of home media do not always provide the same cost break down, nor necessarily do vehicle within the print media. The following are the cost based methods used.

1. Cost per thousand (CPM) : For years the magazine industry has provided cost break downs on the basis of cost per thousand people reached. The formula for this computation is

$$\text{CPM} = \frac{\text{Cost of Ad Space (Absolute Cost)}}{\text{Circulation}} \times 1000$$

2. Cost per rating point (CPRP) : The broad cost media provides a different comparative cost figure, referred to as cost per rating point or cost per point (CPP) based on the following formula.

$$\text{CPRP} = \frac{\text{Programme Rating}}{\text{Cost of Commercial Time}}$$

3. Daily inch rate : For newspapers cost effectiveness is based on the daily inch rate, which is the cost per column inch of the paper. As you can see, it is difficult to make comparisons across various media. What is the broad cost equivalent for cost per thousand or the column inch rate ? Thus.

$$\text{Television} = \frac{\text{Cost of 1 unit of time} \times 1000}{\text{Programme Rating}}$$

$$\text{Newspaper} = \frac{\text{Cost of ad space} \times 1000}{\text{Circulation}}$$

17.6 Media Scheduling :

Once the media planning and selection is accomplished to the satisfaction of both advertisers and agencies, the attention is diverted to the task of deciding the scheduling. It concerns answering such questions as how many of each media vehicles space and time units be bought? Over what and time units, this will be bought ? Over what period, should such buying be ? Do we want a steady schedule or do we want a pulsed campaign, concentrating heavily in the beginning and later slowing down ?

Normally media scheduling is considered for a four week period. Thus, to an advertiser, the following six types of schedules are available.

1. **Steady Pulse** : It is the easiest types of schedules to prepare. For instance one ad per week for 52 weeks or one ad per month for 12 months may be prepared.
2. **Seasonal Pulse** : Seasonal nature of products dictate the use of seasonal pulse in advertising examples. Pears Glycerin Soap, Ceiling Fans; air conditions refrigerators etc., in the months of winter and summer respectively.
3. **Periodic Pulse** : Scheduling of media at regular intervals but not related to the seasons of the year is called the periodic pulse.
Ex. Media scheduling of consumer durables and non-durables.
4. **Erratic Pulse** : When advertising is spaced at irregular intervals, it is called erratic pulse. Erratic pulse be itself is not to ignored. It is quite likely that the advertiser is trying to cause changes in typical purchase cycles. For instance, ceiling fans, soft drinks, etc., advertising in months other the summer months could attempt to even out purchases throughout year.
5. **Start up pulse** : It is quite common to see a heavily concentrated media scheduling to open their a new product or a new campaign. This is called start up pulse.
6. **Promotional Pulse** : This scheduling pattern suits only a particular promotional them of a company. Thus, it will be more in the nature of one time only and advertising will be heavily concentrated during a particular time. Ex. Reliance Mutual Fund, RIL Mobile, LIC on Bheema Gold Policy in 2006 etc.,

Even though several scheduling patterns are available with their unique characteristics, it would be wise to remember that scheduling is a part of media strategy. Hence, a regular review of the scheduling pattern is beneficial to the advertiser. Any thoughts on media scheduling will be directed by a careful analysis of three factors of media. They are Reach, Frequency and continuity (RFC). Several researchers have been conduct on analysing the data related to RFC. The major findings are.

- * Continuity assumes importance because advertising is often forgotten if not reinforced by continual exposure.

- * Repeated exposures are needed to impress a message on the memories of a large promotion of consumers.
- * As number of exposures increases, the number of person who remember it increase. Not only this the length of time for which they remember also increases.
- * An intensive 'burst' of advertising is more likely to cause a large number of people to remember it at least for a short time than spreading the campaign uniformity.
- * In many cases reaching as many people as possible may be as important as the task of reaching a fewer number of people but more frequently.
- * It goes without emphasizing that media planning is more an art than a science because not many credible and universally applied scientific methods have been evolved yet.

17.7 Summary :

This unit has presented an over view of the determination of media objectives, development of the media strategy, selections of media, and form allegation of objectives and strategy in the form of media plan. The media strategy must be designed to supplement and support the overall marketing and communication objectives. The objective of this plan are designed to deliver the message the programme has developed.

The basic task involved in the development of media strategy is to determine the best matching of media to the target market, given the constraints of the budget. The media planner attempts to balance reach and frequency and to deliver the message to the intended audience with a minimum of waste coverage. At the same time, a number of additional factors affect the media decision. The media strategy development influenced by many factors, including media mix, determining target audience and Geographic coverage, scheduling, and balancing reach and frequency. Creative aspects, budget considerations and the need for the flexibility in the schedule were also considered.

17.8 Key Words :

Media planning : M.P. is the series of decisions involved in delivering the promotional message to the prospective purchasers and/or user of the product or brand.

Medium : Medium is the General category of available delivery system which includes TV, Radio, Print, Direct mail, Out door advertising and other support media.

Media Vehicle : Media vehicle is the specific carrier within a medium category.

Reach : Reach is a measure of the number of different audience members exposed atleast once to a media vehicle in a given period of time.

Coverage : Coverage Refers to the potential audience that might receive the message through a vehicle.

Frequency : Frequency refers to the number of times the receiver is exposed to the media vehicle in a specified period.

17.9 Self Assessment Questions :

1. What major issues must media planner consider before they begin ?
2. Media planning involves a trade off between reach and frequency. Explain what this means and give examples of when reach should be emphasised over frequency and vice versa.
3. Discuss the principal methods of media scheduling. What factors should be taken into account ?
4. Explain the Criteria considered in developing and implementing media strategy.
5. "The biggest waste in advertising is to advertise too little" Discuss.

17.10 Further Readings :

1. George E. Belch & Michael, A. Belch (2004), Advertising and Promotion. An Integrated Marketing Communication Perspective, Tata MC Graw-Hill Publishing Company Pvt., Ltd., New Delhi.
2. W.H. Bolen (1981) Advertising, John Wiley & Sons, USA.
3. AM.C Barban, S.M. Cristor and F.J. Kopek (1976) Essential of Media Planning (Chifago: Illinois Crain Books).
4. S.A. Chunawalla (2005), Advertising Sales and Promotion Management, Himalaya Publishing House, Mumbai.
5. S.H.H. Kazmi & Satish K. Batra (2004) Advertising and Sales Promotion, Excel Books, New Delhi.

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Lesson – 18**ADVERTISING EFFECTIVENESS****18.0 OBJECTIVES :**

A careful reading of the lesson will enable you to :

- ❖ Make a through examination of the concept of advertising effectiveness and its measurement problem.
- ❖ Determine objectives of such evaluation for ensuring better pay offs.
- ❖ Discuss the type and techniques of advertisement evaluation and.
- ❖ Derive practical lessons for coping with the real world difficulties in advertising evaluation.

STRUCTURE :

- 18.1 Introduction.**
- 18.2 Concept of Effectiveness and Measurement**
- 18.3 Types of Advertising Evaluation.**
- 18.4 Test the Advertising Effectiveness.**
- 18.5 Advertisement Evaluation Some Final Points.**
- 18.6 Summary.**
- 18.7 Suggested Readings**
- 18.8 Self Assessment questions**

18.1 Introduction:

The managerial responsibility in the area of advertising does not come to an end with the execution of an advertising programme. Any sound managerial effort is finally interested in goal attention and therefore, always ready to evaluate the results. Advertising is one of the vital functions of management which is subject to such evaluation process. Investment in terms of talents, time and treasure in any activity leads to results. Without the perfect knowledge on advertising efforts, there is basis to feel satisfied or un satisfied We should be keen on knowing the end results in order to decide intelligently weather to continue or to increase or to decrease or to abandon altogether the show. Testing has become the part of the programme of advertising. The endeavour of this lesson is to contribute to this process of clarity.

18.2 Concept of Effectiveness and Measurement:

Testing or evaluation of advertising effectiveness refers to the managerial exercise aimed at relating the advertising results to the established standards of performance and objective so as to assess the real value of advertising performance. This evaluation exercise is also known as the advertising research. It is a research activity undertaken to measure the worth of the specific elements of an advertisement or the aspects of entire advertising's programme. It is an attempt to know whether the message designed properly has reached the greatest number of prospects at the least practical cost. The rationale behind advertising effectiveness testing is elucidated here under.

- ◆ To make sound future decision
- ◆ To impress upon the top management.
- ◆ To have a clear break – up picture
- ◆ To know the point of saturation and
- ◆ To keep in touch with the new trends.

In a nut shell, advertising testing enables to get down to the facts, to decide on spendings, to guard against the agency that turns to you the stereo typed matter to protect against the mistaken notions that you have to keep in touch with latest trends, to multiply the results from the rupee investment made.

An effective advertisement evaluation consists nine measure called PACT (Positioning Advertising Copy Testing). The PACT principles of advertising are:

- ◆ Provide measurements which are relevant to the objectives of the advertising.
- ◆ Requires agreement about how the results be used in advance of each specific test.
- ◆ Provide multiple measurements, because single measurement in generally in adequate to assess the performance of an ad.
- ◆ Is based on a model of human response to communicate the reception of stimulus, the comprehension of the stimulus and the reasons to the stimulus.
- ◆ Allows for consideration of whether the ad stimulus should be exposed more than once.
- ◆ Recognizes that the more finished a piece of copy is, the more soundly it can be evaluated and requires, as a minimum, that alternative executions be tested in the same degree of finish.

- ◆ Provides control to avoid the biasing effects of the exposure context.
- ◆ Take into account basic consideration of sample definition.
- ◆ Demonstrates reliability and validity empirically.

18.3 Types of Advertising Evaluation:

Marketers have a choice for conducting pretest evaluation, or concurrent testing or post test evaluation or all together. The objective of pretesting evaluation is to increase likely hood of preparing most effective ad message. It can help detect and eliminate weakness or flaws that may ultimately result in consumer in difference or negative audience response.

Concurrent or coincidental testing is that which takes place while the advertisements are run. The objective of this technique is to take feedback from such testing and corrective actions can be taken while the advertisement campaign is on.

Post testing evaluation on the other hand, pertains to determining effectiveness of an advertisement or campaign after it has run. It is normally more expensive and time consuming. However, it is superior than the previous two tests because the former uses real life setting to collect and analyse data in order to evaluate advertisement effectiveness. The findings obtained from post testing can provide useful guidelines for the future advertisements.

The areas of advertising evaluation are concerned prof. Russel H. Colley 1961 of USA says that each area is identified and the actual results are to be compared to determine the degree of effectiveness. The areas are markets, motives, messages, media, budgeting scheduling and overall results.

18.4 Test the Advertising Effectiveness:

Fortunately, the ad manager has wide range of testing techniques or methods to choose for evaluation purposes. The method or technique is going to use is dependent on when he is going to measure the ad effectiveness. Accordingly, there are three sets of methods to meet the needs of a particular time dimension. These can be pre-testing concurrent testing and post testing methods or techniques.

1. Pre – Testing Methods :

Pre – testing is done prior to the launching of the full advertising campaign and incurring major expenses on advertising efforts. The purpose of pre-testing is to select the best copy appeals, headlines, matter, slogan, illustration, media and the like. Of the available techniques the most popular have been discussed below.

a. Check List Test :

A check list is a list of good qualities to be possessed by an effective advertisement. A typical check list provides rating scale or basis for ranking ad's in terms of the characteristics. These characteristics may be honesty, alteration getting, readability, reliability convincing ability, selling ability and the like. The ad with the highest score is considered and the best. The merits of this method are it goes by ad qualities easy to ad ministers and economical. The relative limitations are subjective evaluation, no list is all inclusive and unreliable results.

b. Opinion Test :

Opinion test or consumer jury test is one that obtains the preference of a sample group of typical prospective consumers of the product or the service for an advertisement or part of it. The members of the jury rate the advertisements as to their headlines, themes, illustrations, slogans by direct comparison. It is believed that getting preference from a juror is better than getting from a member of a general public or from an advertising expert.

c. Dummy magazine and Postfolio Test :

Dummy magazines are used to pretest the advertisements under the conditions of approximation, resembling normal exposure. A dummy magazine contains standard editorial material, control ads that have been already tested and the ads to be tested. These magazines are distributed to a sample of house holds who are asked to read within a stipulated time and after a given time interval, interviews are conducted. From these interviews, recall scores are determined. The ad with the highest recall score is adjudged as the best.

d. Inquiry Test :

Inquiry test involves running two or more advertisements on a limited scale to determine which is the most effective in terms of maximum inquiries for the offers made. These inquiry tests are used extensively to test copy appeals, copies illustration, offers and other components. The element to be tested is changed keeping all other elements constant.

e. Mechanical Tests :

These mechanical tests are objective unlike all the earlier tests so far discussed. These help in providing good measures as to how respondent's eyes and emotions are reacting to a given advertisement. These mechanical devices are Eye movement camera, Perceptoscope, Psychogalvanometer and Tachistoscope.

2. Concurrent Testing Methods :

Concurrent or coincidental testing is that which takes place while the advertisements are run. The feedback is received from such testing and corrective actions can be taken while the advertising campaign is on. These tests are used to determine the ad effectiveness of broadcast media and media vehicles like radio and television. In some cases, it is useful in case of outdoor

advertising. The tests are 1. Coincidental Surveys, 2. Consumer Diaries, 3. Mechanical Devices, 4. Traffic Counts.

a. Coincidental Surveys : This is also called as coincidental telephone method whereby a sample of households is selected, calls are made during the time the programme is no broadcast, the respondents are asked whether their radio or television set is on and, if so, to what station or programme it is turned. The results of the survey are used to determine the share of the audience for the advertiser's programme.

b. Consumer Diaries : This method involves giving the families selected a diary or the individual diaries to the members of the family. The selected families and the individual respondents are asked to record the details about the programmes they listen or view. These diaries give good deal of information in detail such as who was listening to or watching the Radio and TV sets? The details can be the age, sex, income level, education level, occupation timings and so on. The diaries are collected periodically and the figures on sets in operation, share of audience, programme ratings etc., can be determined.

c. Mechanical Devices : The mechanical devices used to measure the ad effectiveness particularly in broadcast media are 1. Audiometer, 2. Psychogalvanometer, 3. Tachstoscope and 4. Truck-Electronic Unit. An audiometer is one that looks like an automobile battery, is hooked to the TV or the radio is tuned. It gives total record for almost 24 hours of the day including the tune on and off timings. However, it fails to record the number of persons listening or viewing the sets and therefore, other details. On the other hand, roving truck attached with electronic unit locates the TV and radio sets in operation in a locality by roving through the streets. It can also give some clues about the income groups the respondents belong.

d. Traffic Counts : Traffic counts are of special applicability to outdoor advertising. One can get good deal of information through traffic counts. This counting is done by independent organisations, may be private or public. This can be possible for ad agencies as well. For instance how many automobiles and other vehicles were exposed to a bulletin board or a poster or a wall painting and how many times can be got for a small fees.

3. Post – testing Methods :

Post – testing is the evaluation of advertisements after they have been run on full scale. It is nothing but the post-mortem analysis of the ads effectiveness. Of all the methods available, following five are considered here. These are 1. Inquiry Tests, 2. Split run Tests, 3. Recognition Tests, 4. Recall Tests, 5. Sales Tests.

a. Inquiry Tests : It is controlled experiment conducted in the field. In inquiry test, the number of consumer enquiries produced by an advertising copy or the medium is considered as the measure of its communication effectiveness. Therefore,, the number of inquiries is the test of

effectiveness which can be produced only when the advertising copy or the medium succeeds in attracting and retaining reader or viewer attention. To encourage inquiries, the advertiser offers to send something complimentary to the reader or the viewer if he replies for the inquiries. Such complimentary can be a special price on the product a free sample a booklet explaining the uses of the product and the like. Normally the ads have coupons in exchange for these complimentaries on answering the queries.

b. Split run Tests : A split run is a technique that makes possible testing of two or more ads in the same position, publication, issue with a guarantee of each ad reaching a comparable groups of readers. It is an modification over the inquiry test. Here, the advertising copy is divided into two or more elements, say, appeal and layout, and is inserted in a media vehicle with different keyed addresses using post box numbers. The readers are encouraged to send their enquiries to the keyed addresses. The copy producing the largest enquiries is rated as the most effective.

c. Recognition Tests : Recognition is a matter of identifying something as having seen or heard before. It is based on the memory of the respondent. It attempts to measure the ad effectiveness by determining the number of respondents who have read or seen the advertisements before. To arrive at results, a survey of readership or listenership is conducted by a band of interviewers. Under this scheme, a sample of readers or listeners is selected and different ads including one which have been already tested are presented for identification. An ad or copy that is recognised by the largest number of respondents is adjudged as the best.

d. Recall Tests_: Recalling is more demanding than recognising as a test of memory. It involves respondents to answer as to what they have read, seen or heard without allowing them to look at or listen to the advertisement while they are answering. The best example of this kind of test is Triple Association Test which is designed to test copy themes or the slogans and reveals the extent to which they have remembered. The respondent is given a generic product and the theme or the slogan and is asked to supply the brand name of the product. As the respondent is given clue, it is called as aided recall test.

e. Sales Tests_: It represents a controlled experiment under actual field conditions than simulated. It attempts to establish direct relationship between one or more variables and sales of a product or a service. It facilitates testing of one ad against another and one medium against another.

18.5 Advertisement Evaluation-Some Final Points:

- ◆ Remember advertising costs stand cautioned against any proposal on non-increase advertising budget.
- ◆ Keep your ad agency on its toes and demand superior results.
- ◆ Give ample time to your agency for discussing, reviewing, and approving test ads.

- ◆ Look at your advertising through the eyes of the prospect not the eyes of the fond and protective parent.
- ◆ Don't let anybody tell you that advertising is a mysterious force that only a few insiders understand. Good ad always make sense.
- ◆ Insist on your ad agency to go in the field for first hand knowledge about the buyers and markets.

18.6 Summary:

To sum up, ad effectiveness testing is a must to avoid costly mistakes, to select the best alternative from the apparently equal alternatives, to resolve the differences of opinion and to add to the store of knowledge having deep bearing on advertising efficiency. The advertising testing can be at three levels prior to, during and after the release of an advertising campaign. There are too many methods to choose for measuring the ad effectiveness. The final results depend on the validity, reliability, and relevance of the method employed. Testing, if done in good faith, can pay out its costs and rich dividend too. The choice is not one of testing or no testing but of the methods available.

18.7 Self Assessment Questions:

1. Examine Pros and Cons of advertisements, what major difficulties many arise in the task of measurement ?
2. What is ad effectiveness measurement ? Enumerate different methods for ad effectiveness measurement.
3. What is the Rationale behind ad effectiveness measurement ? Explain the PACT Principles in ad effectiveness measurement.
4. Select five advertisements by various manufactures of specific product category. Interview five persons in your neighborhood before and after showing then the selected ads. Report on the difference you found and methodology you had selected.

18.8 Suggested Readings:

- ◆ R.H. Colley, DAGMAR, NY Association of National advertisers.
- ◆ W.H. Bolen, Advertising, J. Wiley and Sons
- ◆ W.J. Reddin, Managerial Effectiveness, Mc Grow Hill, New Delhi.
- ◆ W.M. Weilbacker, Advertising, Mc Millan Publishing, New Delhi.
- ◆ George E. Belch & Michael A. Belch, Advertising and Promotion An integrated Marketing Communication, Tata Mc Graw Hill

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