

SALES AND DISTRIBUTION MANAGEMENT

M-233

Self Learning Material



Directorate of Distance Education

**SWAMI VIVEKANAND SUBHARTI UNIVERSITY
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SYLLABUS

SALES AND DISTRIBUTION MANAGEMENT

M-233

UNIT-I

Sales Management an Introduction: Personal Selling and Salesmanship-Nature and Scope; Organization of Sales Department-Interdepartment Relations.

UNIT-II

Sales Force Management: Recruitment, Selection, Training and Compensation.

UNIT-III

Motivation: Sales People; Evaluation of Salesman's Performance.

UNIT-IV

Sales Quotas and Budgeting.

UNIT-V

Marketing Channels Concepts: Channel Participants, Designing Marketing Channel, Channel Management, Transporting and Warehousing; Channel Control.

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**SALES MANAGEMENT: AN
INTRODUCTION****STRUCTURE**

- 1.0 Learning Objectives
- 1.1 Introduction
- 1.2 Sales and Distribution Strategy-Role in the Exchange Process
- 1.3 Sales Management Formulation of Sales Strategy
- 1.4 Personal Selling
- 1.5 The Growing Importance of Personal Selling
- 1.6 Situations Conducive for Personal Selling
- 1.7 The Changing Roles of Sales Persons
- 1.8 Qualities of a Good Sales Personnel
- 1.9 The Scope of Activities in Sales Situations
- 1.10 Personal Selling and Marketing Effort
- 1.11 Personal Selling Process
 - *Summary*
 - *Review Questions*
 - *Further Readings*

1.0 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- describe sales and distribution strategy and management.
- explain personal selling and growing importance of personal selling
- explain the changing roles and qualities of a good sales personnel
- describe scope of activities in sales situations
- explain personal selling and marketing effort
- define personal selling process

1.1 INTRODUCTION

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Sales and distribution management constitutes one of the most important parts of marketing management. "Exchange" is the core aspect of marketing, and it is the sales and distribution management, which facilitates it. Sales Management has been defined as the management of a firm's personal selling function while distribution is the management of the indirect selling effort. Sales Management includes the "planning" direction and control of personnel selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personnel sales force and distribution management is an overarching term that refers to numerous activities and processes such as packaging, inventory, warehousing supply chain and logistics.

1.2 SALES AND DISTRIBUTION STRATEGY - ROLE IN THE EXCHANGE PROCESS

The exchange process *i.e.*, the sale and delivery of goods/services from the manufacturer to the consumer can be consummated directly *i.e.*, by the firm itself through its own sales force or indirectly through a network of middlemen such as wholesalers and retailers. The importance of the sales and distribution function varies across organisations depending upon its nature and variety of products, target market, consumer density and dispersion, and the competitive practices among other things. For example, you may recall that in mail order companies (where the major exercise is distribution in response to orders received) virtually no personal selling effort is utilised. While, most organisations selling capital industrial equipment (say earth moving equipment, mainframe computers, CNC machine tools) do so through a team of their own sales engineers, involving little or no intermediary support. Notwithstanding, whether the sales and distribution function is organized internally, externally or jointly, the following essential tasks need to be performed in order to consummate successful exchange.

- (a) Contact — Finding and communicating with prospective buyer.
- (b) Prospecting — Bringing together the marketers offering and the prospective buyer.
- (c) Negotiation and transaction — Reaching an agreement on price and other terms of the offer so that ownership and possession can be transferred.
- (d) Promotion — Of the marketers offerings, and his satisfaction generating potential.
- (e) Physical Distribution — Actual transfer of possession *i.e.*, timely and safe delivery.
- (f) Collection — Of relevant consumers information and revenue in exchange of goods or services.

Except for extreme instances of organisations which make exclusive use of either their own sales force or distribution channels, most organisations get the

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above functions performed through a combination of their own sales force and the distribution network they choose to hire. A major decision in sales and distribution therefore becomes the judicious allocation of the above tasks between the sales force and channel members. The determinants of task allocations are: competitive practice, product and market requirements, (including market size, frequency of purchase and customer concentration) preference and buying practices of the target customers, and certainly the management philosophy towards control.

1.3 SALES MANAGEMENT FORMULATION OF SALES STRATEGY

The sales management function, as noted earlier comprises the management of the sales personnel and activities that make up the corporate sales effort. Sales managers are entrusted with the 'task of organising, planning and implementing the sales effort so as to achieve corporate goals related to market share, sales volume and return on investment. The task involves the sales manager in a set of activities both within the organisation and outside with other organisations.

Within the organisation he has the responsibility of structuring relationships both within his own department and with interacting organisational entities so that the sales task can be coordinated with other marketing tasks and performed effectively. It also includes allocating and operationalising the sales effort among the sales personnel.

Outside the organisation, his task would include developing and maintaining channel relationships effectively so that the flow of goods and service, and also promotion and feedback is facilitated.

Embodiment of all these functions can be seen in the development of sales strategy which often proves vital to the success of the organisation, key decision areas in sales management which are particularly relevant to strategy formulation are:

- Deciding upon type and quality of sales personnel required
- Determination of the size of the sales force
- Organisation and design of the sales department
- Territory design
- Recruitment and training procedures
- Task allocation
- Compensation of sales force
- Performance appraisal and control system
- Feedback mechanism to be adopted
- Managing channel relationship
- Coordination with other Marketing department.

The above decisions give a fair idea of the scope of the sales management function. Strategy formulation in case of sales would involve identification of the sales goals and designing of a gameplan, using the organisational resources at hand, to achieve those goals. The strategy formulation process can therefore be summarised as

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Step 1	Macro Environment Analysis : Social Political Economic Technology	Assessment of the competitive situation and the corporate goals to determine the output that sales management is expected to give.	Market Analysis.
Step 2		Define sales management objectives in terms of delivering these outputs both quantitative and qualitative.	
Step 3		Design sales strategy by deciding upon. (1) type of sales effort required (2) type of sales personnel required (3) size of the sales force (4) territory design (5) channel support and coordination.	

Let us go through the sequential stages of this process.

1.3.1 Assessment of Competitive Situation and Corporate Goals

The sales objective is directly affected by the corporate mission or goal which in turn identifies the specific set of common needs and wants the company would like to satisfy. Another input in objective setting is the macro business environment. Variables in the political, economic, social and technological environment have significant bearing on what and how much the company would be able to sell. The environmental scan thus provides pointer to a company's specific opportunities and threats, strengths and weaknesses.

A sound market analysis, is also a prerequisite to objective, setting for sales strategy. Specifically the company would need to know.

1. Current size and growth rate of the market. In. multiproduct companies this analysis would have to be made by product/market and by geographical territories covered:
2. Consumer needs, attitudes and trends in purchasing behaviour
3. Competitor analysis covering
 - current strategy
 - current performance, including market share analysis their strengths and weaknesses
 - expectations as to their future actions.

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It may be noted that the role and scope of the sales functions of an organisation is related to the competitive situations facing its products in each of the markets participated by it. Under conditions of pure competition, each seller is too small to be able to influence prevailing market price. Identical undifferentiated products make it difficult to specialise sales effort. Under this sort of competitive situation, sales effort is usually limited to maintenance of adequate market supplies.

Most of the markets today are competing under varying degrees of monopolistic competition where there are large number of sellers for a product but the offering of each seller, is capable of being differentiated in a discernible manner. However, in the Indian situation most marketers seek to differentiate their products through variation in product attributes, packaging and promotional efforts. Under these market conditions sales efforts support the promotion and maintenance of market share objective of the firm and coordinate with the distribution and customer service needs of the product. Distribution function, on its part, complements the sales efforts in so far as the regular availability of products at almost every purchasing point is concerned. The market conditions characterised by oligopoly are also characterised by aggressive competition. Selling effort here becomes an effective tool of market cultivation, building dealer relationship and maintaining them, providing vital informational feedback on competitors and their market operations.

In case of new product, where the marketer is faced with little or no direct competition, selling effort plays a very vital role in market cultivation. Missionary 'Salesmen' are used to familiarise and demonstrate the product, both to the channel members and the ultimate consumers.

These competitive situations affect the corporate goals relating to growth and profit which in turn affect the marketing goals. The sales related marketing decisions which significantly contribute to sales strategy formulation that affect both the quantitative and the qualitative sales management objectives are:

- decision on what to sell - *i.e.*, what products and what specific mix of products the company has decided to sell.
- decisions on whom to sell-*i.e.*, whether to sell directly to the ultimate consumer or to make the wholesaler or the retailer the first level to contact. This has vital implications for the size and type of sales force needed.
- decision on the price.

These decisions define the scope of the sales effort, in the total marketing effort.

1.3.2 Setting Sales Objectives

Sales objectives, are intended to direct the available sales resources to their most productive use. These also serve as standards against which actual performance is compared. The sales objectives are stated in quantitative and qualitative terms. The qualitative goals generally relate to strengthening dealer relationships, developing good consumer support, nullifying product misinformation, attaining desired corporate image. The qualitative sales objectives reflect the

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expectations the top management regarding the contribution of sales function to the total marketing effort. They, therefore affect both the size and quality of the sales force. For example when a company selling high value, technical household products relies only upon its own sales personnel to carry out the entire sales function and take up part of promotional responsibility too, the quality and the size of the sales personnel it requires would be significantly different from that of a company where sales personnel are, only required to coordinate with and service channels. Examples of the products could be the Eureka Forbes salesman selling vacuum cleaners to consumer and the Summet salesman servicing Summet dealers. In the former case the salesmen are expected to carry out the entire selling and market cultivation function while in the "second case, they are mainly expected to coordinate and service the distributors. The qualitative sales objectives are relatively long term one and emanate out of the marketing policy; of the company.

Quantitative objectives on the other hand relate to the operating results that the company would like to achieve. They, like the qualitative objectives-are heavily dependent on a keen analysis of competitive situation and corporate goals, and obviously would vary over operating periods. Quantitative sales objectives could be in terms of sales volume, market share or number of back orders per operating period. Drawing from these quantitative objectives, goals can be set for the sales organisation in terms of:

- Sales volume in units or rupees
- Sales cost
- Accounts receivables
- Inventory levels Basic Functions
- Dealer support
- Feedback input

It would be worth noting here that both the qualitative and quantitative sales objectives, are set in context of the competitive position of the company. As we get down to the actual task of formulating the strategy we evaluate alternative plans, against the backup of the competitive strength and weaknesses of the company at the market place and try to build up the sales effort so as to achieve the desired goals. The important decisions involved in this task are given below.

1.3.3 Determination of the Type of Sales Force Needed

The quality of the sales personnel needed, would depend upon the quality of contribution that top management expects the sales organisation to make as well as the actual workload that is expected to be generated. Specifically, it would depend upon the role that the salesmen are expected to perform. If the company has decided to do significant amount of preselling through its advertising the salesman's job is considerably simplified and this has implication for the type of salesmen needed. Companies like Instrumentation Ltd., Kota, manufacturing sophisticated technical equipment expect their sales engineers to carry out the entire span of activities from commissioning and installation of equipment to after sales service. You can therefore clearly envisage that the type of sales personnel would vary across

organisations, depending upon the role that has, been decided for them in the organisation. Some of the factors that influence the type of sales person are product characteristics, customer characteristics, competitors practices channel design and corporate marketing policy.

A strategic choice which has to be made at this stage is related to the degree and kind of specialisation needed. Should the company go in for product specialists or market specialists or both? This is often a decision which is taken along with the decision regarding segmentation strategy.

Product specialists would be required when the product or its usage is highly technical, requiring demonstration and/or advice from the sales personnel. Marketing of banking services provides a good example. Service packages like agriculture financing, short and long term institutional financing etc., have package specialisation as the product on offer is typical.

Market specialisation would be needed when different groups of target customers need specialised service or different sales approaches. In still other situations salesman may need to be knowledgeable about more than one line of company's products and deal with more than one set of customers dictating a combination of market and product expertise.

1.3.4 Determination of the Size of the Sales Force

Another key decision is the determination of the number of sales persons needed to achieve the sales objectives. Recruiting more than the optimum number would mean that the company is bearing unnecessary costs at the expense of its net profits. Recruiting less than optimum would mean losing opportunities for exploiting sales prospects. It is not easy to prescribe an ideal sales force size as the important determinants of sales force size-market size, and potential, competitive activity, allocation of sales task between the channel and corporate organisation differ from company to company. With respect to their own set of variables, companies do try to arrive at an ideal figure by using various methods such as (a) the incremental method, (b) the workload method and the (c) sales potential method. The incremental method utilises incremental reasoning in that it suggests that salesmen should be added to the sales force if incremental margins exceed incremental sales costs. The sales potential method uses estimates of sales personnel units (which means the set of activities expected to be carried out by one personnel unit); expected productivity of sales personnel and the estimated sales volume to arrive at the ideal size. In the workload method, through the computation using total market size, sales, volume potential and volume of non-selling activities like travelling the company arrives at the total workload. Dividing this by the work it expects one individual salesman to carryout, gives the sales force size.

1.3.5 Organising the Sales Effort-Territory Design

Personal selling objectives set the tone of the selling activities to be performed in an organisation. Defining these activities and their level of performance would lead you to an estimate of how many sales personnel at various levels are required in the organisation.

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The strategic decisions here include the organisational structure of the sales force and the choice of the field sales organisation. Companies may treat their entire market as their total field of operation and assign sales duties to their personnel indiscriminately but more often than not they prefer to divide the market into sales territories either on the basis of geographical size or sales potential, or both because of valid reasons. Of these the customer related reasons are that the 12 territories provide for a more intensive market coverage yielding to higher sales and better customer relations. For the salesperson they facilitate performance evaluation and foster a far higher degree of enthusiasm and clearly defined responsibilities resulting in lower turnover and higher morale. Managerially it becomes possible to have a better degree of control, reduce expenses and evolve coordinated promotion plans. Review of call pattern territorywise and evaluation of territory performance aided by field visits may help managers in evolving effective future practices. While creating territories sales managers can choose from different type of bases:

Geographical basis which utilizes the existing geographical boundaries and assigns them to the sales personnel.

Sales potential basis which consists of splitting up a company's customer base according to the dispersion of its sales potential.

Servicing requirement basis where the company splits up its total market according to servicing requirements of its current and prospective customers (servicing here means maintaining and developing the account).

Workload basis: This approach considers both account potential and servicing requirements and in addition reflects the difference in workload created by topographical, locational and competitive factors.

1.3.6 Establishing and Managing Channels Support and Coordination

The channels of distribution usually act as the only point of contact the final buyer has with the manufacturer. They together with the sales organisation of the manufacturers collectively bear the responsibility, of consummating exchanges with the final buyers. When indirect distribution is adopted, it is imperative that the sales organisation initiates dealer cooperation programmes. Dealer support typically has to be ensured in the area of maintenance of adequate stocks of the products and local promotion in the form of point purchase displays and local advertising. Another key area of support is the provision of market feedback the norms of which must be decided between the dealer network and the manufacturing organisation. The management of manufacturer dealer cooperation, includes inter alias:

- Choice of appropriate dealer incentive programmes to stimulate distributive outlets to greater setting effort.
- Deciding upon procedures for sharing information with the dealer network.
- Deciding upon measures to ensure and promote dealer loyalty.

1.4 PERSONAL SELLING

The terms 'personal selling' and 'Salesmanship' are often used without distinction. However there are some vital differences between the two terms. Salesmanship is Seller initiated effort, that provides prospective buyers with information and motivates them to make favourable decisions concerning the seller's products or services. 'Personal Selling' is a highly distinctive form of promotion. It is basically a two way communication involving not only individual but social behaviour also. It aims at bringing the right products to the right customers. It takes several forms including calls by company's sales representative, assistance by a sales clerk, an informal invitation from one company executive to another. It is employed for the purpose of creating produce awareness, stimulating interest, developing brand preference, negotiating price etc.

Thus keeping in view the diversified nature of personal selling, we would discuss in this unit the growing importance of personal selling, its changing role, functions and process.

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1.5 THE GROWING IMPORTANCE OF PERSONAL SELLING

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

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

Consumers want all sorts of goods and services but inertia may keep them from buying. Sales efforts stimulate the consumption process by reducing people's inherent reluctance to make purchase decision. In fact sales person act as catalyst in the market place.

When the nature of the product is such that the buyer needs special information in order to use it properly, sales representative acts as a consultant to consumer, to apprise them of products technicalities and usage. Sales persons also work out the details of manner and timing of given physical possession.

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

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

Personal selling is more effective during product launching stage. For example, McDowell, used personal selling tactics during launching of soft drink "SPRINT" in Delhi.

Similarly Eureka Forbes a manufacturer of appliances which includes vacuum cleaner and a number of home care appliances adopted personal selling for its premium product vacuum cleaners. Since the vacuum cleaner is a high value product and the concept is fairly new to the Indian market, demonstration is necessary to convince buyers, and personal selling has successfully achieved this. Other Companies e.g. Johnson and Johnson for its product in the so called 'embarrassment' category, like sanitary napkins or contraceptive used personal selling successfully.

During the product launching stage companies selling products like Richbru Coffee, Signal Toothpaste, Surf, Dalda etc. utilised personal selling efforts. The importance of Personal Selling in the Indian context stands out due to the following factors:

- In the absence of the availability of all India media many companies find it expedient to extensively use personal selling to achieve their promotional objectives.
- Companies which cannot afford a large outlay for advertising on a regular basis also find personal selling a more reliable method.
- The vast network of our distribution system needs the support of the manufacturer sales force for market combing as well as development.
- Low levels of literacy and lack of adequate customer education regarding various products, make personal selling a very effective method in product adoption particularly in the rural markets.
- Orientation of Indian Consumers are such that they want the best value for their money, owing to high marginal value of rupee, which necessitates personal selling.

The factors discussed above individually or in combination make personal selling an integral part of the communication mix of the company.

1.6 SITUATIONS CONDUCTIVE FOR PERSONAL SELLING

In certain marketing situations, personal selling provides an effective and efficient solution to most of the selling problems. However its economic efficiency relative to other element of the marketing mix needs to be thoroughly appraised. Now we will discuss some of the situations when personal selling in a company becomes more relevant.

(1) Product Situation

Personal Selling is relatively more effective and economical in case:

- When a product is of a high unit value like xeroxing machine, computers etc.
- When a product is in the introductory state of its life cycle and require creation of core demand.
- A product requires personal attention to match specific consumer needs e.g. insurance policy.
- Product requires demonstration e.g. most of the industrial products.
- Product requires after-sales service.
- Product has no brand loyalty or very poor brand loyalty.

Market Situation

Personal selling situation can be best utilised when:

- A company is selling to a small number of large-size buyers.
- A company sells in a small-local market or in government or institutional market.
- Desired middle men or agents are not available.
- An indirect channel of distribution is used for selling to merchant-middlemen only.

Company Situation

Personal selling is relatively more effective and economical when:

- The company is not in a position to identify and make use of suitable non-personal communication media.
- A company cannot afford to have a large and regular advertising, outlay.

Consumer Behaviour Situation

Personal selling is more effective when:

- Purchases are valuable but infrequent.
- Consumer needs instant answers to his questions.
- Consumer requires persuasion and follow-up in the face of competitive pressures.

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1.7 THE CHANGING ROLES OF SALES PERSONS

Now we would discuss, the changing role of sales persons. Owing to the increasing importance of personal selling in recent times, the concept of personal salesman has undergone a seachange from a fast talker to consultant.

Now before discussing the selling styles one point should be noted that only well-developed and established companies have reached to consultant stage level, every selling task does not require this. Still one or more than one strategies of personal selling discussed here are used in Indian companies. Table 1.1 shows the activities relevant to the use of each strategy.

Table 1.1: The Changing Roles of the Sales Representative

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<i>Strategies for Selling</i>	<i>Activities</i>
Business Management	Manage accounts and Territory strategies as a strategic business unit Invest time and expenses in the most profitable opportunities Sell to meet the clients total system and long term needs. Be a consultant
Client Profit-Planning Strategies	Become part of the clients plan Expand to other department Find new uses for your product Services are an important part of the offer at this point. The customer become a client. Perceive, classify and serve the customer's needs.
Negotiation Strategies	The product is adjusted to meet the customer's needs The representative understands the immediate and narrow needs of the customers.
Persuasion Strategies	The representative tries to fit the customers into the existing product mix by skillfully overcoming objections.
Communication Strategies	The representative is a personal communicator, providing product and service information close to the point of the buying decision

Communication Strategies

At the lowest level of personal selling, the sales representative is an alternate medium for communicating information about the product or service offered by company. The only strategy appropriate for increasing sales at this level is walking more and talking more. There is little reason to use representatives as a communication medium when there are alternative mass communication media like press, radio, television available.

Persuasion Strategies

The persuasion level requires the sales representatives to go beyond the role of a mere communicator to the role of understanding at least the immediate and narrow needs of the customers. At this stage, the sales representative tries to fit the customer into the existing product or service mix by skillfully anticipating and overcoming objection. This is what Indian market is experiencing.

Negotiation Strategies

During negotiation, the product and commercial terms are adjusted to meet the customer's needs rather than just attempting to skillfully overcoming objections as practiced in previous stages. The critical skill at this stage of selling is analysing and understanding the customer needs and determining how the company's

products and services can meet these needs. At this point, the customer becomes a client and the process of consultative selling begins.

Client Profit-planning Strategies

In India, client profit-planning strategy is applicable in industrial product selling. The representative is put to work with clients team to learn about profit-planning system, product, finance, marketing, research and development and future plans etc., so that the product meeting the client's needs could be developed.

Business Management Strategies

At this stage professional representative is responsible for managing territory as a strategic business unit-investing time and expenses in most profitable manner. Few Indian Companies are using a system of national account management (like Modi Xerox) in which manager is responsible for all sales to a few key accounts. Territory representatives along with sales managers and accounts managers develop business strategies and bottom line responsibility to meet objectives of the organisation.

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1.8 QUALITIES OF A GOOD SALES PERSONNEL

Some people says salesmen are born salesmen, while others believe that training can help in making good salesmen. Irrespective of these opinions, good salesman has certain qualities and abilities as a result he is able to perform better than others. In this section we would discuss qualities of a good sales person. Philip Kotler has identified two basic qualities of a good sales person namely, empathy and persuasion. But others have listed more. Some of the qualities of a good sales person are as follows:

1. **Ability to estimate customer's needs and desires:** He is alert and quickly determines what the customer wants and the best way to sell.
2. **Ambition:** He likes to do a good job and is interested in getting ahead with your company.
3. **Appearance:** Appearances mean a lot toady and the successful salesman is neat and organised. He presents himself well in person. Also, he keeps his desk, books and manuals neat and ready for use.
4. **Business Sense:** He understands that you are in business to make a profit and quickly learns the ins- and -outs of your organisation.
5. **Courtesy:** He reveals a sincere desire to help customers and treats them as guests even when he visits their places of business.
6. **Creativeness:** Imagination, vision and the ability to create ideas make your man dynamic.
7. **Curiosity:** He wants to learn all he can about his job, his products and his customers.
8. **Enthusiasm:** There is nothing that can drain away a prospect's buying interest more than a half-dead salesman. Dullness should be left at home. A salesman must radiate enthusiasm during and after the sales call.

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9. **Figure Sense:** He should have the mathematical ability to figure and fill up order form correctly and to make the necessary reports.
10. **Flexibility:** A good salesman is able to adapt himself to a variety of customers. Each contact may require a adapting the sales talk, speech habits and even appearance.
11. **Friendliness:** A salesman should be able to make people like him and he must like to meet people.
12. **Handwriting:** He must write legibly so that his paper work can be readily understood by his office people and by his customers.
13. **Health:** Good health generates energy and energy is needed to sell. Poor health prevents many salesmen from fulfilling their potentials.
14. **Integrity:** A salesman must be trusted to do his job well. He cannot help but be successful when his customers trust him.
15. **Interest in his job:** He likes selling and working for your company.
16. **Knowledge:** In some business, an applicant must also have a through knowledge of the highly specialized products or services his employer offers. In some cases, this knowledge can be gained only by years of experience.
17. **Loyalty:** He must be able to impress upon his customers the idea that his company is the best in the business.
18. **Mental abilities:** He has the intelligence to understand your products and those of your competitors. He must know how to use words, to understand and direct people and to remember names and faces. He should also be able to understand prospective customers and know how to act under varying conditions.
19. **Motivation:** He must have more than just an interest in selling. Psychologists have found certain predominant patterns in men who have become really successful sales men. They live in the present and not in the future. They do want power over others and prefer not to work under close supervision.
20. **Originality:** He is constantly searching for new ideas to be used in selling your products and will suggest better ways of doing things.
21. **Persuasiveness:** Very few products of any type actually sell themselves. They must be sold. Your man must have the ability to get people to agree, There are situations when persuasiveness may vary keeping in view the consumer's response.
22. **Poise:** His maturity is reflected in his behaviour. He should be positive and confident, energetic and businesslike. He should be able to demonstrate to your customers that he knows what he is talking about.
23. **Self-starter:** Your man works well without constant supervision and is able to make decisions on his own.
24. **Speech:** He can speak clearly and maturely in a natural tone. He can emphasize sales points with sincerity and friendliness.

1.9 THE SCOPE OF ACTIVITIES IN SALES SITUATIONS

A typical day in a sales person's life includes making certain number of calls, opening of new accounts, analysing the account lost, if any, sales presentation, closing of initiated sales preparing daily reports and keeping records of transactions. We would now discuss some of the important activities.

Problem Solving Activity for the Customer

Problem solving requires substantial knowledge and decision making skill. In the case where prospective customers are not aware of utility of products or services in question, there is a problem. The sales person can contribute by identifying and suggesting best solution for it. In many sales situations, these activities make up a substantial part of the total sales effort.

Co-ordinating Buyers and Sellers Activities

With the multifarious and complex system of today's business situation there is a need for a catalyst to bring together and work with the parallel departments of supplier and customer. Most of the sales persons are in position to perform this function.

Attending Conventions

In conventions organised by company, sales persons interact with their peers about work situations and problems and arrive at a consensus of opinion on issues which impinge on their work. Conventions range in nature from company convention to industry, convention. They may be local, national or international in nature. These are important motivational and inspirational tools for the sales persons whose broad purposes are to:

- Provide strength to the sales persons identity with the company to executive.
- Exchange information with sales persons.
- Provide specialised training.
- Provide sales persons with a change of pace.

Attending Trade Show

Trade shows are held seasonally or annually. Sales persons usually attend these trade fair not only to achieve sales, but also to understand competition's products and prices. Technological advancement in different area is also communicated to them through these trade shows. Ever since Trade Fair Authority of India has been set up various types of fairs and exhibitions including the Annual India International Trade Fair are being held more regularly.

Attending Educational Workshops

Many lines of sales work afford the opportunity for continued formal education throughout a career. Many companies like NTPC, GNGC, TISC®, etc., require their sales persons to follow a continued programme of studies in addition to company training.

Keeping Records

The job of sales person is not finished until the paper work is completed. A sales person has to prepare daily call reports including new accounts opening report,

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account closing reports etc. It is understandable that these records not only keep track of their day to day activities, but also provide past and present data to undertake any future assessment.

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1.10 PERSONAL SELLING AND MARKETING EFFORT

Personal selling is one of the important parts of the total Marketing Mix, and an essential component of Promotion - Mix. We know that Marketing Mix comprises of 4 P's, which are; Product, Price, Promotion, and Place or Distribution.

The promotion mix, which is an important component of Marketing-Mix, also has four mix parts. These are: Personal Selling, Advertising, Publicity, and Sales Promotions.

Personal selling is a promotional method in which one party (*e.g.*, salesperson) uses skills and techniques for building personal relationships with another party (*e.g.*, those involved in a purchase decision) that results in both parties obtaining value. In most cases the "value" for the salesperson is realized through the financial rewards of the sale while the customer's "value" is realized from the benefits obtained by consuming the product. However, getting a customer to purchase a product is not always the objective of personal selling. For instance, selling may be used for the purpose of simply delivering information.

Because selling involves personal contact, this promotional method often occurs through face-to-face meetings or via a telephone conversation, though newer technologies allow contact to take place over the internet including using video conferencing or text messaging (*e.g.*, online chat).

Almost all the organisations, in any industry, involved in marketing their products employ sales representatives or sales personnel to directly contact the potential buyers and to persuade them to buy their products.

It may be worthwhile to distinguish between personal selling and salesmanship. While personal selling forms an important element in total scheme of Marketing Management, salesmanship, on the other hand, is one of the skills used in personal selling. Thus, salesmanship is a part of personal selling in the same manner as personal selling is a part of the promotion - mix, and promotion is a part of the Marketing Mix.

1.10.1 Difference between Advertising and Personal Selling

Let us try to understand the difference between advertising and personal selling also, so as to clearly distinguish between these two important components of the marketing mix.

From a broad perspective, both the personal selling as well as the advertising - are the means to communicate with the target customers for the product or service of an organisation. To be effective, *i.e.*, to produce results, in terms of sales or orders, both should be understandable, interesting, believable and persuasive. We shall discuss the process of designing a personal selling effort involving all these four criteria of an effective communication.

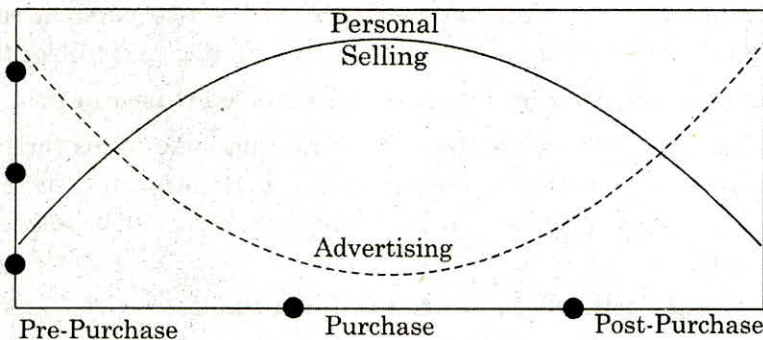
However, there are some notable differences between these two means of communication. While the personal selling effort is a two-way communication

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process, the advertising is a one way communication. In the personal selling situation, as we have observed, the customer comes in direct contact with the sales person who, in turn, is representing an organisation. The customer can ask any number of questions so as to satisfy his/her queries about the product, the sales person is offering. It is the sales person's, responsibility to satisfy his customer on the benefits of his product. If he does so, he gets the desired sales or an order. Thus, the result of the personal selling, whether positive in terms of an order or negative in terms of no order, is also quick and easily measurable.

In advertising, on the other hand, the customer does not come in direct contact with any representative of the organisation, thus it is a one way communication. The reactions, attitudes or perceptions of the viewers can not be immediately gauged in advertising.

Let us also understand a very interesting aspect of advertising and selling, about relative importance of the two during three different stages of a product/brand's market. The three phases can be the pre-purchase phase, the purchase phase and the post-purchase phase. The pre-purchase phase is characterised by the phase where the organisation is trying to convince the targeted customers on the benefits of the product/brand. The purchase phase is the time/duration when the customer is making his mind to buy the product. The post-purchase phase is one when the customer has bought the product and is evaluating the decision.



Advertising has a major role during the pre-purchase phase as the mass demand for product has to be generated. The advertising also plays an important role in post-purchase phase as it gives sound reassurance to the purchaser that he has taken a sound decision in buying that product. The personal selling, on the other hand, has an important role to play in all the three phases. It plays a major role in the purchase phase let us take the example of sales of a book, in its pre-purchase stage organisation try to convince reader through creating sound awareness by advertising about the contents, salient features, price, pages, author and publishers details of the book and in purchase phase reader with all available details and information gathered through advertisement makes the decision to buy that book and evaluate the decision.

In post purchase phase with the role of advertising organisation reassure the reader that the decision of buying that book was excellent.

Therefore we can see that advertising plays important role during pre-purchase and post-purchase phase which is shown in above graph.

1.10.2 Significance of Personal Selling

It is important to understand the significance and objectives of personal selling effort in overall scheme of Marketing. More specifically it helps in the following manner:

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(i) Personal Selling Implements the Marketing Strategies

Whatever the Marketing Strategy of the company, it has to boil down to strategic communication, targeted at customers or prospects. The person who communicates with the prospects is the sales representative, though different companies attach different designations to them. It is the salesmanship of that sales representative which brings orders, the tangible results, to meet the marketing objectives.

(ii) Personal Selling Brings Money to the Company

It is the personal selling which collects money from the customers and brings it to the company. While other components of an organisation are money-utilizing' components.

(iii) Personal Selling Makes the Organisation Known

All organisations are known to their customers through their sales staff, in every part of the market. Such companies invariably, do not advertise. For example, companies engaged in industrial products marketing or marketing pharmaceutical do not advertise much. Even in companies, which advertise, personal selling carries the same significance, as the sales representative creates goodwill for the company:

(iv) Personal Selling Maintains and Creates Customers

The sales representative is the best overall manager of his territory. He has the responsibility of maintaining the current business, as well as developing it. He meets these objectives by maintaining existing customers and developing, new ones at the same time.

(v) Personal Selling is a Source of Feed back

A company is known at the market place through its sales representatives which the company also knows the market place through the its representatives. That is why the field sales personnel are considered to be an excellent source of market information.

(vi) Personal Selling Makes New Products Successful

It is through the personal selling effort a sales-representative is able to provide adequate information on new products to prospective customers. Personal selling effort also ensures the availability of the product in the market place, widely as the sales representative has developed the relationships with the trade, *i.e.*, retailers, wholesalers and other middlemen. The sales representative provides the information to the company on customer's response to a new product and the competitor's activities. Thus it can rightly be said that an organisation sees and hears through the personal selling effort. Sales-representatives are the eyes and ears of an organisation.

1.11 PERSONAL SELLING PROCESS

In order to have a better grasp of the subject under discussion, we shall one by one discuss each of the following stages of the personal selling process:

- Prospecting
- Preparation to meet individual prospects
- Making the presentation
- Draw attention
- Hold interest and build desire
- Sales resistance
- Meeting the sales resistance
- Closing the sales

1.11.1 Prospecting

Prospecting is the first and the most important component of personal selling. Prospecting consists of identification of potential customers and then to rank them in order to select the customers with the purchasing power and the authority to make, the decision, to buy the product.

To be more productive, the sales personnel should plan as many of their activities as possible. In other words, they should always do the proper home work in order to utilise their time in the marketplace, more productively. Hence, they should plan their travel and call-schedules so as to spend maximum of the available time on meeting their customers. Moreover, the time available to the sales personnel should not be wasted in making an effort to convince those people about their products, who can not buy them. Thus, the planning which involves eliminating non-productive calls, is known as prospecting.

It goes, without saying that the time available should be spent on calling-on potential buyers rather than on non-buyers. The sales person who practice 'prospecting' ultimately emerge out as more productive than others.

In a nut shell, the result-oriented prospecting is a two step process. Firstly, the identification of potential customers and secondly, the process of selecting / ranking them.

Identification of potential customers can be done with the help of Sales Manager who has earlier handled the territory or has a good knowledge about the territory. It can also be done by collecting the list of prospects from trade associations, or by looking at the directories of individual customers' associations. The response to advertising (response coupon) other companies' sales personnel, and meeting in general, the potential buyers, are some other sources of potential customers.

Ranking of the identified prospects can be achieved by contacting the customers' present relationships at the market place. For example, a car manufacturer can find out about a customer from Citibank, in case the customer is already a Citibank card member. The objective of customers ranking is to avoid these customers, with limited a requirements of the company's products.

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1.11.2 Preparation to Meet Individual Prospects

Before meeting a selected customer, the sales person should find out as much as possible about the same. In case of an organisation as a customer, the sales person should know what products the organisation is currently using and how his product is better than the one already in use. The sales person should also find out what is the purchase procedure in the organisation and what is the total budget earmarked by that organisation, for his kind of products. The sales person should also try to find out personal likes and dislikes of his prospective buyers so as to tailor make his presentation to suit the prospect. The sales person should also have a clear ideas about the questions that the prospect may ask so as to prepare himself to face them.

Now, the sales person is ready to contact the prospect and to make the presentation. It should be borne in mind that the sales person should take a prior appointment with the prospect so as to exercise a good time management. By doing so, he can save on his as well as the prospect's time.

1.11.3 Making the Presentation

This is a very important component of the total process of personal selling. In essence, it amounts to using all the information, knowledge and skills of the sales person, so as to actually make the sales. In this stage, a sales person draws ATTENTION of the customers, holds INTEREST in his offering, builds the DESIRE for his product and finally stimulates his customer to take a favourable ACTION towards his product, *i.e.*, the prospect purchases his product. As discussed in the theories of selling, it involves implementing the AIDAS theory of selling.

1.11.4 Draw Attention

The prospects, attention can be drawn by asking a creative question, or by pointing out a startling new fact about the product. By finding out the actual need of the customer and then phrasing the question in such a manner that it actually tells the customer that your product can meet the prospect's needs.

For example, if a printer (customer) is looking for a printing machine, which prints at double the speed of his present machine, the sales person can ask "Are you looking for a printing machine which prints at 600 prints per minute at the cost of 300 prints per minute of the currently available machine?" A sales person, of a company marketing medicines, can ask a lady doctor who is looking for an antibiotic which is safe during pregnancy may ask the prospect, "are you in need of an effective antibiotic which is also safe in pregnancy"?

This technique of asking questions to the prospects with the objective of drawing his/her attention to the salesman's presentation is called the technique of probing. As we have observed from the types of questions cited above that the prospect can answer such questions in 'Yes' or 'No' (one word answer). Therefore, such probes are known as CLOSED PROBES.

Though these questions help to draw the prospect's attention, these are not as effective as the questions, which give an opportunity to the prospect to come out with his real problem needs/ requirements. Such probes are termed as OPEN PROBES.

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The examples of such probes can be a salesman selling printing machines asking a prospect, "Sir, how do you feel about the printing machine which prints 300 copies per minutes?" Another example of an open probe can be a sales person from a pharmaceutical company asking a lady doctor "How would you react to the safety of currently available antibiotics, specially during pregnancy?"

As we can imagine such open probes will draw better attention of the prospects than closed probes. Not only that, the prospect will also be more interested in the salesman's offering due to an open probe, because the prospect has spent some time thinking about his/her problem while answering the salesman's probe. Thus, at times, an open probe is better than a closed probe in drawing the prospect's attention.

1.11.5 Hold Interest and Build Desire

After drawing attention the sales person should hold the INTEREST of the customer in his sales talk. Here there is no set pattern. Also there is no choice other than actually demonstrating the performance of the product. In such instances where the sales person can't demonstrate the performance of his product, he should creatively use various audio-video media to hold INTEREST of the customers. In a large number of cases the sales person uses various promotional inputs like literatures, gifts, visual aids, voice modulation, pitch, tone, body language, etc., to maintain the INTEREST of his customers in his presentation or the sales talk.

While making the presentation, the sales person uses various presentation inputs like brochures, literatures (as stated above). What should be emphasized here is that these inputs are just the promotional inputs, or the sales aids. Obviously they have no effect without proper use and effective handling by the sales man in presence of the prospect. Their effectiveness can be best utilised by a sales person possessing the requisite skills to use these presentation inputs, and without these skills they are mere objects.

So, what are the skills required for effective utilisation of these presentation inputs with the objective of holding the interest of the prospect? The skills are:

- excellent communication ability
- good command over language
- excellent knowledge about the product and the competitors' product
- ability to keep the presentation coherent
- good public speaking ability
- ability to win the customer by understanding his/her needs.

Moreover, before he goes to make the presentation to the prospective buyer, the sales person must rehearse his complete presentation, several times at home. This will go a long way in inculcating the necessary confidence in the sales person, which in turn, will help him in clinching the deal or getting an order.

The desire of a customer can be built by emphasising on those benefits of the product, which meet a customer's present needs, and promise the customer his value for money. For example, emphasising on high mileage per litre of petrol can arouse the desire of junior level executives to buy a fuel-efficient automobile. As we know, junior executives are comparatively less paid and an economical vehicle can be one, they are looking for.

- **Immediately go to the Next Step** After the answer has been confirmed with the prospect, the sales person should move on to the next step of personal selling process and that is to close of the sales call.

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1.11.8 Closing the Sales

Closing a sales is nothing but helping prospects to take decisions. Unless a sales person bases his actions on this understanding he would be trying to build success on false premises.

Let us recognise the fact that usually the prospects have an innate feeling to oppose the decision to buy a product. Even after the excellent presentation, and effective handling of his objection by the sales person, the prospect may mentally try to dissociate himself from placing an order, not because of a valid and sound reason but just because of that innate feeling to oppose the decision of buying a product. Unless the sales person manages to push these prospects into taking the decision to buy his products, he can remain without getting an order. A sales person skilled in the technique of proper closing just does that. He pushes the prospect into a buying decision. These are some well-tried and tested techniques for effectively closing the sales. Some of these are:

<p>Alternate Close</p>	<p>The Sales person asks the customer to choose from the two options. Sales person:” should I send you two boxes of 50 bottles each (of a cough syrup) or one box of 100 bottles”? Customer “One box of 100 bottles would do.”</p> <p>Sales person “Sir do you want the refrigerator to be delivered at your residence in the morning or in the evening.</p> <p>Customer: Only date in the evening.</p> <p>What has happened? The customer has actually bought your product.</p>
<p>Summary Close</p>	<p>In this type of a close, the sales person summarizes all his product benefits and asks for an order.</p>
<p>Picture Close</p>	<p>Here the sales person tries to imprint the brand name more firmly in prospect’s mind and at the same time asks for an order.</p> <p>Sales person” “Sir, you know, our company has products with the brand METRO But for ceiling fans, it reads in the reverse order, that is ORTEM. Isn’t it interesting?”</p> <p>Customer: “Yes that is interesting, Please send me two set of fans”.</p>

Apart from these types of “closes” an effective sales person should also remember two more important characteristics of the ‘close’. Firstly to close with empathy and secondly to close through their eyes. A sales person should sincerely try to make his customer believe that he is making a good decision in buying your product and that he actually needs your product. As a matter of fact, an average person can not make decisions about investing in anything without help. It is this help which should be provided by the sales persons. This is the rational to close with empathy.

A sales person should see the benefits and features in his product from his potential customer's viewpoint. He should also see the limitations of his product through his customer's viewpoint. He should close on the benefits, which his customer gets. This will help a sales person improve his credibility in the eyes of his customers which in turn will not only get him this sales but also get him a promise of future sales too.

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SUMMARY

- Sales and distribution management constitutes one of the most important parts of marketing management. "Exchange" is the core, aspect of marketing, and it is the sales and distribution management, which facilitates it.
- The importance of the sales and distribution function varies across organisations depending upon its nature and variety of products, target market, consumer density and dispersion, and the competitive practices among other things.
- 'Personal Selling' is a highly distinctive form of promotion. It is basically a two way communication involving not only individual but social behaviour also.
- Ever growing competition from, domestic and foreign sources have also increased the importance of sales persons in the marketing effort of a firm.
- In certain marketing situations, personal selling provides an effective and efficient solution to most of the selling problems. It depends on Product Situation, Market Situation, Company Situation.
- Good salesman has certain qualities and abilities as a result he is able to perform better than others. Some of the good qualities of a good salesman are Ability to estimate customer's needs and desires are Ambition, Appearance, Business Sense, Courtesy, Creativeness, Curiosity, Enthusiasm.
- Marketing Mix comprises of 4 P's, which are; Product, Price, Promotion, and Place or Distribution.
- The promotion mix, which is an important component of Marketing-Mix, also has four mix parts. These are: Personal Selling, Advertising, Publicity, and Sales Promotions.
- Personal selling is the process by which the representatives of the organisation (Management Manufacturing and Marketing) come in direct contact with the prospects (potential buyers) to convince and persuade them to purchase their products.
- Personal Selling Brings Money to the Company.
- Personal Selling Makes the Organisation Known.
- Personal Selling Makes New Products Successful.
- Closing a sales is nothing but helping prospects to take decisions.

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REVIEW QUESTIONS

1. Discuss the factors responsible for interdependence of sales - and distribution.
2. How do the sales objectives affect the designing of sales strategy.
3. Describe the key decision areas in sales and distribution management.
4. Do you agree that a sales job requires a degree of mental. Toughness and physical stamina rarely demanded in other types of job? Discuss.
5. To what extent do the nature of the product, target market, company resources influence the sales job. Explain.
6. Discuss the changing role of personal selling.
7. In the changing market situation, it is often referred to that sales persons are in better position than past. Do you agree with this statement ? Justify your answer.
8. Personal selling is a two-way communication ton best suited to a company marketing consumer product with a poor brand loyalty, Discuss.
9. How does Personal selling relate to the marketing function of an organisation.
10. What are the various theories of personal selling. Compare and contrast them with each other.
11. What are the various steps involved in the sales process. Discuss brief, the importance of each.
12. It is said that closing a sales call is important like the other steps of the sales interaction. Discuss.

FURTHER READINGS

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2

SALES FORCE MANAGEMENT**STRUCTURE**

- 2.0 Learning Objectives
- 2.1 Introduction
- 2.2 Nature of the Sales Job
- 2.3 Sales Job Analysis
- 2.4 Recruitment
- 2.5 Recruitment Sources
- 2.6 Selection
- 2.7 Selection Tools
- 2.8 Training the Sales Force
- 2.9 Logic of Training
- 2.10 Training Process
- 2.11 Areas of Sales Training
- 2.12 Process of Identifying Training Needs
- 2.13 Methods of Identifying Training Need
- 2.14 Learning Styles
- 2.15 Designing and Conducting the Programme
- 2.16 Trainer's Abilities
- 2.17 Training Flow UP
- 2.18 Compensation
 - *Summary*
 - *Review Questions*
 - *Further Readings*

2.0 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- describe the nature of the sales job and sales job analysis
- explain recruitment and selection

- describe training process
- explain the need of training
- define learning styles.

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2.1 INTRODUCTION

Attracting and selecting new sales personnel is an important aspect of the sales manager's job. This unit on job analysis, recruitment and selection will tell you about the procedures used for obtaining sales recruits with the potential capability of becoming good sales people. Once this pool of talent has been generated, it becomes feasible to select the individuals who match the needs of the organisation. Selection is a step-by-step procedure that the sales managers go through to staff the sales organisation. Selection which follows recruitment, requires that the sales manager must reverse the roles and become a buyer instead-a buyer of sales talent and potential.

2.2 NATURE OF THE SALES JOB

All sales related jobs, irrespective of the type of industry, have very distinctive characteristics. Some of the characteristics are as follows:

1. As sales personnel works in the field, away from the head offices, they are responsible for managing their territories or accounts. Therefore, sales personnel are expected to take their own decisions for planning and executing their individual activities.
2. Most sales persons, while on their journey cycle, get fewer opportunities for interactions in person with their supervisors. Most of the time they provide feedback or receive instructions, telephonically or through fax in their hotel.
3. The third characteristics of the field sales job is that the sales personnel remain away from their home and family for days together. This is a regular feature. In some consumer product companies sales people travel for as many as 21 days in a month.
4. Another important aspect of the sales job is the job monotony. Each sales person is doing the same work, repetitively with different customers. For example, a medical representative, makes the same presentation to all the medical doctors, day-after-day.
5. Lastly, success in a sales call doesn't depend on an individual's effort. It may so happen that the customer doesn't need your product or the customer was not happy with his previous experience, on delivery or after sales service or spares. All field sales job create, therefore, a normal tendency to get disheartened or discouraged.

Each of the above characteristics have specific implications for recruitment and selection, and therefore, it is recommended while you are developing your recruitment and selection policies, you should not overlook the above points. Accordingly, job specifications should be decided.

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2.3 SALES JOB ANALYSIS

Sales force management is the personnel function in the marketing department of an organisation. The issues in sales force management are, therefore, the same as that of the personnel management. However, these issues relate to only, those personnel who work in the sales department. The starting point of all sales force management activities is the Job Analysis, as shown in Fig. 2.1.

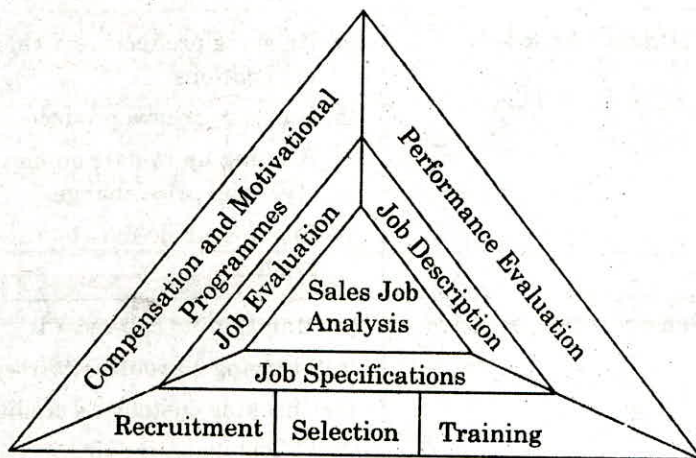


Figure 2.1. Activities involved in managing the sales force

In fact, the job analysis relates to the identification of job objectives, duties and responsibilities, analysis of working conditions, performance norms and the position in the organisation hierarchy to identify the reporting relations.

Typically, a job analysis helps in three distinct ways. Most importantly, it helps in the Job Description, *i.e.*, in identifying various activities-major and trivial, to be performed under the job. It also helps in identifying the qualifications, and individuals characteristics, in relation to the job, which is called job specifications.

A good approach to developing job description is to use a checklist of various activities relating to a sales personnel job. Some of these responsibilities are as follows:

Sl. No.	Sales Responsibilities	Specific Activities
1.	Direct Selling	(a) Locating prospects (b) Determining prospects' needs (c) Planning selling strategy (d) Interviewing

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		(e) Creating desire (f) Handling objectives (g) Completing sales
2.	Customer Relations	(a) Helping customers by solving their problems and providing special services (b) Training customers to use their purchases (c) Arranging displays and promotions (d) Keeping customers up-to-date on new developments (e) Settling complaints (f) Establishing and maintaining good personal relations with customers
3.	Product knowledge	(a) Knowing products and their applications (b) Looking for new products (c) Keeping up-to-date on merchandise style and price changes (d) Keeping up-to-date on competing products
4.	General Administration	(a) Maintaining call records (b) Carrying on routine correspondences (c) Checking customer's credit (d) Follow-up on inquiries (e) Maintenance expense account records
5.	Management Relations	(a) Making required reports (b) Reporting competitors' activities (c) Working with other departments.

Figure 2.2. Basic responsibilities of a salesman

A detailed account of basic responsibilities of a salesperson help in the identification of qualifications and individual characteristics, in relation to the job. The process by which qualifications and personality characteristics are identified, is called Job Specifications which the person may have at the time of joining or they are imparted to the salesperson, through training.

Once the job specifications are laid down, it becomes easier for a company to initiate the process of recruitment and selection. Also training can help a sales person to fulfill job responsibilities more effectively. Nonetheless, it is generally believed that recruitment and selection process should be such, that it should help you to handpick those salespersons with 'just right' kind of personality, since it is difficult to develop personality through the training programmes. Job Analysis also helps in clearly identifying the job performance norms based on which the job

evaluation can be done. Such an exercise provides a good bases for compensation management.

2.4 RECRUITMENT

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Once a company has determined the number and kind of salesmen it requires, the next step in the selection is to get the right applications, in sufficient number, for the positions. All the activities involved in securing the applications for the sales positions are referred to as recruitment. It does not include, but is followed by the selection process to evaluate and screen the applicants. The nature of recruitment effort for salespersonnel differs from one company to another, mainly with respect to their recruitment sources. The recruitment policy of a company is influenced by its selling style, products, customers, financial resources and sales management policies. Different companies call for individuals with widely varying abilities, skills, education, training and experience. The scope of recruitment effort is influenced by the number of recruits desired, which in turn, is influenced by the size of sales organisation, rate of turnover, the forecasted sales volume, distribution channels and promotional strategy.

2.5 RECRUITMENT SOURCES

Frequently used sources of salesmen are as follows.

Advertisements

Advertisements are both a source of recruits and a method of reaching them. Newspapers, magazines and trade journals are the most widely used media for advertisements. Advertisements ordinarily produce large number of applicants in a very short time and at a low cost. However, this factor may be offset by the increased expense of carefully screening the large number of prospects and the average quality of applicants may be of questionable character.

Recruitment advertisements usually include information about the company, nature of the job, specific qualifications required and compensation. The specific details in the advertisement vary with the company and its situation. The quality of prospects recruited by advertisement may be increased by careful selection of media and by proper statements of information in the advertisement. For example, by advertising in a trade journal rather than in a daily newspaper, a firm is being more selective in its search. An advertisement in trade journal assures responses from people who are already in the profession and would be interested in selling. The amount and type of information given in the advertisement affects the quality and quantity of the applicants. More the information given in the advertisement, more it serves as a qualitative screening device. A firm, by stating minimum qualifications rather than optimum requirements can generate large number of

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applications, requiring more careful screening. There is no simple answer to the question of whether a company should place its name in its recruiting advertisement. The company name, if well-known, is prominently featured, whereas small companies often follow the policy of giving a 'box no.' in the advertisement. Further, on the mechanics of advertising, management must decide on such points as the day of the week to insert the advertisement, where to locate it in the medium and what size it should be. For instance, Sunday papers are read more leisurely and thoroughly, but in a week-day edition, a company's advertisement stands out more because there are fewer such other advertisements.

Employment Agencies

Many companies use employment agencies to get the recruits for the sales positions. To use this source effectively, sales manager must ensure that the agency understands the company and its needs thoroughly. Whenever an agency is used, it should have the clear understanding of the job's objective, job specifications and the literature about the company. Also agencies need time to learn about an employing firm and its unique requirements thus considerable gains accrue from continuing relationships with agencies that perform satisfactorily. If the agency is selected carefully and good long-term relations are established with it, the dividends can be satisfying.

Educational Institutions

This source includes colleges, universities, technical and vocational institutes. This source is, tapped for getting qualified people for entry level positions in sales. Students from technical/ vocational institutes or with specific subjects like Physics, Biology, Hotel Management are recruited by the companies, where selling requires specialised knowledge and skills for that particular industry. College graduates are generally taken by the companies having formal sales training programme or for simple selling jobs. Recruits from educational institutions are more easily adaptable than their more experienced counterparts. They have no developed loyalties for a firm or industry and they probably have not acquired any bad work habits. Usually, they have acquired certain social graces, are more poised and mature. They are supposed to have developed their ability to think, to reason logically and to express themselves reasonably well. Ordinarily, they do a good job of budgeting their time and managing their daily activities. Their main limitation is lack of selling experience. Men recruited from this source need training and thus take time for reaching the desired productivity level. To use this source effectively, it is important for the company to develop and maintain good relations with suitable educational institutions.

Salesmen of Non-competing Companies

Individuals currently employed as salesmen for non-competing companies are often the attractive recruiting prospects. Such people already have selling experience, some of which may be readily transferable. For those, who have worked for companies in related industries there is additional attraction of knowing

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something about the product and the market. Recruits from this source presumably have some selling skills and thus reduce the amount of training required. A firm that hires salesmen from other companies should be especially careful to determine, why the man is interested in changing jobs and why he wants to work for the hiring company. People hired from other companies may not have the same degree of loyalty, that recruits possess when promoted from within.

Salesmen of Competing Companies

The question of whether to hire competitors' salesmen is argued on ethical grounds and from an economic standpoint. It is considered unethical to recruit the competitors' salesmen actively, after he has spent the money on hiring and training them. Furthermore, these salesmen may be able to divulge company secrets to the competitors. It is also seen as an attempt to take away competitors' customers. From an economic point of view, these are mixed feelings regarding this source. On one hand, they know the product, customers and competitors. They also are experienced sellers and, therefore, no money is required to be spent for their training. On the other hand, it is a costly source as generally, higher pay must be offered to them to leave their organisations. Some sales managers, as a matter of policy, refrain from hiring competitors' salespersons, as their loyalty towards company is questionable. They feel that an individual hired away from one organisation for higher pay or other enticements may be similarly tempted in future.

In considering the recruitment of individuals currently working for competitors, a key question to answer is why does this person want to leave his present position? When the new job will not improve the applicant's pay, status or future prospects, the desire to change the company may be traced to personality conflicts or instability. But the dissatisfaction with the present job does not always mean that the fault is that of an applicant. If the applicant has sound reasons for switching companies, the opportunity maybe presented to obtain a 'promising person, who is ready for productive work almost immediately.

Internal Transfers

The persons working in other departments of the company may be transferred as salesmen to the sales department. This is generally used along with the other recruitment sources. Transfers are good prospects for sales positions, whenever product knowledge makes up a substantial portion of sales training. They are also familiar with company's objectives, policies and programmes. The accuracy of evaluating these men is more, as the management is able to observe and evaluate their potential as salesperson before they are transferred to sales department. Factory and office employees may consider the transfer to sales department as promotion, which helps in increasing their moral and loyalty.

Recommendations of Present Salesmen

A company's sales force is a good source of leads to new recruits. Salesmen typically have wide circles of acquaintances, since both on and off the job, they continually meet new people and generally have many friends with similar interests.

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Their contacts may yield good sales people because of their understanding of the job and the kind of salesmen required by the company. However, management faces the risk that the salesmen may recommend friends or business associates on the basis of personal feelings rather than on an impartial evaluation of prospects' qualifications. The firm should be able to weed them out through its selection process. When an applicant recommended by a salesmen is to be turned down, management should explain clearly but diplomatically to the salesman why his recruit is not being accepted. Sales people are valuable source of recommendations, when job must be filled in remote territories because sales personnel in the same or adjacent areas may know considerably more about unique territorial requirements and local sources of personnel than home-office' executives.

2.6 SELECTION

After a company has determined the type and number of salesmen it needs and the applications for the job have been received, the management is ready for the third and the final stage of the selection system, *i.e.*, selection process. It involves processing the applicants to select the individuals who best fit the needs of a particular company. The sales force selection process refers to the steps, the sales management goes through to staff the sales organisation. Specifically the process involves

1. Critical analysis and evaluation of each tool and procedure.
2. Development of a system for measuring the applicants against the predetermined requirements.

The basic objectives of the selection process is to gather information about the applicants for sales job, which is used for predicting their success/failure probabilities. A selection system can be visualised as a set of successive screens at any of which an applicant may be dropped from further consideration. It can range from simple one step system consisting perhaps of nothing more than an informal personal interview to a complex multiple step system. The Fig. 2.3 shows an example of a selection system consisting of seven steps.

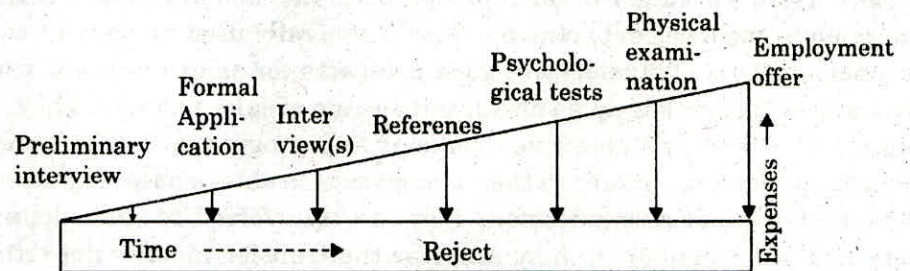


Figure 2.3. A seven step selection system

Selection Policy Decision

- Which tools should be used?
- In what order should the tools be used?

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The type of selection tools and their order of arrangement varies from company to company. Each company must design its own selection system to fit its information needs and budgetary limitations. The factors like the size of company, type of industry, the type of selling job, the financial condition of the company, affect the selection policy decisions of the firm. Management must compare the cost of each tool with its ability to predict success/failure probability (*i.e.* its helpfulness in hiring decisions) for deciding the type of tools to be used for selection process. For sequencing the tools, the principle that is generally followed is to use inexpensive and brief tools like short application form, brief interview or a simple test, in the initial stages of the selection process. The purpose of initial screens is to eliminate, as soon as possible, the obviously unqualified/undesirable recruits at the least cost. The more expensive and time consuming tools are used in the later stages of the selection process.

2.7 SELECTION TOOLS

The commonly used tools for selecting the salesmen are as follows.

Application Form

It is one of the two most widely used selection tools (the other is the interview). Generally, the application forms used by most of the companies fall under two categories: Short Application Form and Detailed Application Form.

Short application form is ordinarily used as an initial screening device. It asks for the factual information about the candidate in brief, so as to serve its purpose of eliminating the obviously unqualified applicants at the least cost and quickly. It includes items such as personal background, education and experience. This form can either be provided by the company or in the alternate, the applicants are asked to apply by sending their biodata in brief.

Detailed application form is more extensive and covers each topic in depth. It is designed by each company according to its own information requirements. It varies widely from one company to another, for the designing depends upon the detailed description of the sales job. For example, a detailed application for sales engineer will be quite different from the detailed application form for medical representative. This form may be used as the only application form or alongwith the short application form. A longer form may be used as an initial screen if it is used to the exclusion of the short form. The facts stated on the form can be the basis for probing in an interview, for instance, by asking several questions related to the job experience as stated on the form. Also, if the applicant passes through the initial screens, management may need to refer, many times to the information stated on the form. This form is also used as a source of information to study the backgrounds of its good and poor salesmen and to establish scores and weights on specific requirements.

Objective scoring of application form: Each company, according to its job requirements, decides the ideal personal history requirements that would make

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the person successful on the sales job. Individuals possessing all the personal history requirements are the ones most likely to succeed on the job. However, many potentially successful salespeople do not possess all the requirements. One company found that most of its best salespeople were of the age group of 30–35 years at the time of hiring, yet there were some as young as 17 and some as old as 48. Although the age group 30–35 years, may be the preferred age range, applicants outside this age range should still receive consideration, since other factors in their backgrounds may more than offset the fact that they are outside the desired age range. One of the ways to determine the total value of candidate is by using application form, on which an objective score has been assigned to each item. The maximum possible score for each of the item depends upon its importance in sales success. A higher score is allocated for the requirements which are more essential than those which are not so important. The points are assigned to an individual, for each of the item, according to its proximity to the ideal.

Information on the application form: Some of the factors that affect the type and amount of information requested on an application form, may be

1. The objective, the company has in using the application form-if it serves as an initial screen, it is shorter than one that will be used for complete personal history record.
2. The other selection tools and records used, often influence the design of the application form. Use of patterned interview, for instance, may enable a concern to shorten its form. On the other hand, a firm may want to duplicate its questions in order to check on a recruit's honesty, by seeing, if his answers on the form coincide with those obtained from other sources.
3. The nature of the job is another factor that influences the questions asked on the application form, because different sales jobs call for different qualifications. A firm trying to hire men with 5–10 years of sales experience, for example, is not so concerned about a recruit's activities in school and college. The information required on the application form, for hiring a salesman, for sales engineer's job to sell the technical product will be different from the information for hiring door-to-door salesman for selling low priced consumer product.
4. Another factor is the degree to which the selection function is decentralised. If home executives take part in the hiring of salesmen, the application form, probably, is detailed. But if territorial managers do the hiring, the form may be short because the other tools, especially the interviews, can be used more extensively.

Ideally each company should prepare its own formal application form, since no two companies have precisely the same information requirements. But, if a company has only a small salesforce and recruits relatively few people, the time and cost of preparing its own application form may warrant the choice of a standard form. Certain items of information, which are almost always relevant to selection decisions, make the standard form. The information that is typically requested on standard form includes personal background, education and employment record. Company using standard application form can obtain the additional information required, during the interview.

Interview

The interview is the most widely used selection tool and in some companies, it comprises the entire selection system. This tool may be used as preliminary interview for initial screening of applicants and plays an important part in the subsequent stages of the hiring process as final interview. This is the most satisfactory tool to find out something about conversational ability, general appearance, personal impact on others and certain behavioural aspects. Personality traits like initiative, imagination, aggressiveness, tactfulness; enthusiasm can 'Come out, when an applicant is talking. Another purpose of interviewing is to verify and supplement the information obtained through other tools-Unusual or omitted references on the application form can be discussed, or more details about personality, attitudes and previous work experience can be explored. For example, the applicant might have stated that he was a district sales manager in some previous job. The prospective employer may ask: What were the man's responsibilities? How many employees did he supervise? What were his administrative duties? It is important that the interview serves as a two-way channel of communication. The interview is not only a means by which a company may assess applicant's fitness for the job; it also offers the employer an opportunity to answer the recruit's questions about the company and the job. He can be told about such things as the nature of the job, the physical and social conditions involved, the compensation, the nature of training and supervision and the opportunities for the future. The nearer firm is to hiring a man, the more information it gives to an interviewee.

Interviewing decisions: The following important decisions are arrived, by the management regarding interviews:

Who and where: Persons to do the interviewing and place for interviewing depends upon the degree of decentralisation of sales organisation. In large and highly decentralised organisations, it is done at local and regional level by district/branch/regional sales managers *e.g.*, New India Assurance Company. In medium size organisations with less degree of decentralisation. Initial interviewing is handled at the branch level and final interviewing at the head office. Interviewing is the responsibility of top personnel of sales and marketing department in small and centralised organisations.

How many: Number of formal interviews vary with the selling style of the company. One large steel company which needs salespeople do the highly specialised selling to important customers, puts the applicants through three interviews, involving regional sales managers, the general sales manager and marketing vice-president. An office supply manufacturer, which requires sales personnel for routine trade selling, many hire applicants after two interviews. In another situation, where salesmen are required for door-to-door selling of simple products, one interview is enough together the necessary information.

When: The interview may be used at the initial stage of screening process as preliminary interview and it also usually plays an important part in the subsequent stage of the hiring process, as final interview. At the initial stage, its main purpose is to quickly eliminate the applicants whose qualifications do not meet the job's

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basic requirements. For example, a few of the company executives visit the college campus to do the initial screening of people, who have responded to the company's advertisement in the college. The detailed/depth interview is used at the later stage of the selection process. It is more time consuming and requires people with expert skills to probe the personality traits of the candidate in depth.

Techniques of Interviewing

- **Patterned/structured interview:** It is totally guided and highly standardised technique of interviewing. The interviewers are given a specific list of questions or an outline of questions, designed to elicit a basic core of information. Each man interviewed is asked these questions and answers are recorded on standardised form. Since all the applicants are queried on the same points, different persons can do the interviewing at different places and the results will still be comparable. The reasons for using this technique of interviewing can be attributed to the situations, where the interviewing is to be done at different regions/ branches simultaneously or where the interviewers may not know in detail about what the job entails and what are the necessary qualifications, or, they may know what qualifications are necessary for the job but they may not know what questions will bring forth the information about the applicant's possession of these characteristics, or interviewers may be unable to interpret the answers in non-structured type of interviews.
- **Non-directed/non-structured interview:** This method does not follow a set format; instead it involves a relaxed discussion. The candidate is urged to talk freely about his business experiences, home life, school activities, future plans and on certain outwardly irrelevant topics. The interviewer asks few questions and says only enough to keep the conversation rolling along the desired line. The theory for this type of interview is that it produces truthful answers and thus draws out the real person. This technique yields maximum insight into an individual's attitudes, interests and personality traits. The interviewer is allowed maximum freedom in determining what will be discussed during the interview to probe an individual's personality in depth. Obviously, the major problem is that it requires skilled and experienced people for administering and interpreting it. Also the value of standardisation is lost in the non-structured type.
- **Semi-structured interview:** Most firms today use interview that falls somewhere between the two extremes discussed above. Usually the interviewer has in mind a prepared outline of topics to be covered during the interview and also has the freedom to deviate from the plan and to determine the depth to which a topic will be pursued for each candidate, at the time of interview itself.
- **Stress interview:** It is a more complex and sophisticated technique of interviewing. The interviewers create stressful environment for the candidate through interruptions, criticism, by asking him for solutions for

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tricky situations, by rapidly firing questions. While interviewing, the interviewer may hand the applicant an object and say, "Here, sell this to me," and may then raise unreasonable objections during his sales presentation. This technique is used for selecting the sales personnel who are supposed to work under stressful conditions in actual selling situations. The stress interview needs to be planned, administered and interpreted by well trained interviewers.

- **Rating scales:** One shortcoming of the interview is its tendency to lack objectivity, a defect that can be reduced through rating scales. These are so constructed that interviewer's ratings are channelled into limited choice of responses. For instance, in evaluating an applicant's general appearance, an interviewer is forced to choose one of the three answers nicely dressed, presentable, untidy. It results in more comparable ratings of the same individual by different interviewers. One drawback of the rating scale is the lack of precise description of many personal qualities. It is a good practice, therefore, to encourage interviewers to explain ratings in writing whenever they feel that the comments are needed. Examples:
- **Enthusiasm:** Bored, somewhat indifferent, normal enthusiasm, sparkling effervescence.
- **Judgement:** Jumps to conclusions, less than sound reasons for opinions; sound opinions and reasons, excellent judgement and uses reasons as problem solving device.
- **Sales drive:** Low, normal, above average, pushes himself.
- **Attitude:** Negative and complaining, pessimistic, positive and healthy, strong loyalty.

Guidelines for interviewing: Some general guidelines that will assist one in doing the effective interviewing are suggested below:

- **Prepare for the interview:** Effective interviewing requires adequate pre-planning to be done prior to the interview. This involves renewing the job description, the company's personnel policies and procedures and existing data about the candidate. The review will enable the interviewer to determine exactly what he wants to know about the candidate and prepare the topics for discussion.
- **Established rapport:** A pleasant relaxed atmosphere must be established during the interview. The interviewee must be made to feel at ease by asking general questions about his family, education, experience, that is the subjects about which most people feel free to talk about. A quick review of the interviewee's application form may suggest a suitable opening for it. A pleasant rapport between interviewer and applicant must be maintained throughout the interview.
- **Listen and observe:** It is important for a successful interviewer to be a good listener and good at observation. He begins to learn about the candidate, as soon as, he enters the room. Is the applicant dressed appropriately? Is he/she poised and confident? Alert? Observation provides many clues about the personality of the applicant. For instance, clasping and

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unclasping of hands, fidgeting, not maintaining eye contact are signs of nervousness, uncertainty and lack of confidence.

- **Taking few notes:** Most interviewers will need to refer to notes about the performance of the candidate at the time of the, interview, for evaluating him, for selection decision. However, taking notes during an interview distracts the applicant and slows down the tempo of the interview. So, in most of the situations, candidate should be marked on the evaluation sheet after he/she has left the room.
- **Select a suitable environment:** The interviewer must make sure that the setting is appropriate and conducive for interviewing and there are no interruptions during the interview.

Psychological Tests

Use of psychological tests as selection tool, though still in its infancy, is increasing for the reasons like greater importance being given to selection as the sales management is becoming more formalised, rising cost of selection and training, increased size of sales force and increased knowledge of psychological tests and their applications. Psychological testing refers to having the recruit answer a series of written questions, the proper answers to which have been previously determined. The major purpose of testing is to identify and measure more accurately, the various aspects of person's behaviour such as intelligence, achievements, interests, aptitude, personality traits, etc. It requires trained specialists for designing, administering and interpreting the psychological tests.

Factors conducive to successful testing: The existence of following conditions are conducive to, a successful testing programme:

- The firm hires a relatively large number of men and its cost of training per person is quite high.
- The firm is hiring young inexperienced men about whom little is known.
- The persons being selected are not likely to be test wise, *i.e.* danger of faking is minimised.
- In companies, where the cost of a man's future development is high, the expense of testing may be a small insurance premium, just to be more accurate in judging a candidate.

Types of Psychological Tests

- | | |
|--|----------------------------|
| (i) Tests of Ability | Tests of mental ability |
| | Tests of special abilities |
| (ii) Tests of Habitual Characteristics | Attitude tests |
| | Personality tests |
| | Interest tests |
| (iii) Achievement Tests | |

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Tests of mental ability: Give the administrator some idea of the man's present abstract intelligence. These tests are designed to show how well a person reasons, thinks, and understands and thus measure the abilities like problem solving and learning. Beyond a minimum level, this type of intelligence is seldom of vital importance in selling. In the alternate, if the sales job requires a man with higher than average intelligence, because of its being a complex job, then probably such intelligence tests should be made a part of the selection process.

Tests of special abilities: These tests measure the sales aptitude and the special abilities required for a person to be successful in sales position. Sales aptitude tests are designed to find out the recruit's behaviour in certain common selling and social situations. One such test asks, "You are a sales clerk. The best of your response to the customer's objection, 'It is not exactly what I want', would be:

- Do let me show you another style that is very popular this season.
- This is the latest style.
- I am sorry you didn't like what we have.
- We expect another shipment of articles next month.

Many sales managers administer their own informal aptitude tests by way of a situation in which they give a product to the recruit and say, "Here, sell this to me." General sales aptitude tests are used for measuring the basic qualities of a good salesman and specially designed sales aptitude tests are used for measuring special qualities required for a particular type of sales job of a company.

Tests of habitual characteristics: These tests gauge how the prospective employee would normally act in his daily work, *i.e.* when he is not at his best behaviour.

Attitude tests: Are more appropriate as morale measuring techniques. They are used to ascertain employee's feelings towards working conditions, pay, advancement opportunities and like. Used as sales personnel selection device, they make limited contribution by identifying abnormal attitudes on general subjects.

Personality tests: Success in selling depends mainly on the multitude of behaviour traits called personality. By adroitly asking many questions concerning what the test taker would do in certain situations, how he feels about certain things and what his attitudes are towards various occurrences, the test hopes to uncover specific personality traits. These tests attempt to identify and measure the traits like stability, tact and diplomacy, self-sufficiency, self-control, dominance, initiative, etc. The obvious difficulties in using these tests are first in stating precisely what aspects of personality are true job qualifications and then finding and designing tests which would measure these aspects correctly. These tests need to be administered and interpreted by skilled testers.

Interest tests: The basic assumption implicit in the use of interest tests is that a relationship exists between interest and motivation. Hence, if two persons have equal ability the one with greater interest in a particular job will be more successful salesman. Interest tests measure the extent to which one's interests are similar to those of successful people in a given occupation. Probably, a person who scores low on an interest test will not make a good salesman. These tests are relatively easy and inexpensive to administer.

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Achievement tests: Provide an assessment of expertise, an applicant possesses in such areas as customer relations, marketing channels, product, etc. These tests seek to determine how much an individual has learned from his education, training and his knowledge about certain subjects.

Evaluation of Psychological tests

Tests to be used for selection of salesmen are evaluated on the basis of following criteria:

- **Validity:** A test is valid if it actually measures what it is supposed to measure. Following are the three ways to check the validity of a test: (a) A test is given to the present salesforce and test score of successful salesmen is compared with the score of unsuccessful salesmen. If there is close correlation between the score and job performance, the test is a valid test. (b) A test is given to all the applicants, but the test scores are withheld from the persons matting the selection decision. After the new salesman have begun work, their performance is compared with their test scores. Again the degree of correlation will reveal the validity of test. (mother way to validate a test is through the use of control groups. One group of salesman is chooses by making, use of tests along with other tools in the selection process. The job performance of both the groups is compared, after a period of time to determine the validity of test.
- **Test reliability:** It refers to the consistency of test results. A test has reliability, if an individual gets approximately the same score on subsequent retesting in the same type of tests. The tests having the reliability near one, are considered as reliable tests for use in selection process.
- **Test objectivity:** If the scorer's opinion does not affect the test score, it is an objective test. For a good test, it is important to have high objectivity.
- **Time effort and cost:** Of administering the tests must be compared with their benefits.

How the psychological tests should be used: Any test should be used only as an aid to judgement, and definitely should not be the deciding factor in determining who should be hired. It is a mistake to automatically accept or reject a given applicant on the basis of his test scores. They are a tool to assist the sales executive in selecting the right kind of salesmen, but they should not relied upon the exclusion of other tool. Test results may help in avoiding a serious error, but they must not make the selection decision for the manager. Sales executives need to recognise the fact that psychological testing, although capable of making a valuable contribution, is but one step in the selection system. The sales manager should not believe that the best score on a test means that the man is the best prospective employee. All that can be said is that a man does or does not fall within a range and all those who do fall within that range should be judged as being equally qualified for the job. Test results should be used to probe deeper into any questionable areas.

2.8 TRAINING THE SALES FORCE

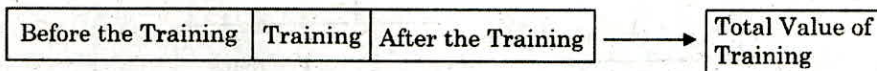
If you ask any sales person or a sales manager about how did they learn the selling skills, majority of them will answer, 'by experience'. The statement, however is really useful when we learn the correct things by experience and more importantly when we are able to use the lessons successfully. But what happens when we make mistakes? Next time we don't do the same mistake and we say, "I learned it all the hard way." It is suggested that, as training manager, you should be sure to check what he learnt the hard way.

There are salesmen who have never learnt the art of closing their sales. There are others who have talked too much for all the years they were in selling. In fact, there are still many more, who, never discovered the best way to sell or manage their time. Experience alone is perhaps never sufficient. We all have to learn from the knowledge and experience of the others. This is where the right training can make a difference. Training can help transform a below average salesman to an average salesman, or the average salesman to sell higher and the top salesman to reach newer heights.

In a competitive market, sales training can bridge the gap between success and failure. Customers generally evaluate a company's product based on the salesman's performance, confidence or lack of confidence, inability to fully explain the product benefits, etc. When the market is competitive the customer may place the order with salesman who performs better than the other in a sales interview.

2.9 LOGIC OF TRAINING

It must be clearly understand that a Training programme is just a small portion of the total learning experience of any participant. Before any participant attends a training programme, the trainer must identify specific area of knowledge, skills, or attitude in the participant that needs to be improved. After the training programme, it is expected that the participants have gained the required knowledge, skills or attitudinal change.



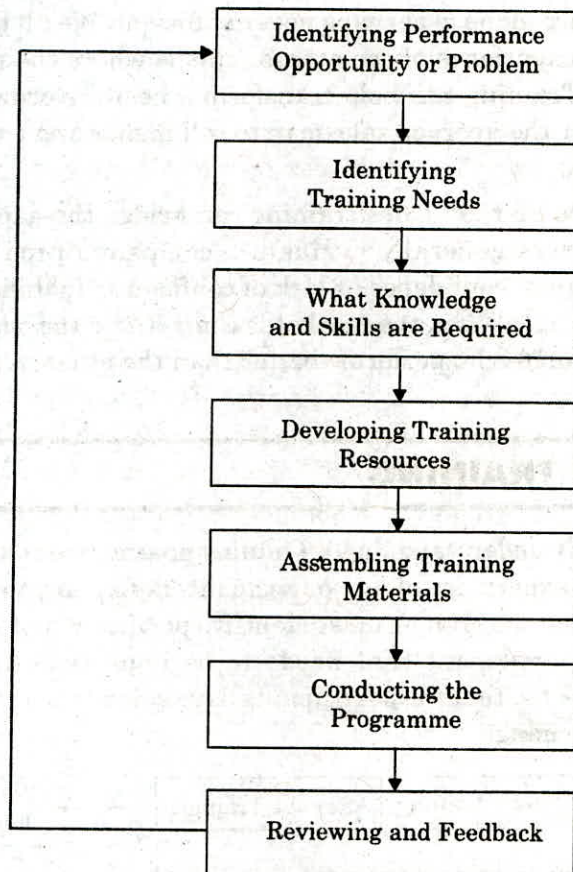
However, the more important part is when the participant uses this new knowledge, skills and attitude at his work place to get better results, than he was getting prior to training. These results will benefit the organization and will add more value to the organization. Thus, to consider the total value of any training, it is important to consider the sequence of training activity in its totality, *i.e.*, before the training, the training event and after the training.

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2.10 TRAINING PROCESS

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Training can be defined as learning to change the performance of people, doing certain tasks. From this definition we observe that training revolves around helping people to learn so as to improve their performance. The training process can be broken down into four major steps, for easy understanding. These steps are, identifying training need, designing the programme, conducting the programme, training follow up. Apart from the above distinctive steps, a trainer must have knowledge about adult learning styles, so that the programme can be tailored as per requirements. Diagrammatically, the training process can be represented in the following manner:



2.11 AREAS OF SALES TRAINING

The purpose of a sales training programme is to impart training in the following broad areas mentioned below:

- **Company's knowledge** Nature of industry to which the organisation is related. The organisational place in its industry and industrial practices.
- **Product knowledge** and applications.

- Sales techniques: The selling process, negotiation skills, sales presentation, handling complaints, post sales follow-ups, etc.
- Reporting systems.

Depending upon the contents of training programme the training methods or technique are selected.

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2.12 PROCESS OF IDENTIFYING TRAINING NEEDS

A training need can be defined as a gap between the desired level and the actual level of knowledge, skills or performance that can be bridged by training. The starting point for organising and conducting an effective training programme for the salesmen is the careful and precise identification of training needs. Well intentioned, but general sales training may not yield good results. To the salesmen it may not appear to be tailored to their needs, or it failed to take account of the special selling situations they generally face.

Thus, it is very important to perceive and identify the individual's training needs and then decide about the objectives and contents of the training programme. The identification the sales training needs is a rational undertaking and it has to be done in proper sequence, which are as follows:

The first step in the identification of the training needs is to define the jobs, to be done, the specific tasks involved and the performance standards required. This involves writing of the jobs description.

Secondly, specifying what knowledge, skills and attitudes are needed to achieve the standards set for the job. Based on the job description, a training needs analysis can be done setting out the knowledge, skills and attitudes, some examples of such an exercise are given below:

Job Description/task/knowledge skills/attitudes analysis

Job description: Keep Technically and Commercially Up-to-date

<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
(a) Read Journals	What knowledge and skills are needed as defined by the job and the company.	Ability to self train, learn, interpret and apply, information and use initiative.	Training is not a classroom operation, Good training is self-inspired continuous and accumulative.
(b) Attend relevant meeting and events			
(c) Assess own training needs with manager on a continuous basis.			

Job Description: Liase with Companies and Organisations

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<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
(a) Make contact with Representatives	Whow they are? Where they operate? Who they know	Establish mutual respect, Sell one self, Establish mutual benefits.	We all need all the extra 'salesmen' we can get.
(b) Maintain contact for mutual advntages	Who knows them?		

Job Description: Sales Planning

<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
(a) Identify target	Number of unit sizes, Location Present Situation/usage Future needs Finance.	Ability to select priorities, good administration.	Time, effort and thought given to planning make the whole job easier, more enjoyable and more effective.
(b) Draw up action plans	Company activities Competitor activities Distributor involvement timing Management assistance available Own time available	Good communication with managers and distributors. Ability to set realistic objectives in a reasonable time scale	An agreed plan of action makes success more likely.
(c) Plan with distributors	Distributor coverage Distributors representatives Credit problems Distributor needs	Motivation of distributor representatives	Liason is essential for success.

Job Description: Make Effective Sales Contract

<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
(a) Plan journeys	Geography Market days/events Whether appointments are needed	Ability to assess timing of individual calls Ability to plan journeys economically	Time and effort saved, makes work easier, enjoyable and effective.
(b) Plan calls	Customer needs products available Distributor involvement Customer attitude	Ability to identify customer needs Communication with distributors.	
(c) Make effective sales presentations	Products and system knowledge Economics Customer needs Selling techniques/negotiation Sales benefit Nature of objectives Alternative methods of closing	How to open an interview How to create interest How to present benefits How to overcome objections Negotiation How to close positively	Professional selling is essential in a competitive market.
(d) Involve management when necessary	Own limitations of authority Customer needs Price limitations	Communication With management and distributors	A team works better than a collection of individual.

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Job Description: Motivate and Train Distributors

<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
(a) Identify needs for each distributor and each representative	Priority, 'gaps' to be filled between company needs individual needs customer's needs	Distinguish between knowledge, skills and attitudes and establish priorities Distinguish between 'lack of' and 'need for'	Efficient profitable distribution is essential to Co's own prosperity.

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(b) Agree what should be done and by whom	Methods of training Other facilities available Other personnel Own limitations Own skills	Liase with management 'Sell' training to distributors and representatives Setting of objectives Planning and preparation	It is our responsibility to equip our distributors with the knowledge and skills to sell products and services.
(c) Carry out training	Methods: On-the-job, Off the job, product knowledge, Sales knowledge, Use of training techniques, Preparation of aids Appropriate location.	Applying the right Method, Translating knowledge to suit audience techniques and aids	Training is not only a classroom operation. Use of the right method and careful preparation is essential.
(d) Evaluation on a continuous basis	Gap in the objectives set, Objectives achieved	Interpret reasons for gap Take appropriate steps <i>i.e.</i> , change objectives, change training methods and change training contents	All good training is continuous and accumulative.

Job Description: Investigate Quality Complaints

Task	Knowledge	Skills	Attitudes
(a) Investigate the situation	Character of customer, distributor involved, representative involved methods of reporting, handling and delivery complaint factors Product knowledge	Look at problems objectively, Assess likely causes tactfully and accurately. Establish with the customer	A quality complaint is an opportunity to build customer confidence and loyalty.

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(b) Report back to Management	In addition to above checks, place of origin Date of delivery and manufacture Interpretation of situation Recommendations for action	Accurate report Writing Accurate interpretation of facts, people and circumstances Empathetic presentation of information	The customer should neither check not gain if the complaint is handled correctly.
(c) Conclude Complaint satisfactorily	Laboratory report, Interpretation of report, Character of customer, Relation between loss and views of Co.	Selling skills in presenting information, Obtaining agreement without haggling, Positive closing	The customer should feel that his complaint has been handled fairly, speedily and sympathetically.

Job Description: Provide After Sales Service

<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
(a) Identify what is needed: (i) For personal action (ii) For distributor action (iii) For individual customers	Priorities Customer needs, Customer attitude Distributor coverage, Representatives abilities	Ability to select and priorities Ability to delegate.	
(b) Keep personal involvement to a minimum	As above	Tactful delegatioto to distributor representatives Training of representatives	
(c) Provide first class personal services where necessary	Technical knowledge, Product knowledge, Management of finance and economics	Ability to provide service effectively Use service as a sales aid	Service is a tool to be used in gaining and maintaining business not an end in itself.

**Job Description: Support Promotional Activities
and Participate in Meetings/Demonstrations**

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<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
(a) Apply promotional Plans in own district	Company plans, Area plans, District plans, Distributor needs, Consumer needs	Selling of promotion to, distributors distributor to representatives	Use Distributors and Distributors' Representatives to sell
(b) Take part in meetings and demonstrations	Suitable venues Meeting organizations Press coverage Products/systems Company Policy	Public speaking Discussion, leading Chairmanship, Report writing	We are professional

Job Description: Internal Communication

<i>Task</i>	<i>Knowledge</i>	<i>Skills</i>	<i>Attitudes</i>
Report competitor, Activities to management, Suitable speakers	Competitors representatives, Competitors customers, Competitors Products and Policies	Accurate Reprt writing, Objective interpretation, Communication with third parties	Effective action depends on accurate and balanced reportage

Thirdly, define what knowledge, skills and attitudes each salesman has, how and what performance standards each is achieving. The collection of this information requires the setting up and constant use of an effective salesman performance appraisal system. It also involves agreement on measurement standards and techniques. Fourthly identifying the training gaps in each areas of knowledge, skills and attitudes.

Fifthly, define what additional training needs arise as a result of changes external to the salesman's past achievements and standards. This necessitates checking on a systematic and continuous basis the directions and future plans for the company's marketing planning, sales planning and recruitment functions. For example, a decision to add a couple of products to the existing product line could involve every salesman in revising his method of working, route planning and scheduling, thus giving rise to a new training need in the field. It is therefore, necessary to relate the company's future plans to its current sales force needs.

Lastly, define the training priorities for the current period, *i.e.*, to identify what are the training needs in the immediate future, in the midterm and in the long term, and accordingly prioritise the training activity.

2.13 METHODS OF IDENTIFYING TRAINING NEED

For the success of any training it is of utmost importance that the training needs are identified, objectively and correctly. Training need analysis will help in identifying employees who need training and also you can set specific criteria's to measure the results of training. Some of the methods used for identifying training needs are:

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2.13.1 Self Observation

Observations can work only when a salesman is observed doing his job, continuously for a specific period, by an observer.

Advantages: Observation gives you an idea about the actual working of a salesman. It is a low cost technique with minimum disruption to the work. Also, in this technique you yourself observe the salesman and thus the bias is avoided, in the observations.

Disadvantages: The major disadvantage of this technique is that the salesperson may not act normally when someone is with him as late fees scrutinized. Also you may not observe all the attributes due to infrequency of occurrence of some attributes. Another disadvantage of this technique is that sometimes it is difficult to record the observation data.

2.13.2 Reports

Any organization will have number of reports that record different aspects of job performance regularly, like, work records, sales output, sales trend, etc. A careful study of these reports can help in identifying training needs.

Advantages: You have a long track record of performance which can be used. The salesman is not aware that you are watching him. In this method, you do not incur any additional cost.

Disadvantages: As the quantum of information available through the sales reports is large, his method is time consuming.

2.13.3 Surveys and Questionnaires

These are the written forms that are completed and returned either by the Salesperson himself or by his manager, after filling them up.

Advantages: These forms bring out opinions and facts about a current situation by questioning the people involved. These are useful in getting information from a large or geographically dispersed people. The respondents can complete them at their convenience, without any distraction.

Disadvantages: If the questions are not framed in a simple language, the respondents may not understand the questions. Secondly, only those people who are interested, will generally send their reply to a survey.

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2.13.4 Face to Face Interviews

A face to face interview is the process of meeting a salesperson individually to discuss issues that concerns him the most.

Advantages: These interviews are helpful when you are dealing with sensitive issues that require explanatory answers. Another advantage of this process is that you can clarify things by asking questions and also you can observe the non-verbal clues.

Disadvantages: The salesperson may not like such interviews where you are making notes. Face to face interview is also a time consuming process.

2.13.5 Focus Groups

In a focus group, 10–15 salespersons meet to discuss a topic and exchange views, attitudes to give suggestions. Such discussions are useful when handling an undefined issue.

Advantages: Focus groups offer valuable but general data. With the help of focus group discussions you can identify questions and issues that can be used to conduct specific surveys.

Disadvantages: A focus group has to be followed by other types of surveys for getting specific information. A focus group is time consuming and in such studies it is difficult to quantify results.

As you must have observed, you can use any or all of the above methods for identifying training needs. Once the data is collected, you need to analyze data for prioritizing different needs that may emerge. One important point that should be kept in mind is that during these surveys certain needs can emerge that cannot be handled by training. These may include pay increases, incentives, work conditions, etc. Therefore, the suggestion is that when you are analyzing data you must focus only on those needs that can be addressed by training.

2.14 LEARNING STYLES

When you are designing a training programme, you must keep in mind that different people, learn easily from different learning styles. Therefore, you should be able to identify the best learning style. Broadly speaking any person has one of the following as dominant learning style: Activist, Reflector, Theorist or Pragmatist. You must appreciate the fact that these are the learning styles and need not reflect the personality of any individual.

Activist: An activist involves himself fully and without bias in new experiences. He is open minded, not skeptical and is enthusiastic about anything new. He is happy to take problems by brainstorming. Thus, if you are designing a programme for an activist, be sure to include situations of his participation's like, games, simulation exercises, etc.

Reflector: He likes to stand back to ponder experiences and observe them from varied perspectives. He will collect data, himself and from others, and prefer

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to think it thoroughly before coming to any conclusion. He prefers to take a back seat in meetings and discussions and enjoys observing other people in action. He tends to adopt a low profile. While designing a programme for a reflector, be sure to include actual case studies and experiences and guide him to make his own decisions.

Theorist: He integrates observations into complex but logically sound theories. He thinks problems through in a step by step way. He likes to analyze and synthesize. He tends to be detached, analytical and dedicated to rational objectives. rather than anything subjective or ambiguous. His approach to problems is consistently logical.

Pragmatists: He is keen on trying out ideas, theories and techniques to see if they work in practice. He is the sort of person who will return from training brimming with new ideas that he wants to try out in practice.

2.15 DESIGNING AND CONDUCTING THE PROGRAMME

For training of sales force, you can use one of the three major types of programmes. These methods are self study modules, classroom training, on the job training. However, for all the programmes, the planning must be done comprehensively to ensure effectiveness of the training.

2.15.1 Self Learning Modules

In this programme, the participants are given the course material which they are required to study themselves. Written notes can be sent, and if needed audio and video cassettes can be used. This kind of training is useful when you want the participants' to revise some material or you want to send some pre-conference study material. The major disadvantage of this method is that you cannot be sure whether the participants have actually studied the material. Also, in this method, there is no feedback.

2.15.2 Classroom Training

Each training programme needs to be individually planned based on the pre-decided objectives decided for the programme. However, the following are the important areas that can be covered in a typical sales related programme:

- Company knowledge-history and future plans
- Product information
- Marketing strategies for various products
- Learning the features, advantages, benefits of products
- How to obtain interview with prospective customers
- The sales presentation
- Different ways of finding customer's needs
- Answering objections

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- Closing the sales presentation
- Planning geographical territory and planning each day
- Time management
- Administrative responsibilities
- Communication abilities
- Writing reports.

The objective of a classroom based refresher course is to reinforce some aspects in the salesmen which they are likely to forget and also to add new knowledge and skills to the salesmen. Thus, as the name suggests a refresher and development course must refresh the memory and develop the true potential of the salesmen. To truly meet its objective, a refresher course must be based on factual information. Thus, complete information on salesmen's behaviour, weaknesses and general morale must be available before designing any refresher course. Some of the questions that need to be answered for running an effective refresher course are:

Planning	Does a salesman prepare and work his plan? Does he keep up to date records? Does he call regularly on his customers?
Appearance	Is his appearance professional Does he keep his presentation material neat and clean?
Attitude	Does he have a positive or a negative attitude? How is his response to official communication? How much is he influenced by outside influences?
Selling Skills	How good is his product knowledge? How updated are his selling skills? Does he have knowledge of any special techniques?

Once all the information is gathered, the trainer can plan different session of refresher course which can include case studies, role plays, syndicate presentations, simulations etc.

2.15.3 On The Job Training

One of the very important ways of teaching new skills to sales people is through on the job field training. The important Advantage of this method offers is that the skills are demonstrated to the salesmen in the real life situation and thus the impact on the salesmen is expected to be much stronger. In on-the-job or field training, the trainer can either make a sales call himself which the salesman observes and learns. In the other method of on-the-job training the trainer gives feedback to the salesman after observing him during his sales call. The salesman, thereafter, practices the recommendations in the future calls.

2.16 TRAINER'S ABILITIES

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A successful trainer needs to possess various skills to do a good job of training. Some of the basic things without which a trainer cannot be successful are, thorough job knowledge and an ability to relate to the actual situations the salesman experiences. The other main abilities which a trainer must possess are:

2.16.1 Analytical Ability

A good trainer is able to analyze the situations and identify the exact training needs for salespersons. The analytical ability will help the trainer to focus on issues of prime importance rather than touching superficial issues.

2.16.2 Basic Educational Abilities

A trainer needs to have the knowledge about the jobs the salespersons perform. He should also know the principles of communication. It would be still better if the trainer has some knowledge about the adult learning.

2.16.3 Training Techniques

A successful trainer needs to understand what makes people learn and accept new things. He should have clear knowledge about the different techniques of training. He should be able to employ such techniques, for maximum results.

2.16.4 Ensuring Participants' Participation

To ensure effective learning, the training session must be interactive where participants freely participate. Some of the methods employed for ensuring trainee participation are:

- **Group Discussions:** Trainees are divided into groups and given various topics, issues etc. which they have to discuss amongst themselves and come up with probable solutions.
- **Questions and answers period,** after each session.
- **Decision making exercises,** e.g., finding product benefits and converting them into sales presentations for various types of customers.
- **Demonstrations:** These can be either trainees acting out certain role plays or video demonstrations or demonstrations by the trainer.
- **Case studies:** Participants attempt to find the best possible solution for a real life problem.

2.16.5 Course Organization

Once the total written material for a course is ready, the session can be put into practice. A good trainer will always keep in mind some basic rules of organizing a training session, like:

- **Punctuality is essential.**

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- All material related to training like, slides, demonstration pieces, samples, etc., must be carefully checked before the programme.
- The room where the training is to be held must be checked for adequate lighting and seating arrangements.

2.17 TRAINING FOLLOW UP

Training follow up refers to the time immediately following the training. This may vary from, the time when learners are still a captive audience, to possibly months or years after the training. What happens after training is vital to any training session. After any training session you must gather and analyze feedback to review training. Measure and analyze results specially in relation to job performance. Provide additional inputs, if these has been a shortfall, of similar training programmes are organised in future.

2.18 COMPENSATION

Compensation objectives

Sales managers should consider carefully the 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 salesforce 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 in line 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.

Types of compensation plan

When designing compensation plans, sales management need to recognise that not all of the sales team may be motivated by the thought of higher earnings. Darmon identified five types of salespeople:

1. *Creatures of habit.* These salespeople try to maintain their standard of living by earning a predetermined amount of money.
2. *Satisfiers.* These people perform at a level just sufficient to keep their jobs.

3. *Trade-offers*. These people allocate their time based upon a personally determined ratio between work and leisure that is not influenced by the prospect of higher earnings.
4. *Goal orientated*. These salespeople prefer recognition as achievers by their peers and superiors and tend to be sales quota orientated with money mainly serving as recognition of achievement.
5. *Money orientated*. These people aim to maximise their earnings. Family relationships, leisure and even health may be sacrificed in the pursuit of money.

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The implication is that sales management need to understand and categorise their salespeople in terms of their motives. Compensation plans can only be effectively designed with this understanding. For example, developing a new plan based upon greater opportunities to earn commission is unlikely to work if the sales team consists only of the first three categories of salesperson. Conversely, when a sales team is judged to be composed mainly of goal and money orientated salespeople, a move from a fixed salary to a salary and commission system is likely to prove effective.

There are, basically, three types of compensation plan:

- fixed salary;
- commission only; and
- salary plus commission.

Fixed salary

This method of payment encourages salespeople to consider all aspects of the selling function rather than just those which lead to a quick sales return. Salespeople who are paid on fixed salary are likely to be more willing to provide technical service, complete information feedback reports and carry out prospecting than if they were paid solely by commission. The system provides security to the salesperson who knows how much income they will receive each month and is relatively cheap to administer since calculation of commissions and bonuses is not required.

The system also overcomes the problem of deciding how much commission to give to each salesperson when a complex buying decision is made by a number of DMU members who have been influenced by different salespeople, perhaps in different parts of the country. Wilson cites the case of a sale of building materials to a local authority in Lancashire being the result of one salesperson influencing an architect in London, another calling on the contractor in Norwich and a third persuading the local authority itself. However, the method does have a number of drawbacks. First, no direct financial incentive is provided for increasing sales (or profits). Second, high-performing salespeople may not be attracted, and holding on to them may be difficult using fixed salary since they may perceive the system as being unfair and be tempted to apply for jobs where financial rewards are high for outstanding performers. Third, selling costs remain static in the short term when sales decrease; thus the system does not provide the inbuilt flexibility of the other compensation systems. Because of its inherent characteristics it is used primarily in industrial selling where technical service is an important element in the selling

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REVIEW QUESTIONS

1. One sale executive claims he knows a good man when he sees one, and therefore, he does not like to be bothered by so called scientific selection process. What can you offer to refute this claim? Would your answer be any different if you knew that the sales manager who made the statement had a low rate of turnover in his salesforce and was running a highly profitable operation.
2. "Careful selection is important, but not essential, in building an effective salesforce. Improper selection of sales people can be overcome by a good training programme, sound supervision and an excellent compensation programme." Do you agree? Discuss.
3. When selecting salesmen many companies have adopted a policy of hiring only experienced salesmen and preferably men who have had experience of selling similar or directly competitive products. What are the merits or demerits of such a system?
4. The following firms want to hire salesmen, and as recruiting sources, the executives are considering-other departments of the company, competitors salesmen and educational institutions. Evaluate each of these three as sources of salesmen for each company:
 - (a) Manufacturer of paper and paper products
 - (b) Manufacturer of office furniture and equipment
 - (c) Manufacturer of breakfast cereal
5. How an applicant, before accepting a job, could appraise himself quality of training that will be provided to him?
6. Why is sales training a continual managerial activity?
7. Why is product knowledge also considered to be a sales related training need?
8. Why do sales trainers rely so much on role-play in teaching sales techniques. Discuss its advantages over other training methods?
9. The only sensible way to organise a salesforce is by geographical region. All other methods are not cost efficient. Discuss.
10. How practical is the workload approach to salesforce size determination?

FURTHER READINGS

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3. *Sales and Distribution Managment*: Bholanath Dutta, I.K. International, 2011
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3

MOTIVATION

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STRUCTURE

- 3.0 Learning Objectives
- 3.1 Motivation
- 3.2 Leadership
- 3.3 The Salesforce Evaluation Process
- 3.4 The Purpose of Evaluation
- 3.5 Setting Standards of Performance
- 3.6 Gathering Information
- 3.7 Measures of Performance
- 3.8 Appraisal Interviewing
 - *Summary*
 - *Review Questions*
 - *Further Readings*

3.0 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- describe motivation and leadership
- explain the sales force evaluation process and its purpose
- explain the measures of performance
- define appraisal interviewing
- explain the standards of performance.

3.1 MOTIVATION

Motivation is originally derived from the Latin word "Movere", which means "to move". The desire to spend effort to fulfill a need is motivation. In sales, motivation is the effort the salesperson makes to complete various activities of the job.

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Motivation is the driving force by which humans achieve their goals. It is the incentives that we seek, the perks that bubble over our metaphoric coffee pots. Motivation is defined as the process that initiates, guides and maintains goal-oriented behaviors. Motivation is what causes us to act, whether it is getting a glass of water to reduce thirst or reading a book to gain knowledge.

It involves the biological, emotional, social and cognitive forces that activate behavior. In everyday usage, the term *motivation* is frequently used to describe *why* a person does something.

Creating and maintaining a well-motivated salesforce is a challenging task. The confidence and motivation of salespeople are being constantly worn down by the inevitable rejections they suffer from buyers as part of everyday activities. In some fields, notably life insurance and double glazing, rejections may greatly outnumber successes; thus motivation may be a major problem. This is compounded by the fact that salesperson and supervisor are normally geographically separated, so the salesperson may feel isolated or even neglected unless management pays particular attention to motivational strategies which take account of their needs.

It is critical that sales managers appreciate that motivation is far more sophisticated than the view that all salespeople need is a 'kick up the pants'. Effective motivation requires a deep understanding of salespeople as individuals, their personalities and value systems. In a sense, sales managers do not motivate salespeople. What they do is provide the circumstances that will encourage salespeople to motivate themselves.

An understanding of motivation lies in the relationship between needs, drives and goals: 'The basic process involves needs (deprivations) which set drives in motion (deprivations with direction) to accomplish goals (anything that alleviates a need and reduces a drive)'. Thus a need resulting from a lack of friends, sets up a drive for affiliation which is designed to obtain friends. In a work context, the need for more money may result in a drive to work harder in order to obtain increased pay. Improving motivation is important to sales success as research has shown that high levels of motivation lead to:

- increased creativity;
- working smarter and a more adaptive selling approach;
- working harder;
- increased use of win-win negotiation tactics;
- higher self-esteem;
- a more relaxed attitude and a less negative emotional tone;
- enhancement of relationships.

In this chapter both applied theory and practice will be evaluated in order to identify the means of motivating a salesforce.

Motivational theories

Motivation has been researched by psychologists and others for many years. A number of theories have evolved that are pertinent to the motivation of salespeople.

Maslow's hierarchy of needs

Maslow's classic **hierarchy of needs** model proposed that there are five fundamental needs which are arranged in a 'hierarchy of prepotency'. Table 3.1 shows this hierarchy.

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

Table 3.1: Maslow's hierarchy of needs

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

Although Maslow's belief that one set of needs only becomes important after lower order needs have been completely satisfied has been criticised, the theory does have relevance to salesforce motivation. First, it highlights the perhaps obvious point that a satisfied need is not a motivator of behaviour. Thus, a salesperson who already receives more than adequate level of remuneration may not be motivated by additional payments. Second, the theory implies that what may act as a motivator for one salesperson may not be effective with another. This follows from the likelihood that different salespeople will have different combinations of needs.

Effective motivation results from an accurate assessment of the needs of the individual salespeople under the manager's supervision. The overriding need for one salesperson may be reassurance and the building of confidence; this may act to motivate them. For another, with a great need for esteem, the sales manager may motivate by highlighting outstanding performance at a sales meeting.

Herzberg

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

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

The salesperson is fortunate that achievement is directly observable in terms of higher sales (except in missionary selling, where orders are not taken, e.g., pharmaceuticals, beer and selling to specifiers). However, the degree of responsibility afforded to salespeople varies a great deal. Opportunities for giving a greater degree of responsibility to (and hence motivating) salespeople include giving authority to grant credit (up to a certain value), discretion to offer discounts and handing over responsibility for calling frequencies. The results of an experiment with a group of British salespeople by Paul, Robertson and Herzberg showed that greater responsibility given to salespeople by such changes resulted in higher sales success.

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

Vroom's expectancy theory

Basically **Vroom's expectancy theory** assumes that people's motivation to exert effort is dependent upon their expectations for success. Vroom based his theory on three concepts – expectancy, instrumentality and valence.

1. *Expectancy*. This refers to a person's perceived relationship between effort and performance, i.e., to the extent to which a person believes that increased effort will lead to higher performance.
2. *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.
3. *Valence*. This represents the value placed upon a particular reward by a person

For some individuals promotion may be highly valued; for others it may have little value. Thus, according to the theory, if a salesperson believes that by working harder they will achieve increased sales (high expectancy) and that higher sales will lead to greater commission (high instrumentality) and higher commission is very important (high valence), a high level of motivation should result. The nature of the relationships in the sales setting is depicted in Fig. 3.1.

Effort	Expectancy	Performance	Instrumentality	Reward	Valence	Value of reward.
e.g., increased call rate, longer working day		e.g., increased sales, increase in number of active accounts, higher sales call ratio		e.g., higher pay, sense of accom- plishment, respect, promotion.		

Figure 3.1. The Vroom expectancy theory of motivation

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

Adams's inequity theory

Feelings of inequity (unfairness) can arise when an individual's effort or performance on the job exceeds the reward they receive. Salespeople who feel they contribute more than others to the organisation expect to receive proportionately greater rewards. This is the essence of Adams's **inequity theory**. For a salesperson, inequity can be felt in the following areas:

- monetary rewards;
- workload;
- promotion;
- degree of recognition;
- supervisory behaviour;
- targets;
- tasks.

The outcome of a salesperson perceiving significant inequities in any of these areas may be reduced motivation as a result of the feeling of unfairness. A study by Tyagi examined the effect of perceived inequities (rewards and favouritism) on motivation of life insurance salespeople. The results showed that feelings of inequity in all areas investigated (monetary, promotion, recognition, supervisory behaviour and task inequities) had an adverse effect on motivation. Monetary reward inequity had a particularly strong effect on motivation. The implication is that sales managers must monitor their salesforce to detect any feelings of unfairness. This can be done informally during sales meetings or through the use of questionnaires. Some sales organizations survey their sales representatives periodically to measure their perceptions of inequity and the effectiveness of the company's motivational programme in general. Motivation is often equated with incentives but Adams's work emphasises that the elimination of disincentives (e.g., injustices, unfair treatment) may be an equally powerful influence.

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Likert's sales management theory

Unlike Herzberg, Maslow and Vroom, who developed 'general' theories of motivation, Likert based his **sales management theory** on research that looked specifically at the motivation of salespeople. His research related differing characteristics and styles of supervision to performance. One of the hypotheses he tested was that the sales managers' own behaviours provide a set of standards which, in themselves, will affect the behaviour of their salespeople. He found that there was a link. High performing sales teams usually had sales managers who themselves had high performance goals.

His research also investigated the methods used by sales managers in the running of sales meetings. Two alternative styles were compared (see Fig. 3.2). Sales managers who used the group method of leading sales meetings encouraged their team both to discuss sales problems that had arisen in the field and to learn from one another. Sales managers who monopolised the meeting discouraged interaction between salespeople and used it as an opportunity to lecture them rather than to stimulate discussion. There was a strong tendency for higher producing sales teams to use the group method.

Several reasons can be put forward to explain this. First, it is likely that a problem faced by one salesperson has been met previously by another who may have found a way of overcoming it; for example, a troublesome objection to one salesperson may have been successfully dealt with by another. The group method of leading a sales meeting encourages problem-solving and stimulates communication. Second, the more open style of meeting enables the sales manager to gain a greater understanding of the needs and problems of the salesforce. Finally, the group method promotes a feeling of group loyalty since it fosters a spirit of co-operation.

Thus, the research conducted by Likert suggests that to produce a highly motivated salesforce, the sales manager should have high performance goals and encourage analysis and discussion of salespeople's performance and problems through the group method of conducting sales meetings.

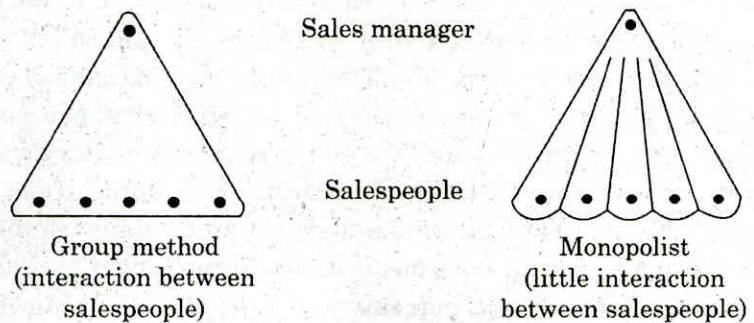


Figure 3.2. Methods of conducting sales meetings

The Churchill, Ford and Walker model of salesforce motivation

Churchill et al. developed a model of salesforce motivation that integrated some of the ideas of Herzberg and Vroom (see Fig. 3.3). This suggests that the

higher the salesperson's motivation, the greater the effort, leading to higher performance. This enhanced performance will lead to greater rewards which will bring about higher job satisfaction. The circle will be completed by the enhanced satisfaction causing still higher motivation.

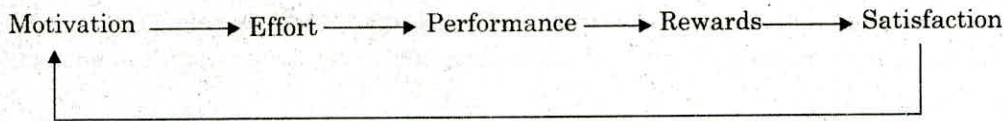


Figure 3.3. Salesforce motivation

The implications of this model for sales managers are as follows:

1. They should convince salespeople that they will sell more by working harder or by being trained to work 'smarter' (e.g., more efficient call planning, developing selling skills).
2. They should convince salespeople that the rewards for better performance are worth the extra effort. This implies that sales manager should give rewards that are valued and attempt to 'sell' their worth to the salesforce. For example, a sales manager might build up the worth of a holiday prize by stating what a good time they personally had when there.

They also found that the value of rewards differed according to salesperson type. Older salespeople who had large families valued financial rewards more. Younger, better educated salespeople who had no family or small families tended to value higher order rewards (recognition, liking and respect, sense of accomplishment). Motivation in practice a study into salesforce practice commissioned by the Chartered Institute of Marketing asked sales managers to rank eight factors (excluding salary, bonus or commission) that could be effective in stimulating their salespeople to better their usual performance. The results of this research illustrates the importance of the manager/salesperson relationship in motivation. Individual meetings between manager and salesperson were thought to be the most effective of the eight factors investigated. Sales contests and competitions were ranked only sixth in importance, although a more detailed analysis of the answers revealed that this form of motivation was ranked first among the consumer goods companies replying to the questionnaire. Surveys by Shipley and Kiely and Coulaux and Jobber investigated factors that motivated industrial and consumer goods salespeople.

In both surveys self-satisfaction from doing a good job was ranked as the top motivator. Achieving targets and acknowledgement of effort were also highly ranked by both industrial and consumer salespeople. However, a major difference was the factor 'satisfy customer needs', with industrial salespeople ranking it second, while their consumer counterparts ranked it only sixth. The difference between industrial and consumer products and customers probably explains the discrepancy, with the former selling more technical products to customers with more complex needs. Some of these factors, along with financial incentives, will now be evaluated in terms of their potential to motivate.

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Financial incentives

Most companies, whether selling consumer or industrial goods, pay commission or bonus to their salespeople. The most usual form of payment is the salary plus commission system since this provides a level of security plus the incentive of higher earnings for higher sales. However, in some instances salespeople are paid on a straight commission basis so that earnings are entirely dependent upon achievement.

There are a number of variants of the commission system, each depending on the outcome of the following decisions:

1. The commission base, *e.g.*, sales revenue, or profits.
2. The commission rate, *e.g.*, a set percentage of all sales or different for various products.
3. The starting point for commission, *e.g.*, the first sale, or at some predetermined sales level.

A commission system may thus comprise a given percentage, *e.g.*, 1.5 per cent of total sales revenue generated per salesperson; or a percentage, *e.g.*, 5 per cent of sales revenue for all sales in excess of a sales quota. Some companies may construct more complicated commission systems whereby different products have varying commission rates.

Higher rates may be paid on higher profit items, lines regarded as being harder to sell or products with high inventory levels. Thus, the commission system can be used not only to stimulate greater effort in general, but also to direct salespeople towards expending greater energy on those products the company particularly wants to sell.

Commission may work in motivating salespeople through providing a direct reward for extra effort (Vrbom) and by giving recognition for achievement (Herzberg). In a study by Lopez, Hopkins and Raymond, higher commission rates were the most preferred reward among US salespeople, beating such alternatives as pay rises, promotion and recognition. The salespeople were also asked to describe their ideal compensation structure. Over half of them stated that they preferred compensation structures that relied more heavily on commission than on basic pay. Clearly salespeople value highly the opportunity to increase pay based on their sales achievements.

Setting sales targets or quotas

If a **sales target** or **sales quota** is to be effective in motivating a salesperson, it must be regarded as fair and attainable and yet offer a challenge to them. Because the salesperson should regard the quota as fair, it is usually sensible to allow them to participate in the setting of the quota. However, the establishment of the quotas is ultimately the sales manager's responsibility and they will inevitably be constrained by overall company objectives. If sales are planned to increase by 10 per cent, then salespeople's quotas must be consistent with this. Variations around this average figure will arise through the sales manager's knowledge of individual sales personnel and changes in commercial activity within each territory, for example, the liquidation of a key customer in a territory may be reflected in a

reduced quota. The attainment of a sales target usually results in some form of extra payment to the salesperson.

An advantage of the sales quota is that it can be used flexibly to motivate salespeople to attain specific goals. For example, sales quotas can be based on overall sales targets, sales to new customers, or sales of particular types of product. However, they have their drawbacks: non-quota areas may be neglected, they may encourage cheating and result in unethical selling practices (*e.g.*, deception) when the pressure to meet a sales quota is great.

Meetings between managers and salespeople

These were highly regarded by sales managers in the motivation of their sales teams. Managers have the opportunity to meet their salespeople in the field, at head office and at sales meetings/conventions. They provide a number of opportunities for improving motivation.

First, they allow the sales manager to understand the personality, needs and problems of each salesperson. The manager can then better understand the causes of motivation and demotivation in individual salespeople and respond in a manner that takes into account the needs, problems and personality of the salesperson. A study by Jobber and Lee showed the extent to which the perceptions of sales management and salespeople towards motivation and demotivation can differ. They investigated the perceptions of what motivates and demotivates salespeople by asking a sample of life assurance salespeople and their sales directors. Fig. 3.4 gives a summary of the results.

Sales management thought that competitions/prizes and incentives based on target setting motivated salespeople significantly more than the salespeople themselves did. Salespeople, on the other hand, valued fringe benefits higher than sales management. Perceptions of demotivating issues were also at variance. Sales management believed supervisory relations and personal problems demotivated salespeople significantly more than the salespeople did, whereas the salespeople believed that lack of advancement, lack of security and long hours of work were more a source of demotivation than the sales management believed. Such misunderstandings can lead to wasted managerial effort devising motivational schemes and compensation plans that are not valued by salespeople. The remedy is to meet regularly with the salesforce to understand their value systems, so that what is prescribed by management is effective in raising salesforce motivation.

Second, meetings in the field, which may form part of an evaluation and training programme, can also provide an opportunity to motivate. Sales technique can be improved and confidence boosted, both of which may motivate by restoring in the salesperson the belief that performance will improve through extra effort.

Third, according to Likert, **group meetings** can motivate when the sales manager encourages an 'open' style of meeting. Salespeople are encouraged to discuss their sales problems and opportunities so that the entire sales team benefits from each other's experiences. This leads to a greater sense of group loyalty and

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improved performance. Finally, meetings between manager and salespeople provide the opportunity for performance feedback where weaknesses are identified and recognition for good work is given.

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	Motivators	Demotivators
Sales directors value these factors more highly	Competitions/prizes Incentives based on target setting	Supervisory relations personal problems
Sales representatives value these factors more highly	Fringe benefits	Lack of advancement Lack of security Hours of work

Figure 3.4. Summary of differences between sales directors and sales representatives

The study by Coulaux and Jobber found that almost half their sample of consumer salespeople wanted more meetings with their sales managers. Three-quarters of the salespeople said that they would like more opportunity to analyse job problems and try to find a solution with their sales managers. Sales targets were second on the list of issues which they would like to discuss.

The work by Herzberg highlights the importance of **recognition** as a positive motivator and Maslow suggests that many people have a need to be accepted. Thus what sales managers say to their salespeople can have both motivational and demotivational effects, by giving and/or taking away recognition and acceptance. Giving recognition and acceptance (by a pat on the back or praise, for example) is called *positive strokes* and can act as a motivator. Withdrawing recognition and acceptance (for example, criticising or ignoring the person) is called *negative strokes* and can act as both a motivator or a demotivator depending on the circumstances. Such withdrawal can motivate when the salesperson is underperforming through lack of effort when that person has a strong desire for recognition and acceptance. However, many managers can demotivate almost unknowingly by what they say and do. Outside factors such as domestic problems may cause managers to give out negative strokes to people who do not deserve them. Under such circumstances they can have a demotivational effect. Table 3.2 gives a few examples.

A further example of the use of negative strokes was the sales manager of a financial services company who wanted to reduce his salesforce's expenses bill. The salespeople were provided with BMWs. To their astonishment the sales manager declared that from the following month the salesperson with the highest expenses would get to drive the company's new Skoda.

Table 3.2: Positive and negative strokes

<i>Strokes</i>	<i>Physical contact</i>	<i>Psychological</i>
Positive	Handshake Pat on the back	Praise, smile, appreciative glance
Negative	Push Slap	Criticism, ridicule, ignore, sideways glance, frown

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Promotion

Sales managers believe that a **merit-based promotion system** does act as a motivator. If the promotion is to a managerial position, there are grave dangers of promoting the company's best salesperson. The skills required of a sales manager are wider than those required of a salesperson. A sales manager must be able to analyse and control the performance of others, motivate and train them. These skills are not required to sell successfully.

If promotion is to be tied to sales performance, it is sensible to consider the creation of a dual promotional route. The first path follows the normal managerial career sequence. The second is created to reward outstanding sales success. An example of such a merit-based promotional ladder is:

Salesperson → Senior Salesperson → National Account Executive

Sales contests

Sales contests are a popular form of incentive for consumer salesforces. The purpose of the sales contest varies widely. It may be to encourage a higher level of sales in general, to increase the sales of a slow-moving product or to reward the generation of new customers. The strength of a sales contest lies in its ability to appeal to the competitive spirit of salespeople and their need for achievement and recognition. As with other financial incentives, to be effective the contest must be seen to be fair and each salesperson must believe that they are capable of winning.

However, problems can occur. Contests can encourage cheating. In one company which used a sales contest to promote sales at a series of promotional events around the country with its dealers, salespeople 'stored up' orders achieved prior to the events in order to increase the apparent number of orders taken at the events. By pitching salesperson against salesperson, contests may militate against the spirit of mutual help and co-operation that can improve salesforce performance.

Sales managers need to be sensitive to the differences in cultural ideas and expectations of overseas salespeople when devising motivational programmes.

3.2 LEADERSHIP

For motivation to be effective it must be channelled in the right direction, which is where leadership is crucial. Motivation provides the movement while leadership supplies the direction that allows both the company and the salesperson to achieve their objectives. Leadership is the process of influencing the behaviour

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of people toward the accomplishment of objectives. In sales management, leadership usually focuses on the relationships between sales managers and their salespeople. However, it is also relevant for key, national or global account managers who manage account teams. Leaders generate good performance from their sales teams by increasing their personal rewards from achieving objectives and by making the path to these rewards easier to follow through advice, training, reducing or removing obstacles and problems, and by increasing the opportunities for personal satisfaction. A key question is what is required to be a successful leader. An informal survey of sales managers' opinions on the characteristics of a successful leader produced the following comments:

1. *Leaders have a strong, defined sense of purpose.* They know what needs to be done.
2. *Leaders are effective communicators.* They communicate their vision of the future. They provide an invitation to the sales team to link their prosperity to the success of the business. They communicate what is expected of people and how they are doing.
3. *Leaders are persistent and hard working.* They are prepared to invest whatever time and effort is required to achieve results.
4. *Leaders are self-aware.* They recognise their strengths, weaknesses, skills and abilities.
5. *Leaders are learners.* They welcome information, develop new skills and improve on existing ones.
6. *Leaders love their work.* They view work as an adventure and are constantly renewed and stimulated by it.
7. *Leaders inspire others.* They are able to unite people in a consolidated effort.
8. *Leaders establish human relationships* based on trust, respect and caring.
9. *Leaders are risk takers.* They are willing to explore and experiment.
10. *Leaders are keen to help others attain their goals.* They reduce or remove obstacles to the attainment of salespeople's goals and help them succeed in their jobs.
11. *Leaders have the ability to motivate and inspire salespeople to grow and learn.* Each of their salespeople feels they have control over their own destiny and feels important to their organisation.

An enormous amount of research has gone into exploring leadership. While a review of all this work is beyond the scope of this book, one key study by Goleman will be reported as it links leadership styles to 'working atmosphere or climate' and performance. The research is based on a study of almost 4,000 executives from around the world by the management consulting firm Hay McBer.

Six leadership styles were identified and are summarised in Table 3.3. The research indicated that effective leaders do not rely on one leadership style but use all or most of them, depending on the particular situation. Goleman drew a golfing analogy over the course of a game a golfer chooses clubs based on the demands of the shot. That is how highly effective leaders also operate.

Table 3.3: Six leadership styles and key characteristics

<i>Style</i>	<i>Operational Characteristics</i>	<i>Style in a phrase</i>	<i>Underlying competencies</i>	<i>When to use</i>
Coercive	Damands compliance	'Do what I tell you'	Drive to achieve, self-control	In a criss, with problem people.
Authoriatative	Mobilises people	'Come with me'	Self-confidence, change catalyst	When new vision and direction are needed.
Affiliative	Creates harmony	'People come first'	Empathy, communication	To heal wounds, to motivate people under stress.
Democratic	Forges consensus	'What do you think?'	Collaboration, team building	To build consensus, to get contributions.
Pace-setting	Sets high standards	'Do I do, now'	Initiative, drive to achieve	To get fast results from a motivated team.
Coaching	Develops People	'Try this'	Empathy, self-awareenes	To improve performance, to develop strengths.

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While coercion and pace-setting have their uses, the study showed that overall these styles can harm 'working atmosphere', reducing, for example, flexibility (how free employees feel to innovate unencumbered by red tape) and commitment to a common purpose. The other four leadership styles have a positive impact on 'working atmosphere' and financial performance. Goleman concludes that the best leaders are those who have mastered four or more styles, especially the positive ones (authoritative, affiliative, democratic, coaching) and have the ability to change styles as the situation demands. Effective leaders have the capability to match behaviour to the situation in an automatic, flexible, fluid and seamless way. Importantly, Goleman argues that the ability to use more than those leadership styles that come naturally can be taught (or coached). Therefore, sales managers who display, for example, only one or two of the necessary styles can be coached to expand their repertoire of styles and, therefore, become more effective leaders. Consistent with these findings, Huczynski and Buchanan conclude that leadership research suggests that effective leadership styles depend on context, with no one style of leadership appearing universally better. However, they argue that a good deal of research suggests that a considerate, participative or democratic style of leadership is generally (if not always) more effective than an autocratic, coercive style. Two reasons are given:

1. It reflects the wider social and political trends towards increased personal freedom and the right to resist manipulation.
2. The need to tap the ideas of people with knowledge and experience and the need to get greater commitment through their involvement in decision-making.

Autocratic/coercive management stifles creativity, ignores available expertise and kills motivation and commitment. However, it can be necessary when time is short, the leader is the most knowledgeable person and where potential participants would never agree on a decision.

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3.3 THE SALESFORCE EVALUATION PROCESS

Salesforce evaluation is the comparison of salesforce objectives with results. A model of the evaluation process is shown in Fig. 3.5. It begins with the setting of salesforce objectives which may be financial, such as sales revenues, profits and expenses; market-orientated, such as market share; or customer-based such as customer satisfaction and service levels. Then, the sales strategy must be decided to show how the objectives are to be achieved. Next, performance standards should be set for the overall company, regions, products, salespeople and accounts. Results are then measured and compared with performance standards. Reasons for differences are assessed and action taken to improve performance.

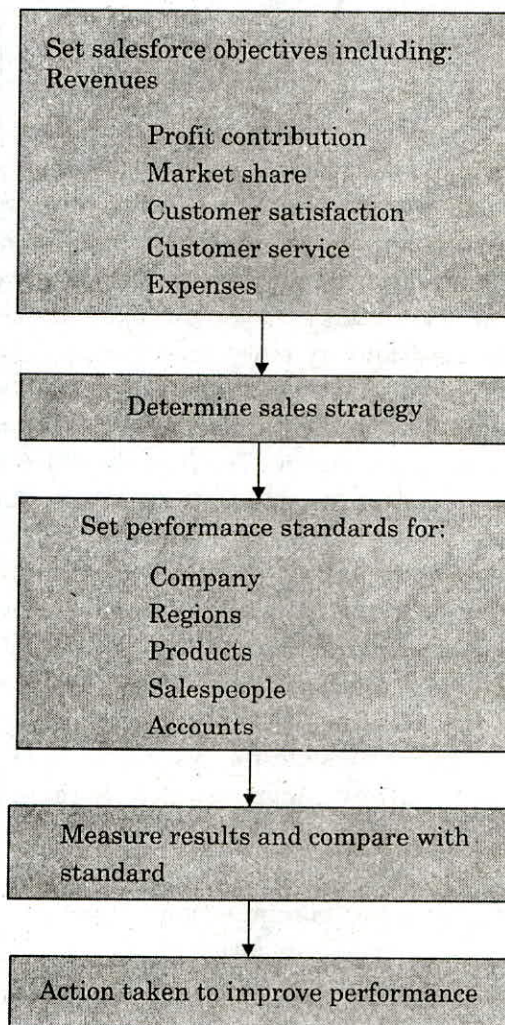


Figure 3.5. The salesforce evaluation process

3.4 THE PURPOSE OF EVALUATION

The prime reason for evaluation is to attempt to attain company objectives. By measuring actual performance against objectives, shortfalls can be identified and appropriate action taken to improve performance. However, evaluation has other benefits. Evaluation can help improve an individual's motivation and skills. Motivation is affected since an evaluation programme will identify what is expected and what is considered good performance. Second, it provides the opportunity for the recognition of above-average standards of work performance, which improves confidence and motivation. Skills are affected since carefully constructed evaluation allows areas of weakness to be identified and effort to be directed to the improvement of skills in those areas.

Thus, evaluation is an important ingredient in an effective training programme. Further, evaluation may show weaknesses, perhaps in not devoting enough attention to selling certain product lines, which span most or all of the sales team. This information may lead to the development of a compensation plan designed to encourage salespeople to sell those products by means of higher commission rates.

Evaluation provides information that affects key decision areas within the sales management function. Training, compensation, motivation and objective setting are dependent on the information derived from evaluation, as illustrated in Fig. 3.6. It is important, then, that sales management develops a system of information collection which allows fair and accurate evaluation to occur. The level and type of control exercised over international salesforces will depend upon the culture of the company and its host nations.

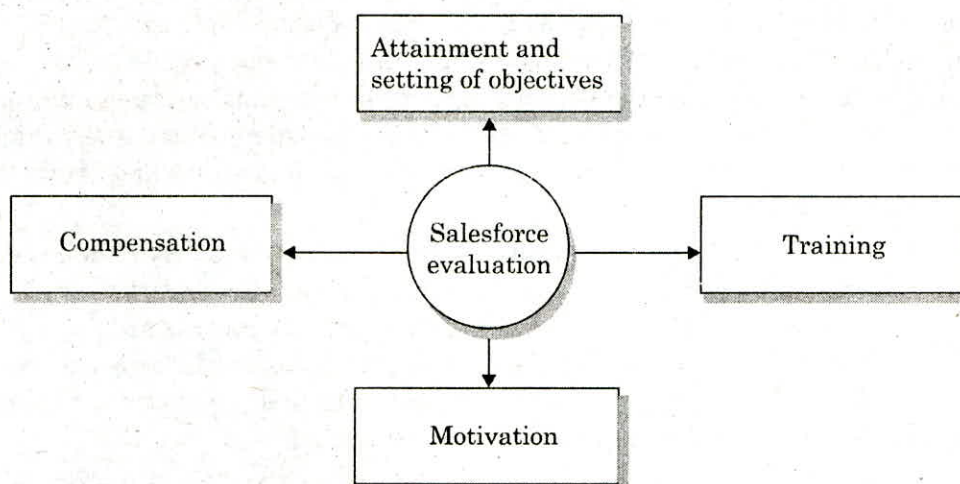


Figure 3.6. The central role of evaluation in sales management

3.5 SETTING STANDARDS OF PERFORMANCE

Evaluation implies the setting of standards of performance along certain lines that are believed to be important for sales success. The control process is based

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upon the collection of information on performance so that actual results can be compared against those standards. For the sales team as a whole, the sales budget will be the standard against which actual performance will be evaluated. This measure will be used to evaluate sales management as well as individual salespeople. For each salesperson, their sales quota will be a prime standard of sales success.

Standards provide a method of fairly assessing and comparing individual salespeople. Simply comparing levels of sales achieved by individual salespeople is unlikely to be fair since territories often have differing levels of sales potential and varying degrees of workload.

3.6 GATHERING INFORMATION

The individual salesperson will provide much of the information upon which evaluation will take place. They will provide head office with data relating to sales achieved by product/brand and customer, a daily or weekly report of the names of customers called on and problems and opportunities revealed, together with expense claims.

Such information will be supplemented by sales management during field visits. These are important in providing more qualitative information on how the salesperson performs in front of customers, as well as giving indications of general attitudes, work habits and degree of organisational ability, all of which supplement the more quantitative information provided by the salesperson.

Market research projects can also provide information on the sales team from customers themselves. A specific project, or a more general one which focuses on the full range of customer-seller relationships, *e.g.*, delivery, product reliability, etc., can provide information on salespeople's performance. A market research study commissioned by Perkins Engines found that salespeople with technical backgrounds were basing their sales presentation on features which were not properly understood by their audience.

This led Perkins Engines to retrain their salesforce so that their sales presentation focused upon a simple presentation of features and the customer benefits which arose from those features. Finally, company records provide a rich source of information for evaluation. Records of past sales levels, calls achieved, expense levels, etc., can provide bases for comparison and indications of trends that can be used both for evaluation and objective setting.

3.7 MEASURES OF PERFORMANCE

Quantitative measures of performance

Assessment using **qualitative performance measures** falls into two groups. For both groups, management may wish to set targets for their sales team. One group is a set of input measures which are essentially diagnostic in nature – they

help to provide indications of why performance is below standard. Key output measures relate to sales and profit performance. Most companies use a combination of input (behavioural) and output measures to evaluate their salesforces. Specific output measures for individual salespeople include the following:

- sales revenue achieved
- profits generated
- percentage gross profit margin achieved
- sales per potential account
- sales per active account
- sales revenue as a percentage of sales potential
- number of orders
- sales to new customers
- number of new customers.

All of these measures relate to output. The second group of measures relates to input and includes:

- number of calls made
- calls per potential account
- calls per active account
- number of quotations (in part, an output measure also)
- number of calls on prospects.

By combining output and input measures a number of hybrid ratios can be determined. For example:

$$1. \text{ Strike rate} = \frac{\text{Number of orders}}{\text{Number of quotations}}$$

2. Sales revenue per call ratio

3. Profit per call ratio (call effectiveness)

4. Order per call ratio

$$5. \text{ Average order value} = \frac{\text{Sales revenue}}{\text{Number of orders}}$$

$$6. \text{ Prospecting success ratio} = \frac{\text{Number of new customers}}{\text{Number of prospects visited}}$$

$$7. \text{ Average profit contribution per order} = \frac{\text{Profits generated}}{\text{Number of orders}}$$

All of these ratios can be applied to individual product and customer types and help to answer the following questions:

- (a) Is the salesperson achieving a satisfactory level of sales?
- (b) Is sales success reflected in profit achievement?
- (c) Is the salesperson 'buying' sales by giving excessive discounts?
- (d) Is the salesperson devoting sufficient time to prospecting?
- (e) Is time spent prospecting being rewarded by orders?

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- (f) Does the salesperson appear to be making a satisfactory number of calls per week?
- (g) Are they making enough repeat calls on different customer categories?
- (h) Are they making too many calls on low-potential customers?
- (i) Are calls being reflected in sales success?
- (j) Are the number of quotations being made reflected in orders taken?
- (k) How are sales being achieved – a large number of small orders or a few large orders?
- (l) Are the profits generated per order sufficient to justify calling upon the account?

Many of these measures are clearly diagnostic. They provide pointers to possible reasons why a salesperson may not be reaching their sales quota. Perhaps they are lazy – not making enough calls. Perhaps call rate is satisfactory but call effectiveness, *e.g.*, sales per call, is low, indicating a lack of sales skill. May be the salesperson is calling on too many established accounts and not enough new prospects.

Ratios also provide clues to problem areas that require further investigation. A low strike rate (order to quotations) suggests the need for an analysis of why orders are not following quotations. Poor call effectiveness suggests a close examination of sales technique to identify specific areas of weakness so that training can be applied more effectively. A further group of quantitative measures will explore the remuneration which each salesperson receives. The focus will be on expenses and compensation. With respect to expenses, comparisons will be made between salespeople and between current year and last year. Ratios which may be used include the following:

- expenses/sales revenue generated
- expenses/profit generated
- expenses per call
- expenses per square mile of territory.

Such measures should give an indication of when the level of expenses is becoming excessive. Compensation analysis is particularly valuable when:

- a large part of salary is fixed;
- salespeople are on different levels of fixed salary.

The latter situation will be found in companies which pay according to the number of years at the firm or according to age. Unfairness, in terms of sales results, can be exposed by calculating for each salesperson the following two ratios:

- total salary (including commission)/sales revenue
- total salary (including commission)/profits.

These ratios will reveal when a compensation plan has gone out of control and allow changes to be made before lower paid higher achievers leave for jobs which more closely relate pay to sales success.

Qualitative measures of performance

Assessment along qualitative lines will necessarily be more subjective and take place in the main during field visits. The usual dimensions applied are given in the following list:

1. *Sales skills*: These may be rated using a number of sub-factors:
 - Handling the opening and developing rapport.
 - Identification of customer needs, questioning ability.
 - Quality of sales presentation.
 - Use of visual aids.
 - Ability to overcome objections.
 - Ability to close the sale.
2. *Customer relationships*:
 - How well received is the salesperson?
 - Are customers well satisfied with the service, advice, reliability of the salesperson, or are there frequent grumbles and complaints?
3. *Self-organisation*: How well does the salesperson carry out the following?
 - Prepare calls.
 - Organise routing to minimise unproductive travelling.
 - Keep customer records up to date.
 - Provide market information to headquarters.
 - Conduct self-analysis of performance in order to improve weaknesses.
4. *Product knowledge*: How well informed is the salesperson regarding the following?
 - Their own products and their customer benefits and applications.
 - Competitive products and their benefits and applications.
 - Relative strengths and weaknesses between their own and competitive offerings.
5. *Co-operation and attitudes*: To what extent will the salesperson do the following?
 - Respond to the objectives determined by management in order to improve performance, e.g., increase prospecting rate.
 - Co-operate with suggestions made during field training for improved sales technique.
 - Use their own initiative.
 - What are their attitudes towards the following?
 - The company and its products.
 - Hard work.

An increasing number of companies are measuring their salespeople on the basis of the achievement of customer satisfaction. As Richard Harrison, a senior sales manager at IBM, states: 'Our sales team is compensated based on how quickly and how efficiently they achieve customer satisfaction'.

The study by Jobber, Hooley and Shipley also investigated the use of qualitative evaluative measures by industrial goods companies. Although differences between small and large firms were not so distinct as for quantitative measures, more detailed analysis of the results showed that managers of small firms tended to hold qualitative opinions 'in the head', whereas managers of large firms tended to produce more formal assessments, e.g., in an evaluation report.

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When the salesperson does not have high potential but the sale does, the alternatives are a little nastier. Perhaps the salesperson would be a candidate for redeployment to a more suitable post. When neither the salesperson nor the sale has much potential, the basic question is whether the salesperson is redeployed before or after the sale is lost.

3.8 APPRAISAL INTERVIEWING

Appraisal interviewing can provide the opportunity to identify a salesperson's weaknesses and to give praise when it is deserved. One method is to ask the salesperson to write down 5–10 expectations that they hope to achieve during the next year, *e.g.*, to go on a presentation skills course, to go on a time management course, to have monthly sales visits from their sales manager, to meet targets, to move into marketing, etc. The sales manager then sits down with the salesperson and goes through this list, breaking it down into quarterly (three-month) sections. At the end of each quarter they have another meeting to see if expectations have been met or shifted in any way. These meetings also provide an opportunity to give or withdraw recognition and acceptance.

SUMMARY

- This refers to a person's perceived relationship between effort and performance, *i.e.*, to the extent to which a person believes that increased effort will lead to higher performance.
- Monetary reward inequity had a particularly strong effect on motivation.
- Sales managers believe that a merit-based promotion system does act as a motivator.
- Sales contests are a popular form of incentive for consumer salesforces.
- Leadership is the process of influencing the behaviour of people toward the accomplishment of objectives.
- A successful leader have a strong defined sence of purpose, effective communicators, learners and inspire others.
- Goleman concludes that the best leaders are those who have mastered four or more styles, especially the positive ones (authoritative , affiliative, democratic, coaching) and have the ability to change styles as the situation demands.
- Salesforce evaluation is the comparison of salesforce objectives with results. A model of the evaluation process.
- The prime reason for evaluation is to attempt to attain company objectives. By measuring actual performance against objectives, shortfalls can be identified and appropriate action taken to improve performance.
- Standards provide a method of fairly assessing and comparing individual salespeople.

- Poor call effectiveness suggests a close examination of sales technique to identify specific areas of weakness so that training can be applied more effectively.
- Appraisal interviewing can provide the opportunity to identify a salesperson's weaknesses and to give praise when it is deserved.

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REVIEW QUESTIONS

1. What do you understand by motivation?
2. Discuss Maslow's hierarchy of needs.
3. Discuss Herzberg's dual factor theory.
4. Discuss Vroom's expectancy theory.
5. Discuss Adams's inequity theory.
6. Discuss the leadership.
7. What are key characteristics of leadership?
8. Quantitative measures of the performance of sales representatives are more likely to mislead than guide evaluation. Do you agree?
9. Produce a balanced argument that looks at the differences between qualitative and quantitative measures of sales performance.
10. If a company loses a potential major order what should sales management do to alleviate the risk of this happening again?

FURTHER READINGS

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SALES QUOTAS AND BUDGETING

STRUCTURE

- 4.0 Learning Objectives
- 4.1 Budgeting
- 4.2 Budget Determination
- 4.3 The Sales Budget
- 4.4 Budget Allocation
- 4.5 Sales Quotas-Meaning and Importance
- 4.6 Why Quotas?
- 4.7 How Quotas are Set?
- 4.8 Attributes of a Good Sales Quota Plan
 - *Summary*
 - *Review Questions*
 - *Further Readings*

4.0 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- define budget
- explain sales budget
- explain meaning and importance of quotas
- define how quotas are set
- explain budget allocation.

4.1 BUDGETING

Sales Budget

Budgeting is art of presenting future plans in quantitative terms. Budget is always prepared for definite future period. Sales budget is estimate of future sale

units, sale value, selling expenses and total profits from sale operations. A sales budget is a valuable tool that gives a direction to a company with regard to its targeted sales. It helps to improve the profitability of a company. The company makes a financial plan with regard to the amount of goods and services that it plans to sell in a year and the price at which the goods and services are to be sold. This plan is its sales budget.

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Features

The sales budget is the first component of the master operating budget. This is because sales affect all other parts of the master budget. It includes the total sales valued in quantity. It consists of three parts; break even, target and projected sales. The budget also includes sales by product, location, customer density and seasonal sales patterns. It provides a plan for both cash and credit sales. The basis of a sales budget is the sale price per unit of goods to be sold multiplied by the quantity of goods to be sold. A sales budget is planned around the competition, the material available, cost of distribution, government controls and the political climate.

Effects

- A good sales budget should serve as a guide to company with regard to its sales target. It should be flexible and resilient to the volatile changes in the market. The budget should not put too many restraints on the sales functions of the company. A sales budget is a financial plan for the sales of goods and services of a company. It is the basis on which all the financial decisions of a company with regard to sales are taken. The budget also controls the general sales prospects of a company. Online and off line marketing, marketing in the media and other advertising expenditures are planned around a sales budget.

Benefits

- A sales budget helps a company achieve its sales targets. It helps prevent sales losses and provides a basis for sales evaluation. A sales budget helps to integrate all departments in a company because achieving a sales target is the secret of making profits. It helps each department to assess their performance and correct any mistakes in function. It helps a company distribute goods and services in a cost effective way. It also helps the company to keep its marketing expenditure within affordable limits.

Type of Budgeting

Following are the types of budget used in practice.

- **Fixed budgeting**

Fixed budget is the **original budget** designed to **forecast** future performance and **challenges** faced by the business. So that resources can be arranged and competences can be developed to face these challenges. Fixed budgets can be used to motivate employees. It also communicates the employees what level of performance

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is expected of them. It helps to **harmonize** the activities across the organization. Ex. Production manager will be informed in advance what quantity and quality of goods are required.

- **Master budget**

Master budget is also called **cash budget**. It is the head of all budgets. It is prepared at last after all other departmental budgets are finalized. In other words, Master budget is a fixed budget comprised all **sub-fixed budgets**. It help businesses to **manage** their cash flows. It enables businesses to arranged for **cash flows**. Ex. If business are about to acquire an item of machinery, cash can be managed by reducing some research and development expenditure.

- **Incremental budgeting**

Incremental budgeting as the name suggests budgeting based on **previous year** budget. Previous year budget is adjusted for **inflation** and **activity level**. It assumes that factors affecting the business will remain same as before. So it is suitable for stable business environments. It requires little time and resources as compared to other types of budgeting. It can be used by small businesses with lesser resources, simple business activities, fewer products and managed by owners. In practice is it widely used approach to budgeting particularly by not-for-profit organizations.

- **Flexible budgeting**

Flexible budgeting is used for determining the **possible impact** on **business objectives** for range of circumstances, Ex. What will be the profit figure if business sells 10,000 units instead of 15,000 units. Flexible budget is used as **feed forward control** (Take action before thing go wrong) mechanism.

- **Flexed budgeting**

Flexed budget is used for performance measurement purpose. Variables like activity level (sales volume) are changed to **facilitate comparison** with actual or competitors results. It make the performance evaluation **more meaningful** in the way the performances between divisions or whole businesses are compared under same circumstances. Ex, if actual results are for activity level of 20,000 units then it will be meaningless if compare the original budget based on 30,000 units. By flexing it to 20,000 units, now it make sense to evaluate revenues, costs and efficiencies of the two divisions or business.

- **Rolling budgeting**

Rolling budget is not a one time activity, it is a **process which continues** throughout the life of the business. Initially first budget is prepared on quarterly or yearly basis. Afterwards, when each month passes, **new month** is **added** to the budget at it end. Also the existing remaining months are also reviewed for **changing circumstances** that might require the budget to be revised. In this way business have always quarterly or yearly budget present ahead. Rolling budget gives more **realistic budgeted figures**. It consumes plenty of managerial time and cost. This may be justified if benefit exceeds costs. It is suitable for rapidly changing environment.

- **Zero-based budgeting**

Zero-based budgeting is the budgeting process starts from zero. It means all budget figure are gathered in the light of current circumstances. What was done

before is ignored. This process repeats each year. It is very time consuming and costly approach to budgeting. It is suitable for business having activities of non-repetitive nature. Like construction business in which every projects are different.

- **Activity based budgeting**

Activity based budgeting is the approach based on data available for **activity based costing**. This approach is different from all above approaches in the way it is the budgeting based on activities, while traditional budgeting is based departmental jurisdictions. Department based budgets focuses on cost and revenues of their own area while business is performed by carrying out activities. So activities based budgeting gives information in the way business operates. **Control are better exercised** by focusing on activities, which activity to improve, increase, decrease and discontinue. It requires sound information gathering systems through the use of **information technology**. This is the most complex form of budgeting requires training, technology and time to implement it.

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4.2 BUDGET DETERMINATION

Departmental budgets are not prepared by cost accountants. Cost accountants, in conjunction with general management, apportion overall budgets for individual departments. It is the departmental manager who determines how the overall departmental budget will be utilised in achieving the planned-for sales (and production). For instance, a marketing manager might decide that more needs to be apportioned to advertising and less to the effort of selling in order to achieve the forecasted sales. The manager therefore apportions the budget accordingly and may concentrate upon image rather than product promotion; it is a matter of deciding beforehand where the priority lies when planning for marketing.

Thus, the overall sales forecast is the basis for company plans, and the sales department budget (other terms include sales and marketing department budget, and marketing department budget) is the basis for marketing plans in achieving those forecasted sales. The sales department budget is consequently a reflection of marketing's forthcoming expenditure in achieving those forecasted sales. At this juncture it is useful to make a distinction between the *sales department budget* and the *sales budget*. The sales department budget is merely the budget for running the marketing function for the budget period ahead. Cost accountants split this sales department budget into three cost elements:

1. The *selling expense budget* includes those costs directly attributable to the selling process, *e.g.*, sales personnel salaries and commission, sales expenses and training.
2. The *advertising budget* includes those expenses directly attributable to above the line promotion (*e.g.*, television advertising), and below the line promotion (*e.g.*, a coupon redemption scheme). Methods of ascertaining the level of such budget are as follows:
 - (a) A percentage of last year's sales.

4.4 BUDGET ALLOCATION

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The sales budget is a statement of projected sales by individual salespeople. The figure that reaches the individual salesperson is sometimes called the sales quota or sales target and this is the amount that must be sold in order to achieve the forecasted sales. Such quotas or targets are therefore performance targets that must be reached, and quite often incentives are linked to salespeople reaching (and surpassing) such quotas or targets.

Each salesperson knows the individual amount they must sell to achieve their quota, and such quotas are effectively performance targets. Quotas need not necessarily be individually based, but can be group based—say, collectively throughout a region—with everybody from the regional or area manager downwards equally sharing the sales commission. Quotas may also be for much shorter periods than the one year. The entire year's budget may be broken down in the same manner; say, month by month. When administered like this the time horizon is more realistic and immediate than one year. Thus, there is more of an incentive for a salesperson to achieve the quota or target.

For established firms the most common practice of budget allocation is simply to increase (or decrease) last year's individual budgets or quotas by an appropriate percentage, depending on the change in the overall sales budget. However, periodically it is sensible to review individual sales quotas to establish if they are reasonable given current market conditions.

The first step in this procedure is to attempt to determine the sales potential of territories. Usually surrogate measures will be employed to give at least relative measures of potential. For consumer products, disposable incomes and number of people in the target market may be used to assess relative potential. For industrial products, the number and size of potential customers may be used. Another factor to be taken into account is workload. Obviously two territories of equal potential may justify different quotas if one is compact while the other is more widespread. By assessing sales potential for territories and allowing for workload, the overall sales budget can be allocated in as fair a manner as possible between salespeople.

The purpose of sales forecasting has been explained and it has been emphasised that this function rests with sales management. Its importance to the planning process has been established; without reasonably accurate forecasting, planning will be in vain. The purpose of forecasting has been considered in the short, medium and long term, and the usefulness of each has been established within the major functions of any manufacturing or service concern.

Forecasting has been considered under the headings of qualitative and quantitative techniques, with the latter being split into time series methods and causal methods. Qualitative techniques and time series methods have been explained in the amount of detail required to give you a working knowledge of their application. However, causal methods depend largely upon the use of the computer, and computation relies to a great extent upon advanced mathematics. As such, the techniques have been described, but not explained in workable detail.

Finally, the importance of the sales budget in motivating and controlling the salesforce was considered. The sales budget, which is determined by the sales forecast, is broken down into sales quotas or targets for individual salespeople and regions. Monetary incentives may be linked to the attainment of quotas and may be used as a yardstick of achievement.

4.5 SALES QUOTAS-MEANING AND IMPORTANCE

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

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4.6 WHY QUOTAS?

Sales quotas serve several purposes. The principal purposes include.

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

Controlling Sales Persons Activities: Quotas provide an opportunity to direct and control the selling activities of sales persons. Sales persons are held responsible for certain activities of customer per day, calling on new accounts, giving a minimum number of demonstrations and realisation of company's account. If the sales person fails to attain these quotas, the company can take corrective action to rectify the mistake.

Evaluating Performance: Quotas enable the company to evaluate performance of its sales person, territory or distributive network. Performance against quotas also helps identify the strong and weak points of the sales persons.

Controlling the Selling Expenses: Quotas are also designed to keep selling expenses within limits. Some companies reimburse sales expenses only upto a certain percentage of sales quota. Other tie expenses to the sales persons compensation in order to curb wasteful spending. Expense quota helps companies to set profit quotas.

Making Effective Compensation Plan: Quotas play an important, role in the company's sales compensation plan. Some Indian companies follow the practice

that their sales person will get commission only when they exceed their assigned quotas. Companies may also use attainment of the quotas in full or in part as the basis for calculating the bonus. If the sales person does not reach the minimum desired quota, he/she will not be entitled for any bonus.

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4.7 HOW QUOTAS ARE SET?

Having understood the meaning and usefulness of sales quotas let us now learn how quotas are set. There are four types of quotas:

- Sales volume quota
- Financial quota
- Activities quota
- Combination of the above quotas.

These quotas alongwith the approach used for their determination are discussed below:

Sales Volume Quotas: The most commonly used quotas are those based on sales volume. This type of quotas are set for an individual sales person geographical areas, product lines or distributive outlets or for any one or more of these in combination. Sales volume quotas are also set to balance the sales of slow moving products and fast moving products or between various categories of customers per sales unit. The sales volume quotas may be set in terms of units of product sales, or rupee sales or both on overall as well as productwise basis. Some companies combine these two and set quota on "Point" basis. Points are awarded on the attainment of a certain specific level of sales in units and rupee terms for each product/customer. For example, A company might consider ₹ 1000 equal to 1 point, ₹ 2000 equal to 2 points and so on. At the same time company may award 3 points for unit sales of Product A and 5 points-for unit sales Product B. Companies use this type of approach generally because of problems faced in implementing either Rupee sales volume or unit sales volume quota. Unit sales volume quotas are found useful in market situations where the prices of the products fluctuate considerably or when the unit price of the product is rather high. Rupee sales volume quotas are found suitable in the case of sales force selling multiple products to one or different types of customers.

Methods for Setting Sales Volume quotas

Past Sales: One of the earliest methods of setting sales volume quotas is to base them solely on past sales experience. The method in this case would be to determine the percentage by which the company's market share is expected to increase and then add this into last year's quota. For example, if a company expects an increase of 8 per cent this year then the new quota for each marketing unit would be last year's quota plus 8 per cent or 108 per cent of last year's quota. This method assumes that the preceeding year was a typical year, and if not, it suffers

from the limitations of being based on unrealistic figures. An improved method is to take the average of say past three years and then add to it to the planned rate of growth.

Total Market Estimates: The other method is to derive sales quotas from the total market size estimates made by the company for the year. Two approaches are used to arrive at such market estimates. One approach is to estimate the market size in an aggregate manner as per the data available as well as the judgement of the executive at the head office. The other is to build estimates based on projections made by the field staff at each territory office of the companies. In either case the market estimates need moderation to be realistic as well as to match with the company's sales objectives.

Financial Quotas: Financial quotas are determined to attain desired net profit as well as to control the sales expenses incurred.

Net Profit Quota: Net profit quotas are particularly useful in multiproduct companies where different products contribute varying level of profits. It emphasises on the sales force to make right use of their time. The following figure clearly depicts a selling situation in which a sales person optimally balance their time between high and low profit yielding products. Let us look at the following figure:

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Product	Sales Price per unit	Profit Margin per unit (%)	Volume per Month		Net Profit per month	
			Mr. A	Mr. B	Mr. A	Mr. B
Product X	₹ 200	₹ 140 (70%)	20,000	60,000	14,000	42,000
Product Y	₹ 100	₹ 40 (40%)	35,000	25,000	14,000	10,000
Product Z	₹ 50	₹ 10 (20%)	75,000	10,000	14,000	2,000
			1,30,000	95,000	42,000	54,000

This figure illustrates how important it is for the management to ensure that its sales persons do not spend more time on less profitable products, because the sales persons are costing the company the opportunity of earning higher profits from their high margin products. In other words, it should ensure that its sales persons spend their maximum time on more profitable customer. The objective can be achieved by setting a quota on net profit for its salesforce, and thus encouraging them to sell more of high margin products and less the low margin products.

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

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

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

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

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

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

4.8 ATTRIBUTES OF A GOOD SALES QUOTA PLAN

Usually, the sales department is responsible for establishing the sales quota, and no review or approval of a higher executive is needed. Within the sales organisation, the task may rest with any of several executives, depending on the size of the company, the degree of centralization in the sales force management, and the method used to determine the quotas. The chief sales executive may be responsible for setting the total company quota, but the individual breakdown may be delegated down through the regional and branch district managers. Or territorial sales potentials may be given to the branch or territory managers, and they set the salesmen's quotas. There are several characteristics of a well-designed quota structure. Many of these attributes are the same attributes found in good compensation plans, territorial designs, organisational structures and other aspects of sales management.

Realistic attainability: If a quota is to do its intended job of spurring a man to the efforts management wants, the goal must be realistically attainable. If it is too high or out of reach, the salesmen may lose initiative.

Objective accuracy: Regardless of whether a firm is using volume, profit, expense, or activity quotas, they should be related to potentials. Obviously, executive

judgement is also required, but it should not be the sole factor considered. If the men are to have faith in the performance goal, they must be convinced it was set impartially and based on factual, qualitative market assessment.

Ease of understanding and administering: A quota must be simple and easy for both management and the sales force to understand. A complex plan probably will cause friction and make the men resentful and even suspicious. Also, from management's point of view, the system should be economical and cost effective, to administer.

Flexibility: No quota ordinarily is a good one unless there is adequate flexibility in its operation. Particularly if the quota period is as long as one year, management may have to make adjustment because of changes in market conditions. At the same time, caution must be exercised to avoid unlimited flexibility, which may result in confusion and destroy the ease with which the system is understood.

Fairness: A good quota plan is fair to the men involved. As much as possible, the work load imposed by quotas should be comparable, but this does not mean that quotas must necessarily be equal for all men. Differences in potential, competition, and salesmen's abilities exist and, therefore, the performance goals may not be comparable by absolute measures. They can be compared but only in relative terms.

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SUMMARY

- Organisation needs to budget to ensure that expenditure does not exceed planned income.
- Budgets state limits of spending; they are thus a means of control. The company can plan its profits based upon anticipated sales, minus the cost of achieving those sales (which is represented in the total budget for the organisation).
- The selling expense budget includes those costs directly attributable to the selling process, e.g. sales personnel salaries and commission, sales expenses and training.
- The administrative budget represents the expenditure to be incurred in running the sales office. Such expenses cover the costs of marketing research, sales administration and support staff.
- The sales budget may be said to be the total revenue expected from all products that are sold, and as such this affects all other aspects of the business. Thus, the sales budget comes directly after the sales forecast.
- Quotas provide sales persons, distributive outlets and others engaged in the selling activities, goals and incentives to achieve certain performance level.
- Quotas enable the company to evaluate performance of its sales person, territory or distributive network. Performance against quotas also helps identify the strong and weak points of the sales persons.
- Quotas are also designed to keep selling expenses within limits.
- Sales Volume Quotas, are set for an individual sales person geographical areas, product lines or distributive outlets or for any one or more of these in

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combination. Sales volume quotas are also set to balance the sales of slow moving products and fast moving products or between various categories of customers per sales unit

- Financial Quotas are determined to attain desired net profit as well as to control the sales expenses incurred.
- Net profit quotas are particularly useful in multiproduct companies where different products contribute varying level of profits.

REVIEW QUESTIONS

1. What is the place of sales forecasting in the company planning process?
2. Distinguish between qualitative and quantitative forecasting techniques. What are the advantages and disadvantages associated with each approach?
3. Define the differences between a sales forecast and a market forecast.
4. How might a government forecast or a forecast from a trade association be of specific use to a medium-sized company?
5. How does the sales department budget differ from the sales budget?
6. Discuss the importance of the sales budget in the corporate budgetary process.
7. How does sales forecasting help in sales planning.
8. What specific points you would consider while territory planning? Explain each of them, briefly.
9. Critically examine the workload approach for designing sales territories.
10. What measures can be taken to improve the territory productivity? Explain by taking the samples of (a) Jewellery watches and (b) Agricultural pesticides.
11. Discuss how sales forecasts, and sales quotas relate to each other.
12. What are the distinct advantages of sales forecasting? In your opinion does forecasting helps even when there is a recession in the industry? Discuss.
13. Give a comparative account of various types of sales quotas and identify the attributers of a good sales quota plan.

FURTHER READINGS

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5

**MARKETING
CHANNELS CONCEPTS****STRUCTURE**

- 5.0 Learning Objectives
- 5.1 Introduction
- 5.2 Direct or Indirect Distribution
- 5.3 Types of Intermediaries
- 5.4 Implications of Using Intermediaries Channel Levels
- 5.5 Selecting an Appropriate Channel
- 5.6 Physical Distribution Tasks, Distribution Activities and Logistics
- 5.7 Issues in the Physical Distribution Process
- 5.8 Channel Functions
- 5.9 Provide Distribution Efficiency
- 5.10 Functions Performed by Marketing Channels
- 5.11 Managing the Channel Member
- 5.12 Functions the Principals have to Perform Building the Brand
- 5.13 Channel Motivation
- 5.14 The Vision, Mission and Objectives
- 5.15 Managing and Motivating Your Agents and Distributors
 - *Summary*
 - *Review Questions*
 - *Further Readings*

5.0 LEARNING OBJECTIVES

After going through this unit, you will be able to :

- explain direct on indirect distribution
- define selecting an appropriate channel
- describe distribution efficiency
- explain channel motivation
- explain managing and motivating distributors.

5.1 INTRODUCTION

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As a manufacturer of value added food products, you need to make your products available to the customers who can then decide to buy and consume them. In the previous unit, you have gone through the processes through which manufacturers promote their goods and create demand for their products. In order to be able to consume the products, the consumers require the product to be made accessible at places near them. As the consumers of your products are scattered in large geographical areas it may not be possible for them to approach you directly. Similarly, it may be difficult for you to reach the individual consumers on a direct basis. The decisions that you need to take in order to make your products available for consumption to the final customer are referred to as distribution decisions and form the fourth "P" of the marketing mix for products and services. We will explore the various options that you may like to consider in order to make your value added food products available to the final customers of your products. This unit enables you to identify and select between channel options, evaluate whether direct or indirect distribution is a viable option for you and explore the various tasks that are required to be undertaken to enable the physical transfer of goods from the point of production to the point of consumption.

5.2 DIRECT OR INDIRECT DISTRIBUTION

As a manufacturer of value added food products, you are aware that the conversion of these products into revenue for you would not take place unless customers buy these products and continue to do so. For them to be able to do so, it is important that the Products are made accessible to them at places that are convenient to them. Consumption does not take place unless the goods are available at the right place, at the right time, in the right quantity and at an appropriate price. The term Distribution refers to the process of moving the products from the point of production to the point of consumption so that the products become accessible to the people who may like to consume them. When a manufacturer establishes direct linkages with his consumers and sells directly to them without using any intermediaries, this option is called direct distribution. This option is usually possible when the customers are few in number and an individual customer is large enough to give you sufficient sales volume, as in the case of organizational customers. As a producer of value added food products, for example, if you are able to secure large orders from restaurants, canteens or hotels; you can easily supply the products directly to these customers as this will enable you to economize on your distribution margins and establish a direct rapport with your clients. Direct distribution as an option offers several advantages. Direct distribution would involve using your own sales force and arranging the delivery of goods through your own resources. Alternatively, direct selling can also be done by obtaining your orders through direct mail or telephone.

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- It allows you to save on distribution margins of commission which are required to be paid to the intermediaries like retailers and wholesalers.
- This saving can be often utilized to offer very competitive prices to your customers; The low selling price can give you a competitive advantage vis-à-vis your competitors.
- Your direct contact with your important clients can enable you to customize your value added food products in accordance with the needs, tastes and requirements of the customers.
- You can have a greater control on the final price and the terms of sale offered to your customers.

There are, however, certain disadvantages of using direct distribution. Your initial investment in creating facilities for storage, warehousing, transportation and handling of material becomes substantial. When you use direct distribution as an option your working capital requirements on account of salaries to the sales force as well as delivery related expenditures are higher. The geographical area that you can cover on your own is often limited and therefore, your market becomes limited to local markets or a few large organizational customers. In such cases, your dependence on a single or over a few organizations is so high that discontinuance of orders from any one of them could seriously affect the profitability of the business. On the other hand, if your customers are individual household consumers, the economics of direct distribution does not work out. Individual consumers may be scattered geographically, and the individual order size per household will be small. In such cases it is difficult, if not impossible for you to reach all your customers on your own. To reach a large number of individual customers, producers use intermediaries like wholesalers and retailers. These intermediaries are independent organizations that enable you to reach your final customers by providing distribution related services to you for an agreed trade margin. When you use intermediaries to reach your final customers, the mode of distribution is called indirect distribution. The advantages of using indirect distribution include the following:

- Low initial investment in distribution facilities.
- Relatively lower working capital requirement in relation to the distribution function.
- Large coverage and access provided to a far larger number of customers.
- Benefits of specialization accruing from the intermediaries.

Your choice of direct vs. indirect distribution is determined by the composition of your customers. As mentioned above, if your customer base is composed of organizational customers direct distribution is a better option. Indirect distribution is a more viable option when your customer base is composed of individual households. These are choices that you need to make at the beginning of setting up of your business and selecting your target customers. You may like to work with a few organizational customers or may like to address the needs of individual households. This decision in turn will determine your choice of direct or indirect distribution.

5.3 TYPES OF INTERMEDIARIES

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The set of organizations, outside your own firm, selected by you to enable your final customers to access your products is known as channel of distribution. A channel of distribution essentially enables the movement of products from the point of production to the point of consumption as well as the transfer of title from the manufacturer to the ultimate consumer. Looking at the market and the type of organizations engaged in the distribution of products, you would find that there are a wide variety of such organizations performing different kinds of distribution related functions, with varying terms of trade. Let us look at different types of intermediaries that if you may need to consider in order to form your own channel of distribution.

Broadly, all intermediaries can be divided into two categories. Agent middlemen and Merchant middlemen. The agent middlemen are brokers and commission agents who negotiate purchase and sale of goods on behalf of other parties for a certain percentage of commission. Because agent middlemen work on behalf of other parties they do not take title to goods. Quite a few new entrepreneurs find it useful to appoint agents when they first get into the business of producing value added food products to help them find appropriate clients and avenues of selling their products. If you are starting with a small operation and your production is not too large, agent middleman may not find it profitable to act on your behalf.

Merchant middlemen, on the other hand, are those intermediaries who buy the goods from the producers and then sell them on their own behalf. In other words, they take title and possession of goods in order to resell them further. The merchant middlemen can be of several types viz. wholesalers, retailers, cooperatives and supermarkets, multiple shops or chain stores and department stores. In order to establish your channel of distribution, you will need to decide a specific combination of these intermediaries. Let us look at the main functions performed by these intermediaries so that you can accordingly take your channel decision.

Wholesalers: The term wholesalers includes all establishments and businesses engaged in purchase of goods from the producers for the purpose of reselling them to retailers or industrial, commercial, institutional or professional users or to other wholesalers. The principal business of wholesalers is buying goods in bulk and reselling them for a profit to (a) retailers who then resell the goods to the final customers or (b) utilize the goods in the course of operating an enterprise or business. In performing the distribution related activities, the wholesalers perform the following functions:

1. Taking possession of goods, maintaining storage facilities and maintaining adequate stocks in terms of both variety and quantity on a regular basis.
2. Delivering goods to customers (You must appreciate that the customers of wholesalers are retailers, industrial or professional enterprises and other, smaller wholesalers).
3. Taking ownership or title of goods from the producer and passing it on to the customer when the sale is made.

4. Participating in promotional activities for trade promotion initiated by the producer.
5. Negotiating on prices, terms of trade and terms of sale with both the producer and the customer.
6. *Taking risks:* Risk taking is a major function performed by the wholesalers. By taking the ownership of the goods, they assume the risk of obsolescence, pilferage and damage to the goods as the goods are now owned by them. In the case of new untried products or unknown products they also take the risk of being left with stocks of unsold goods, if the goods are not accepted in the market.
7. *Ordering:* The flow of ordering moves from the final consumers via retailers and wholesalers to the manufacturers. Wholesalers, order the supplies of goods from various manufacturers in anticipation of the order flow from the retailers and final customers.
8. *Financing:* Wholesalers, by selling the goods on credit to the retailers and collecting the payment after an agreed time period, provide a vital financing support to the retailers.

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Retailers: The term retailer includes all establishments and businesses engaged in selling goods for personal or household consumption. The distinction between the wholesalers and retailers is that the retailers sell primarily for ultimate use by the final consumer. You will find a variety of retail establishments existing in our country, ranging from consumer stores, multipurpose retail stores to sophisticated departmental stores. In terms of distribution activities, retailers perform the following functions:

- (a) Taking possession of goods from wholesalers, maintaining storage and desired stocks in order to fulfil the requirements of the final consumer.
- (b) Passing the delivery of the goods to the final consumer for price.
- (c) Taking ownership from the wholesaler to retailer and passing it on to the final consumer.
- (d) Participating in the promotion programmes of the manufacturer by organizing store displays and acting as final deliverers of sales promotion schemes directed at the final consumers.
- (e) *Risk taking:* Like wholesalers, retailers also take the risk associated with ownership. Their risk in the case of unsold merchandise may be partially offset if the wholesaler or manufacturer agrees to accept the returned unsold stocks.
- (f) *Information flow:* As they are in touch with the final consumer, retailers are a source of valuable information about the consumers' tastes and preferences, buying habits and paying capacities. Retailers participate in information flows backwards to the manufacturer so as to improve services to the final customer.

You would by now have noticed that the functions performed by the wholesalers and retailers are quite similar except for the fact that the scale of operations by wholesalers is much larger as they buy and sell in bulk for the purpose of reselling.

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The retailers, on the other hand, sell for the purpose of consumption by the final consumer. Their distribution related activities are directed mainly towards the ultimate consumer. There can be several types of retail establishments as we have noted earlier, some of the common ones being departmental stores, cooperative stores and chain stores.

Departmental stores usually located at a central location, provide a great shopping convenience to the modern customer who is short of time, by providing them a range of products under one roof. Being able to attract a large number of customers they are able to manage a large turnover even though their margins may be small. Their large size enables them to buy directly from the manufacturers and avail bulk discounts there by saving the wholesalers' margins and passing the benefit on to the consumer in the form of lower prices. As a producer of value added products, you may consider departmental stores as an option because your products can get a large exposure to your target customers in such locations.

Cooperative stores or consumer cooperatives are run by societies formed by consumers themselves. The basic purpose of the cooperative store is to eliminate the middlemen and obtain the goods for their members at a low price. Like departmental stores, cooperative stores also obtain their supplies in bulk and enable the consumers to get the benefit of low selling prices. Some of the common examples of consumer cooperative stores are super bazaar and the Central Government Employees' Consumer Cooperatives.

Chain stores or multiple shop systems represent a concept where a number of stores are managed by one common ownership and management. The various stores can be located in different cities or at different locations in one large city. The chain stores usually deal in similar types of goods for example the Bata Shop, and the Phillips appliances shop. Food based chain stores are becoming very common in metropolitan cities, named as food bazaars or food courts. They have become a good outlet for the introduction of new food products and availing a larger variety of food products in one location. Such food bazaars may be a good outlet for the value added food products for you to consider.

Haats and weekly markets: Rural consumers, on account of the absence of organized markets in the villages, carry out a lot of their buying activity at haats and weekly markets held around their villages. As the purchasing power of the rural customers has grown, marketers have found that these weekly markets provide a lot of access to a large number of customers in the non-urban markets. You must realize that the rural market in India is a large one, with high potential for development. Though the market for value added food products may at present be very limited, the potential for developing this market cannot be ignored.

5.4 IMPLICATIONS OF USING INTERMEDIARIES CHANNEL LEVELS

By selecting an appropriate channel, you as a producer of value added products are trying to bridge the gap between you and your final consumers. Now that you

have looked at different types of intermediaries operating in the market place, you can decide in terms of the levels or the number of channel intermediaries you want to mobilize to reach the final customers. Your choice would be strongly dependent on the market coverage you want and the scale at which you want to operate. Since, you are a producer of consumer goods, the following channel options are available to you as diagrammatically shown in the Fig. 5.1.

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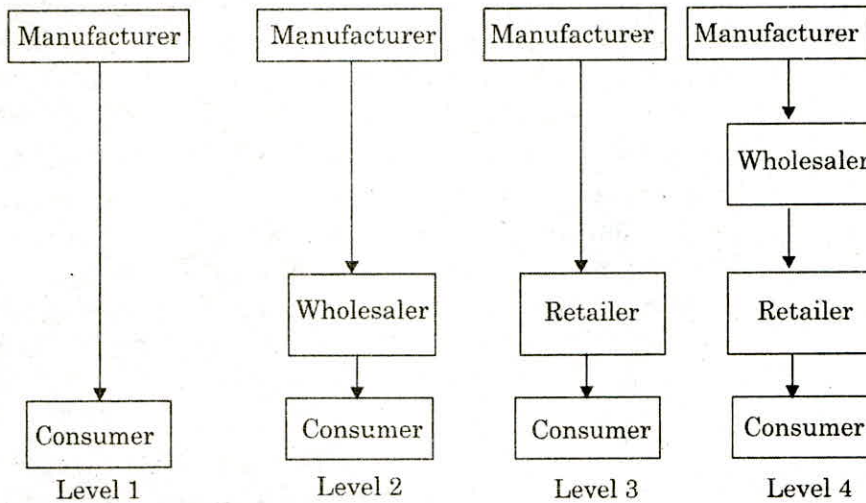


Figure 5.1. Levels of intermediaries

Level 1 represents the direct distribution situation explained earlier in section 5.2, where you choose to sell directly to your customers without using any intermediaries. Levels 2 and 3 represent situations where the manufacturer chooses to sell through wholesalers or retailers directly to a large number of consumers. Level 4 represents multilevel distribution situation where owing to the large market coverage desired, the manufacturer accesses the market through a network of wholesalers who then sell to their respective network of retailers. The retailers then reach out to the final consumers in their respective areas.

5.5 SELECTING AN APPROPRIATE CHANNEL

The channel selection decision is one of the most important decisions that you would be required to take. This is on account of two reasons. One, channel decisions bind you in relatively long term commitments which are usually difficult to undo. Secondly, the costs involved in distribution affect the final price the customers are to pay and therefore, has a bearing on the type of market you will be able to attract at that price. The channel decisions also strongly affect your promotion, pricing and product line extension decisions. These decisions therefore, are taken after a lot of deliberation and consideration. The selection of an appropriate channel design would depend upon:

- (a) *The market coverage desired:* Your choice of channel design is strongly dependent upon whether you want to operate in the local market only or you desire to operate in regional and national markets as well. As your

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intended coverage grows, it is difficult and uneconomical to operate only through your own direct channels. Level 3 or level 4 channel systems become more prevalent as the market coverage desired by an entrepreneur grows to regional or national markets.

- (b) *The resources available at your disposal for production and marketing.* In the initial years, your capacity and resources to produce large quantities of value added products and to market them effectively is rather limited. Direct distribution or shorter channel systems (level 1 or levels 2) to distribute the limited lot sizes being produced by you are more suitable in such circumstances. As the market acceptance grows, entrepreneurs find it more economical to use longer and multilevel channel systems.
- (c) *The cost of distribution:* In respect of each of the channel systems that you want to use is an important criterion of selection between channel alternatives. As distribution costs form a large percentage of the total cost of goods sold, comparison of different combination of participants in channel systems and the total cost each alternative system should be carried out once you have decided to use intermediaries for the distribution of your value added products.
- (d) *The type of services that the intermediaries are able to provide to you.* Intermediaries differ in the extent and types of services they are willing to offer to the entrepreneurs. These services range from promotional support to favourable shelf space, refrigeration facilities, cold storage facilities, warehousing, credit support to retailers by wholesalers etc. Depending upon the requirements of your product and marketing effort, you may like to select the channel alternative that best complements your product and marketing needs.
- (e) *The nature of the product and its shelf life.* Product characteristics often become the starting point in your search for suitable channel alternatives. The nature of the product in terms of its perishability, packaging requirements, shelf life, type of handling required etc., are important determinants of what kind of channels or intermediary partners would be most suitable to you. For example, if your value added products are jams or jellies which need to be sold in glass bottles and have a shelf life of about three months, you can afford to be more flexible in your choice of intermediaries but if you are dealing in fruit juices packaged in tetra packs, your choice would be restricted to channel members who can provide refrigeration facilities to ensure that the product to reach the customers in an unspoiled and fresh condition. Similarly, in the cases of products which are equally substitutable by similar competitive products, and have low brand loyalty, entrepreneurs have to resort to intensive distribution to ensure that the consumer does not switch to a competitive product on account of non-availability to their brands.
- (f) *Buying habits of the customers:* Every marketer needs to study the buying habits of the customers in terms of their shopping preferences, store selection, volume of purchase and frequency of buying. Preferred store

choices for food products would be a key input in your choice of the retail level outlets because a new product would get maximum exposure to consumers if it is placed in the outlets frequented by them.

- (g) *The trade practices followed by your competitors.* When you are in a competitive business like marketing of value added food products, you cannot afford not to be present where your competitor is present in the store outlets, neighbourhood shops, or periodic markets like haats and weekly bazaars. On the other hand, if there are some markets which are overly occupied by a competition, as a new entrant you may find it easier to access other markets where the intensity of competition is lower. In either case, your choice of intermediaries is dictated by the trade practices followed by your competitors.

Typically as new organizations, small firms begin to sell through getting themselves accepted by the existing intermediaries in the local markets; beginning from a limited market access, and by gradually capturing larger markets by diversifying their channel options. You may find that as a new entrepreneur, your problem is often not of selecting appropriate channels but that of being selected by existing intermediaries. Wholesalers and retailers also take the risk when they agree to stock and sell products from unknown new manufacturers especially when the products are eatables like value added food products. You may find that in the initial years you may not have too much of a choice in the selection of your intermediaries. As you get established in the market and your brand starts getting accepted by the consumers, your discretion and flexibility in choosing your own intermediaries will increase.

Motivating the channel members: Once the channel members have been selected and a distribution channel put in place, every manufacturer expects the channel members to provide the best possible support to his products and brands. You would appreciate however that while business from you may be important to the channel intermediary, yours is just one of the brands that he carries. Intermediaries are independent businessmen, engaged in providing distribution support to the manufacturers in lieu of the margins that they can earn from distribution of goods to the final customer. At any given point of time they need to cater to a large number of manufacturers in the same product category, most of them competitors to each other. As an entrepreneur, therefore you would often find that you may need to motivate the channel participants so that there is no laxity in their efforts to push your brands and to create the desired awareness at the point of sale especially when your brand is new. Several approaches are followed by the manufacturers, chief among them being the cooperative approach where the entrepreneur and the channel members get into an agreement whereby the entrepreneur agrees to provide promotional support and assistance, the display materials and equipment if any, commission on extra sales in return for extra efforts by channel members in pushing his products. Use of power, granting of exclusive selling rights, attractive sales promotion schemes directed at the intermediaries, dealer contests etc. are other approaches that used to keep the channel members motivated.

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Whether you are conducting your distribution function yourself or following the indirect distribution alternatives through wholesalers and retailers; it is a good idea for you to define the outputs that you want from your distribution network in terms of the service levels that you want to offer to your customers. These outputs could be defined in terms of timeliness of delivery, freshness of stock, information on product and product line, maintenance of complete product line, prevention of stock out conditions etc. Defining these outputs in physical terms will enable you to measure the performance of the distribution effort.

5.6 PHYSICAL DISTRIBUTION TASKS, DISTRIBUTION ACTIVITIES AND LOGISTICS

The physical movement of finished products from the point of production to the point of consumption and the associated decisions of maintenance and movement of stocks, handling of material and transportation are included in the physical distribution function, is often called the market logistics function. Physical distribution is an important area of decision making for entrepreneurs who are shocked to often find that it can amount to 30 to 40 per cent of the total product cost. Poor functioning of physical distribution activities can lead you to lose customers if you fail to supply goods on time, and create situations where your money is tied up in unsold stocks. The various decisions that you will need to take as a manufacturer of value added food products within the Physical distribution function are the following:

- *Order processing decisions.* The order processing system defines the way your order-to-payment cycle is planned *i.e.*, what is the processing system you would like to put in place once an order is received to the stage where payment for the supply of the order is received. This process may include several steps, from receiving in order to filing it, checking it against available inventory, putting a production schedule in operation if it is a large order, order and invoice shipment, information to the customer for and collection of payment. In case you are selling through the intermediaries, your orders would be received from the intermediaries and the payments in turn would be received from them. Computerization of inventory processes and an order tracking system help in cutting down the order-to-payment cycle considerably and help in saving costs as well as improving the efficiency of the system.
- *Warehousing decisions.* You will find that as a manufacturer of value added products, because of the gap between the time of production and the time of consumption you would need to store finished goods until they are sold. Depending upon whether you are selling only in the local markets or in regional or national markets, you will need to decide on the number and location of warehouses or stocking places where finished goods can be stocked till they are ordered and sold. Small entrepreneurs usually hire space in public warehouses rather than building up their own warehouses. While on one hand more stocking locations mean that the delivery time to

customers will be shorter, it also means that the inventory costs and the warehousing costs would be higher. You could alternatively choose to have a single warehousing location centrally and use quicker transportation modes to deliver the shipments to your various customers.

- *Inventory decisions.* Inventory decisions are important because they represent major cost component of the total cost of distribution. Your inventory decisions include decisions on when to stock and how much to stock of each item. The manufacturers would like the distributors or stocking locations to hold enough stocks of all their value added food products so that the customer orders can be promptly fulfilled. If it is, however, found that holding sufficient stocks of all the items in the product line at all locations is not cost effective. Depending upon the different levels of demand for different items of the product line at different locations in the market, economic order quantities and reorder points are worked out so that overall inventory costs can be minimized.
- *Transportation decisions.* Since goods need to be physically transferred from the point of production to the point of consumption or demand, one of the important physical distribution decisions is that of selecting the mode of transport. In trying to transport your value added food products to your warehouses, your dealers or large customers, if you will be faced with a variety of options like trucks, railways, container services, waterways and airways. The criteria used to selection include cost, speed, reliability, availability and possibility of tracking in-transit information, depending upon their own product based needs, requirements of timeliness of delivery and the weightage they wish to assign to the other criteria, entrepreneurs make their transportation mode selections.

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5.7 ISSUES IN THE PHYSICAL DISTRIBUTION PROCESS

There are certain issues that you may need to consider, while taking your physical distribution decisions. Some of the important issues are discussed below:

- The physical distribution objective is often defined as making the goods available in all the places that they are desired in the least possible time at the lowest possible cost. While this looks good on paper, it is something almost impossible to achieve. If you want to make goods available in all possible places where they are needed, and do so in the least possible time you would find that the cost of fast distribution is indeed and not the lowest cost. You will, therefore, have to choose the type of speed of delivery that you desire at the costs that you can afford.
- You will find that there is a certain inter-relationship among the various components of the physical distribution process. A faster transportation mode would mean higher costs of transportation but may result in lower inventory costs. Similarly, higher costs of warehousing may result in lower transportation costs but mean higher inventory costs. Trade offs are

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Functions are:

- Help establish the brand in the market
- Help achieve the sales targets
- Provide adequate shelf space
- Provide merchandising support
- Provide service to consumers
- Make prompt payments
- Maintain fair trade practices
- Provide winning store image.

5.12 FUNCTIONS THE PRINCIPALS HAVE TO PERFORM BUILDING THE BRAND

Dealers always want their principals to provide them a winning brand. Discriminating dealers give far more emphasis to the firm's performance on the brand front rather than the trade margin offered by the firm. They hesitate to take dealership of weak brands even if they offer very attractive margins. And, they're happy to deal strong brands even if the margins offered are low.

Functions, the Principals have to Perform

- Supply quality products
- Build the brand and keep it a winner
- Regular, adequate and prompt supply of the product
- Effective servicing
- Advertising and sales promotion support.

They overwhelmingly vote for products/brands that move from the shelf without any need for pushing. Likewise, they vote for products and brands that make their customers come back to their shops with enthusiasm. They also prefer products/brands that provide them volume margins rather than value margins. Dealers have to put in a lot of their time. Effort shelf space and money on the various products that they dealing, and they certainly do not want to get stuck with a weak brand. In particular, when a *company offers a new brand* the dealers want to be sure that the company would continue with the brand and build it well.

Regular, Adequate and Prompt Supply

Regular supply of the product by the principal is another major concern of the dealer. If the firm is unable to supply the product regularly after he has pushed the brand with his customers, he not only loses face with them, but also runs the danger of losing out his other business.

Effective Servicing

We shall cover this point in the section on servicing and administering the dealer.

Advertising and Sales Promotion Support

Dealers also expect adequate advertising and sales promotion support from the principal; In particular, they expect good point of purchase promotion support. Such support, besides helping them to achieve higher sales, also serves as a good motivation.

Trade Relations Mix must Provide Satisfaction to both Dealer and Principal

The name of the game is to ensure that the trade relations mix provides satisfaction to the dealer as well as the principal. The firm must offer a viable business proposition to the dealer. That is the baseline. It must also remember that dealers act more as a purchasing agent for the consumers than as a selling agent for the principal. And, it must hence enthruse the dealers by supplying products/brands, which they would be happy to purchase on behalf of their customers.

Servicing and Administering the Dealers

Dealers expect effective servicing from the firm. Prompt supply of the product is one part of effective servicing. Prompt supply of the product helps the dealers not only to achieve larger sales but also faster turnover and lower cost on inventory carrying. Technical support is the other part. Technical support must be forthcoming promptly from the firm wherever necessary. In any bazaar, one can see several cases of retailers switching their loyalty from one company to another purely on the basis of their servicing standard.

Effective Servicing; Example of Electrolux:

In the white goods business, Electrolux has scored an edge through effective servicing of dealers. They have picked up one crucial aspect in servicing-replenishment of stocks-and have scored high. They have enabled their dealers to achieve larger sales and simultaneously reduce their inventor. Now, they can draw their supplies from a ring of warehouses around the country and receive the stocks within 24 hours. Electrolux has actually reached a point where its dealers need not carry any inventory at all; the company delivers the products directly to the consumer, once the dealer enters the order on his computer, which is connected to company's stock points. Earlier, the dealers had to wait for two weeks or more; they had to carry heavy inventory; to avoid 'lost sales' due to 'stock outs'.

Regular Visits by Field Force:

Largely, the field sales force of the company/its C&F agents stockists provides dealer servicing. The dealers expect regular visits by the field sales force, so that seated in their shop they can have all their problems addressed. The dealers also expect to be kept updated on all vital matters relating to the business. This is possible only if the salesman visit the dealer's regularly. Securing shelf space and merchandising support from dealers is another important aspect of dealer management. By enlisting the willing cooperation of the dealers in the merchandising effort, the firm derives multiple benefits. Effective merchandising accelerates the buying process as it serves as an on-the-spot reminder to the consumer to buy. A quick glance at the way in which the dealer aids/point of purchase promotion materials supplied by a firm are used in a retail shop, can

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help one judge the firm's dealer management. In the contemporary Indian context, getting shelf space and merchandising and display support from the retail outlets is of special significance as competition among brands is fast building up at the retail level. For example, in CTV's since a number of firms compete for the limited shelf space available at the retail shops, the ones who score in this matter enjoy an overall edge in marketing.

Even Big Firms and Major Brands Have to Fight for Shelf Space

With the growing competition and the explosion in branded FMCG products, the premium on shelf space has been going up steadily: The competition for grabbing shelf space usually becomes more intense during stagnant market conditions. Even big firms and well-known brands have to earn their shelf space and display the hard way; they are not in a position to demand it as a matter of right from the retailers. For example, some time back, even a firm like HLL was not in a position to demand from its retailers' shelf space and display arrangement for its internationally acclaimed brand Denim, by merely citing that it was a Lever product and an international brand. Nor could it get it by touting its bazaar power of a million retail outlets. The dealers wanted to be convinced about the consumer preference for the brand before he considered it for shelf space and display. All, he now had the choice of a whole host of products brands with international affiliations and he could pick and choose the products/brands to which he would allot shelf space.

Many companies are now running special communication programmes with a view to acquainting retailers with their products and brands, and convincing them of the benefit that would accrue to them if they patronized them. Companies are also now forced to meet a major part of the expenses involved in display in the shops. In fact, they are even expected to meet the expenses of general decoration of the shops. ITC, for example, has been earmarking a substantial portion of its promotional budget to the decoration of retail outlets.

The company now sets up at its cost special counters, which add considerable glamour to the shop and serve as point of sale advertising. Today, in most companies, merchandising accounts for more than 15 per cent of the total marketing spend. Many companies are also devising their own quality control checks on merchandising fronts. Kellogg has about 20 staffers doing the rounds of the outlets once every fortnight. And, at Pepsi, the merchandising teams stir out every two or three months and, even more frequently during the peak season, carrying with them scissors, cello tapes, dusters, nails, board pins, hammers, thread and, of course, the usual POP material. They clean the bottles, dust the racks, put up new posters and rearrange the bottles so that the brand fails the customer.

Ensuring Right Store Image

The competitive edge a firm derives from its retailers extends far beyond shelf space, merchandising and display. The store can be a total communication tool for the company. We shall be discussing the communication role of marketing channels in detail in the chapter on Marketing Communications. Suffice to point out here that the retail points are not mere outlets from where the products flow out. They serve as communication tools as well. It is a fact that consumers patronize certain

stores and discard certain others. The store image does the trick. Today, more and more companies are realizing the communicative significance of the store image and are concentrating their attention on the 'store image' of their retail shops. It was mentioned earlier that in many businesses the marketing war is fought and won at the dealer level. Better servicing of the dealers, better communication and better motivation and training bring in superior dealer loyalty. And, with this loyalty, the firm can win markets. A firm enjoying superior dealer loyalty usually gets a bigger slice of the market. It is aptly said that a wise firm gets a good band of dealers and good dealers settle down with a wise firm. And a wise firm is one that provides right motivation to its dealers.

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Performance Appraisal of Channel Member

Appraisal of the performance of individual channel member is yet another important element of channel management. Performance appraisal must bring forth the strengths and weaknesses of the channel member. If the performance is below the desired level, remedial action must be taken promptly. The appraisal should specifically identify areas where improvement is called for. The appraisal has to be based on pre-agreed standards of performance. Appraisal based solely on sales volume will be inadequate. The ranking done on this basis may not correctly reveal the contribution made by different channel member. The fact that channel member face varying environments in their sales operations should be taken into account while appraising their performance. A wider set of relevant criteria must be used in the appraisal. While the criteria may vary from company to company and product to product. Performance appraisal is intended to serve as a means of improving the performance of channel member. In extreme cases, however, the appraisal may lead to the termination of the channel member. When termination is the only alternative, the firm should not hesitate to take that course. Basically, all channel members are evaluated on the basis of whether they have met their assigned targets or not.

Customer satisfaction surveys are also conducted to evaluate the quality of the service provided by the channel member.

Weaknesses Commonly Noticed in Networks

- The Network is inadequate size-wise
- The network is inadequate, qualitatively
- The network is not properly spread out
- The interior markets are not covered properly
- A part of the network is inactive
- Quite a few links in the network are unviable
- The network is excessive for the task on hand.

Review of the Dealer Network as a whole

In addition to performance appraisal of individual dealers, the firm must also carry out periodic reviews of the dealer network as a whole. Removal of weaknesses in the network is the objective of such a review. All such weaknesses must be overcome if the channel has to function as a vital instrument of marketing.

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Training and Development

Training is another important part of channel management. The primary purpose of training is to improve the performance of the channel members through a sharpening of their sales skills and product knowledge. Upon the channel members rests the responsibility of sensing, serving and satisfying the needs of the customers. The intermediary cannot fulfill this role unless they are equipped with the requisite knowledge, skills, techniques and attitudes. Any progressive firm will, therefore, make training an integral part of its channel management endeavour. The content and methodology of training should be framed so as to suit the back-ground of the channel member and the contextual requirements. The prime purpose of the training is to impart to the channel member knowledge about customers, about products, about competition, and about merchandising and sales techniques. In addition, essentials of inventory management, credit management and sales promotion can also form part of the training content. When competing companies match each other in the marketplace in every aspect, it is the training provided to the channel member that makes them different. And that's why most companies are now concentrating their energies on training. They now consider it a necessary investment. Hyundai Motors India, for example, took all its 70 dealers to Korea a before the launch of its Accent model. Daewoo and Hyundai both conduct regular in-house training programmes for their dealers. Concorde, a Telco-Jardine Matheson JV; created for setting up the dealer network for Indica, conducts in-house training for Indica dealers. And, Maruti has tied up with National Institute of Sales for training its dealers.

Resolving Channel Conflicts

Sometimes, there may be unhealthy competition and conflicts among the different channels/ channel tiers employed by a firm. There may also be conflicts among the channel members within a given channel type/channel tier. These conflicts must be handled with tact and fairness. In managing marketing channels, firms will usually encounter some 'bottom-up pressure'. The retailers would exert pressure on the wholesalers/stockists, and the latter would pass it on to the firm. Sometimes, the wholesalers/stockists may have their own problems with the firm. Wise firms anticipate the pressures that can emerge from the different layers of the channels and formulate appropriate channel policies. Tackling dealer conflicts- Wipro-Infotech: Wise firms follow a sound policy with regard to dealer conflicts. Wipro-Infotech Group (WIG) can be cited as an example. In the first place, it makes a conscious effort to reduce the scope for conflicts among dealers through dealer/product class/ marketing segment alignment. It has reduced the scope for conflicts among dealers, by explicitly defining the territories of operation of each. Often, there is stiff competition among WIG dealers and they frequently under-cut each other. The under-cutting is compounded by the fact that different dealer categories have varying margins. For example, an A + category dealer will be able to easily under-cut a B category dealer. This de-motivates the smaller dealers. So, the company strictly enforces the sales territories. The scope for cannibalization is also removed. And when conflicts do occur, WIG tries to resolve them in a fair and firm manner. When overlapping does occur, then it negotiates with both the dealers, evaluates as to which of them is capable of satisfying the needs of the particular

customer more efficiently and entrusts the customer with him. And while doing this, it takes care to protect the sentiments of the losing dealer.

In practice, the job of channel management is quite exacting. Firms usually have a large number of channel member spread over a large territory. Administering them, communicating with them and keeping them happy and well motivated, involves a great deal of effort on the part of the firm. In fact, in a sense, channel management is more difficult than employee management. While, employees of a firm are under its direct control, the channel members are not.

Accordingly, administration, and motivation becomes far more difficult in the case of intermediary as compared to employees. It should finally be mentioned that channel management, which includes intermediary selection, channel motivation and channel development, is a continuous job. The efforts cannot be slackened any point of time. Even in the best of networks, there will be some dropouts, every year; a few may become inactive.

New channel members must be added in place of those who drop out. And, the inactive ones must be either activated or weeded out. Even when the dealer outfit is in a fairly trim condition, there has to be a continuous infusion of fresh blood into the system. Similarly, training and development of the channel member has also to be a continuous effort.

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5.13 CHANNEL MOTIVATION

Here, we consider the important task of ensuring that the relationship is maintained at the desired level and that the motivation to pursue the common shared goals remains at the level necessary for both parties to succeed.

5.14 THE VISION, MISSION AND OBJECTIVES

Channel objectives determine channel strategy. Making a major change in an established channel structure is difficult and often risky. Therefore it is desirable to set up the objectives properly in the first place. They should be dictated by the service level output which is desired by the ultimate consumer and the global vision and mission of the company in terms of long term return on investment, market share, absolute level of profits to be achieved and sales growth. The specific objectives of any channel, apart from the global aspirations of the company, should be firmly based on the service outputs demanded by its customers. Different levels of these outputs may be required in different segments of the market and these need to be determined. The use of multiple channels catering for different segments of the market is common in marketing today.

Once the service levels are decided upon, then the market coverage has to be determined. This in turn determines the support which can be expected from the channel in the event of different coverage strategies. Here the company should also decide whether it needs to own the entire channel or parts of it and what the

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costs of full and part ownership are going to be in terms of possible consequences. Three choices are possible, intensive, selective or exclusive distribution. It is worth mentioning in this context that they are all possible in case of vertical or non-vertical integrational though the costs may be prohibitive in case of full ownership of a channel specializing in intensive distribution. Intensive distribution is generally used for products which are frequently bought and which need to be easily available, like newspapers and sweets. Selective distribution is usual for products which buyers like to choose with some effort, e.g., clothing. This type of distribution can range from expensive items which are almost exclusive, to items like cosmetics which are almost intensively distributed. Exclusive distribution implies a mutually dependent relationship between seller and re-seller and is used for large or expensive items such as farm machinery or very expensive clothes or jewellery. It is appropriate to check and verify that the strategy adopted is in line with current circumstances when considering how to motivate a channel member. The channel structure and the type of distribution are also interdependent to some degree. A 'long' channel structure which possesses many intermediate whole salers allows for greater spread and therefore more intensive distribution.

Conversely, a 'short' structure has more direct channels and tends towards exclusive distribution. It is obvious that the more intensive the distribution, the greater the sales in the short term. However, over a long term, adverse effects such as lower margins appear, followed by unwillingness on the part of the distributors to sell the product, consequent necessity of an increase in promotional efforts by the manufacturer and deterioration of the service levels.

As a business executive once remarked 'you can take fifty years to build a brand and you can ruin it in three years through careless distribution'. However, intensive distribution is successfully followed in the case of innumerable products through a well-formulated marketing programme which fulfils the requirements of distributors and consumers alike. The various factors should be carefully considered before deciding on a distribution strategy, in particular the relation between the products marketed and the last selling point for them.

Motivational Tools and Control Areas

The following means of persuasion are available to channel members to influence the decision-making or behaviour of others.

1. *Rewards*. If A possesses some resource which B wishes to obtain and B believes this can be obtained through conforming to A's wishes, this amounts to reward power. Specific rewards to channel members could include wider margins, granting of exclusive territories and various promotional allowances.
2. *Coercion*. This exists if B believes that A will punish any one who does not conform to A's wishes. Coercion amounts to negative sanctions or punishment including reductions in margins, withdrawals of rewards granted earlier and slowing down of shipments. This brings fewer results over the long term than other tools and should therefore be considered as a last resort.
3. *Expertise*. This occurs when B perceives A to possess some special knowledge which would help B. Small retailers often rely heavily on their wholesalers for expert advice. However, once transferred, expertise is considerably reduced

in power. If a business wishes to retain expertise over a long term, the following options are open to it:

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- (a) It can ration its advice to small portions and keep back sufficient vital knowledge so that the others remain dependent upon it. This could be detrimental to efficient working of the channel as every member should work up to its capacity for the channel to function successfully. A member starved of vital information cannot do so.
 - (b) A better though somewhat expensive option is to collect accurate information regarding market trends, threats and opportunities, and other ongoing matters which individual channel members would find difficult to obtain themselves. The benefits of this option can be high in terms of channel goal achievements.
 - (c) Another way is for channel members to invest in specialized transaction expertise which is difficult to transfer to other products or services and so hinders the members from leaving the channel.
 - (d) The ability of a channel member to acquire information which is necessary for another channel member to function efficiently confers power on the acquirer. For example, retailers hold a privileged position with respect to manufacturers because of their close customer contacts.
4. *Identification.* This occurs when B identifies with A or desires to do so. For example, given equal returns from two different dealerships, one may well choose that which one would like to identify with, perhaps the more prestigious one. Here the company reputation or image confers an advantage on the business.
5. *Legitimacy.* Results from B feeling that A has the right to exercise power over them. This would be the case between workers and their supervisor, for example. In a channel relationship, such a power may be assigned to the largest firm or the retailers and industrial suppliers may believe that they have the power since they are in contract with the end-users and the others are not.

However, the amount of power thus exerted is usually small. In real life situations, all these powers are used simultaneously in most situations. Sometimes, the use of one power may enhance another power base; or the opposite may happen. Environmental conditions and the effect of such a use of power on them must also be considered in this situation. The norms of the channel systems also prohibit the use of some of these powers. The degree of success that a channel member will have in influencing the behaviour of other channel members will depend on its leadership behaviour. When the channel members have common goals, the use of information exchange and/or recommendations will probably produce positive results. In other situations, promises, threats, legalistic strategies and requests are used with varying success. An international business manufacturing paints, which is based in Italy, has the policy of treating its agents like its own employees. They are required to submit progress reports every month just like the company sales force. All these reports are fed into a computer and analyzed. The company management keeps an eye on the stocks bought by key customers and the price they paid. Any falling off in an agent's performance results in rapid identification of the problem and support provided by a senior staff member on the spot.

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Focusing channels onto specific products and target markets – motivation of channel principals and sales force ensure that the traditional distributor attitude and priorities are recognized by you and dealt with. Distributors:

- Always feel that a high price is charged by the manufacturer
- Think that manufacturer's mark-up is high
- Think that the manufacturer does not invest in the market
- Avoid the traditional manufacturer attitude. The manufacturer:
- Is interested in volume sales
- Is interested in profits
- Wants distributors to make stock investment.

How to ensure that a manufacturer's product is measured Check that the points in below Table? For mutual benefits the relationship should produce.

- Acceptable profit margins to the distributor
- Acceptable volume and rate of growth to the manufacturer, at optimum profit margins.

Distributor Principal Has:

1. Quality product
2. Reliable delivery dates
3. Fair profit margins
4. Good communication, physical and written
5. Reasonable advertising and sales promotion support
6. Willingness by manufacturer to assist with distributor's general problems.

Distributor sales executive has:

1. Quality product
2. Reliable delivery dates
3. Technical information as and when required
4. Ad hoc bonuses, *e.g.*, money, travel, trip to manufacturer's head office, *etc.*,
5. Good communications with manufacturer's field representative
6. Fair evaluation of performance.

The manufacturer's 'link person' must try and assist the distributor in upgrading their entire operation. Allow the distributors to consult your financial director; let individual interested distributors have the use of the director's time for a day or two. Run seminars on relevant subjects, *e.g.*, 'modern warehousing'. A distributor should be able to call on the manufacturer's experience when trying to solve any problem relative to their business.

Control Systems

First and foremost, a system to establish an annual campaign plan must be introduced. This campaign plan should cover, as a minimum,

- The common goals to be achieved in the first year at least;
- Sales to the channel's customers and shipments from the manufacturer;

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- The recommended price at which the product would be marketed;
- The price/discounts/terms of trading at which the manufacturer will supply the product;
- What this would mean in terms of market share;
- Levels of sales and supporting staff resources to be deployed;
- A schedule of training to be provided by the manufacturer;
- Promotional materials, campaigns, *etc.*, to be undertaken by the manufacturer and the channel;
- Specific actions to be taken concerning inventory/logistics, *etc.*;
- Key event/action review calendar. Secondly, regular monitoring and review sessions must be held to ensure that the performance is on course and that if needed, corrective actions are taken on time.

Motivation of the Distributor

The link person or manager can do the following to motivate a distributor:

1. Attempt to categorize and understand the distributors' motives in terms of Maslow's hierarchy of needs: security, social needs, esteem, self-fulfillment.
2. Discover their wants as well as their needs; this will help your dealings with them.
3. Remember that monetary rewards serve many needs and are therefore the best rewards.
4. Bear in mind, however, that recognition, praise, promotion and successful achievement of a task can also be effective motivations and are sometimes more needed than money.
5. If people know that good work will earn a reward, this makes the reward more effective. The expectation should be clearly set out on a payment by-results basis, with an appropriate bonus or commission scheme. Achievable targets and standards should be set. Praise should be bestowed when deserved at not too frequent intervals. There wards and efforts required should be clarified. The penalties also should be stated, if targets are underachieved or if substandard results are recorded.
6. Paraphrasing what Douglas Mc Gregor said in another context, conditions should be such that the member's of the channel system should best achieve their own expectations by working for the success of the channel system as a whole. It is necessary to identify the needs of the members so that appropriate rewards can be devised and to agree targets and standards with all the members.
7. People can be motivated by the work itself if their needs for achievement and responsibility are thereby satisfied. This can result from:
 - Giving, people more responsibility where called for and more scope for variations in methods and speed of work;
 - Giving groups a unit of work to perform, thus reducing specialization and increasing the sense of achievement and responsibility and the expertise;

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- Relaxing overhead controls while setting targets and/ or standards to make members accountable;
 - Making available the necessary information so that members can monitor their own performance;
 - Encouraging the channel members to join in planning and innovation.
8. Try to make sure that the group pressure is working for you by involving the members of the channel in decisions which affect them. The link person's role can be likened to that of a master of ceremonies, who initiates the use of the available motivational tools, the link persons have to be self-motivated and display enthusiasm for their company, its products and its distributors. It is important that they appear self-confident. Their leadership, management skills and bond-building activities will then be able to play the necessary part in motivating the distributor principal and the sales force.

5.15 MANAGING AND MOTIVATING YOUR AGENTS AND DISTRIBUTORS

This process calls for an understanding of the relationship, mutual SWOTs, mutuality of benefits and a commitment to working together for common goals. A creation of the right environment - nature, scope and style of operation

- Realistic objective setting, review and control
- Joint development of campaigns.

Remuneration of the Salesperson

Industrial selling is distinguished from other kinds of selling by 'customer penetration'. As a rule, when distributing a product for resale, the sale is made by a salesperson to the buyer or the merchant acting as their own buyer. Rarely does the sales executive have to 'sell' both the buyer and the owner of the shop, though a smart person makes sure that anyone who sells their product understands its sales points. In industrial selling, however, it may be necessary for the sales executive to persuade several people before walking out with an order. First, the user of the product has to be sufficiently interested to suggest to their immediate supervisor that this particular product be specified when a requisition is next placed; since few workers are capable of effectively relaying a sales presentation, the sales executive must also 'sell' the supervisor. After the supervisor requisitions the product, the matter may go to the works manager or the engineering department for approval, if it is sufficiently important. Again, the salesperson has to make sure that these executives understand the engineering advantages of the product. After being approved by the engineering or operating department, the requisition may travel to the financial controller, who approves the budgetary expenditure and passes it along to the purchasing department.

The buyer or the assistant mayor may not issue a purchase order at this point. After checking the price against competition, some similar product may be found which seems 'just as good' and may be cheaper. So, unless the sales executive is on the job, the requisition may travel back to its point of issue to ascertain

whether the cheaper product may not be acceptable. This process is quite usual in industrial selling. In the case of equipment involving a considerable outlay of money, it may be necessary to 'sell' several executives and the board of directors. There are usually 'no people' in every organization, who may not actually have much buying authority, but who can, if not otherwise persuaded, wreck the sale.

Remunerating the Sales Effort

Remuneration of sales executives always provokes a great deal of lively discussion whenever the topic is raised. So it should. It is an important motivational factor as far as the sales force are concerned. Companies use various methods to calculate the amounts paid to their sales force, depending on their number or the products they sell or other factors. However, any method of remuneration must be of mutual benefit to both the sales executives and the company employing them; if either party feels that it is times getting a fair deal, then the association will eventually, if not immediately, break down. A sales executive who is dissatisfied with the remuneration, will leave the company. While a company that is unhappy with the salesperson's performance, in view of their total costs, it may discharge him. We will briefly examine the methods of remuneration in current use.

Salary Only

A salary, however high, does not provide the incentive needed for extra effort when it is necessary. This arrangement is preferred by the sales force when the salary is high, but the cost may be too high for the management to accept. It may be a good idea when large capital plant is being sold, but in that case the selling may well be handled by a senior employee, whose incentive would perhaps be an equity holding in the company.

High Basic Salary Plus Bonus on Trading Profit

This method is a little better than the previous one from the incentive point of view. But sales executives tend to be impatient people, and they are not usually prepared to wait for a year or so before knowing whether they are going to get a bonus. Therefore, the advantage is slight. Also, too many intangible factors affect the bonus payments and many of them are not controlled by the salespeople. While the sales force in the field may have done extremely well, the orders may be fouled up by a strike in the factory or an extra large payment may be made to a departing chairman, depleting profits; such happenings could cause justifiable dissatisfaction among the sales force.

Commission Only

This can create insecurity, especially with new recruits. If they have family responsibilities, and cannot obtain orders quickly enough, it can create dishonesty, which does not do either party any good in the end. If a company with a wide range of products pays its sales force on a commission only basis, the sales executive will only sell what they wish to sell and are good at selling. Those products may not be the ones the company wants pushed. A salesperson doing well on a commission only basis can still feel insecure. If the performance is too good, the company may decide to take on someone else, thus effectively reducing their territory and their

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earnings. This naturally has a dampening effect on their selling capacity. A company cannot effectively control and direct the effort of a sales force paid on a commission-only basis except by harsh measures, which may be undesirable.

Low Rate of Commission Plus a 'Liveable' Basic Salary

This method is the most widely used in industrial selling. This is quite satisfactory for a one product or one product range company, but problems appear when the company expands or increases the sales force. The sales executives are not interested in establishing new lines or in the expansion of the company's activities.

Continuous Incentive Bonus Scheme

The total remuneration should be made up of a livable salary and a bonus, in a predetermined ratio, say 80 : 20. The company must have a master plan with its aims and expectations clearly defined. At the beginning of every financial year, the company should set out, in the form of an overall company sales target:

- The total sales target for the next twelve months;
- The target for each salesperson in that achievement;
- The share of the total sales target to be borne by each product range, particularly if a multiplicity of products are to be sold.
- It is one of the functions of senior management to determine the target proportions carried by each product range and it is one of the sales executive's major functions to attain those objectives.

It is vital that the sales force sell the product range that makes the highest gross contribution to the company profit. Others may be easier to sell, so incentives should be tied to selling those lines which enhance the bottom line of the business and maximize the return on capital employed, which is the true measure of the company's success. The continuous incentive bonus scheme is designed to inform the salesperson exactly what is required of them in the year ahead and what their rewards will be if the objectives set are attained. This ensures that the goods are sold according to the overall company targets and in the right product range proportions.

Setting Sales Targets by Product Range

In this example, nine points are allocated to general work. This covers punctuality, grooming, accuracy of records, etc. The percentage of target achieved, up to a maximum of 100 per cent, but not beyond, will qualify for that percentage of points allocated to the product group target; *i.e.*, 75 per cent achievement of product range. A target above qualifies for 75 per cent of twenty points, equal to fifteen points. In the case of general work, points received will be based on the recommendation of senior management.

At the end of the period, the points achieved per product range are added up and a total arrived. A bonus is then paid according to a previous scale laid down, *e.g.*, (for twelve months), it may be as given in Table-5.1.

Table 5.1

95 points and above earns	\$1500
85 – 94 points earns	\$750
75 – 84 points earns	\$375
74 and below earns	nil

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It should not be necessary to point out that a sales executive does not qualify for a bonus unless all the product ranges are sold, not just a few. The executive should be kept informed of progress by the regular issue of progress information. This scheme combines flexibility with a fixed basic method and level of bonus payment.

It can cope with changes in territory or in targets. Product range F may be more important than product range B, even though the target is lower; the profitability may be higher or it may be a new product. Therefore, the former may carry more points than the latter.

- Market share
- Sales intensity
- Storage space provided
- Inventory holding support
- Standard of service provided to customers
- Enlistment of new accounts
- Market intelligence support
- Promotional support
- Prompt payment of invoices
- Maintenance of business records
- Submission of reports
- Public relations.

Effective Communication

“Maintaining effective communication with the dealers is another element of dealer motivation. It is, in fact, a part of maintaining harmonious relations. Effective communication often gives a sense of participation to the dealers. Company newsletters and direct mailing can be used for effective communication with the dealers. Periodical dealer meetings/conventions also help build good communication. They help the firm understand the views of the dealers. In addition, they act as a morale booster.

SUMMARY

- Distribution refers to the process of moving the products from the point of production to the point of consumption so that the products become accessible to the people who may like to consume them. When a manufacturer establishes

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- direct linkages with his consumers and sells directly to them without using any intermediaries, this option is called direct distribution.
- Your direct contact with your important clients can enable you to customize your value added food products in accordance with the needs, tastes and requirements of the customers.
 - When you use intermediaries to reach your final customers, the mode of distribution is called indirect distribution. The advantages of indirect distribution include, low initial investment in distribution facilities, relatively lower working capital requirement in relation to the distribution function, benefits of specialization accruing from the intermediaries.
 - The set of organizations, outside your own firm, selected by you to enable your final customers to access your products is known as channel of distribution. A channel of distribution essentially enables the movement of products from the point of production to the point of consumption as well as the transfer of title from the manufacturer to the ultimate consumer.
 - The term wholesalers includes all establishments and businesses engaged in purchase of goods from the producers for the purpose of reselling them to retailers or industrial, commercial, institutional or professional users or to other wholesalers.
 - The term retailer includes all establishments and businesses engaged in selling goods for personal or household consumption.
 - Departmental stores usually located at a central location, provide a great shopping convenience to the modern customer who is short of time, by providing them a range of products under one roof.
 - The basic purpose of the cooperative store is to eliminate the middlemen and obtain the goods for their members at a low price.
 - Choice of channel design is strongly dependent upon whether you want to operate in the local market only or you desire to operate in regional and national markets as well.
 - The physical distribution objective is often defined as making the goods available in all the places that they are desired in the least possible time at the lowest possible cost.
 - In the first place, the channel brings together the manufacturer and the user in an economic manner and thereby provide distribution efficiency to the manufacturer.
 - Marketing channels also provide salesmanship. In particular, they help in introducing and establishing new products in the market.
 - Channels provide market intelligence and feedback to the principal. In the nature of things, channels are in a good position to perform this task, since they are in constant and direct contact with the customers.
 - Pricing decisions, are related to the channel pattern adopted by the firm and the compensation paid to the channel. Similarly, decisions on sales force, its size, type, etc., depend on the nature and size of the marketing channel adopted

- Dealers act more as a purchasing agent for the consumers than as a selling agent for the principal.
- Dealers expect effective servicing from the firm. Prompt supply of the product is one part of effective servicing. Prompt supply of the product helps the dealers not only to achieve larger sales but also faster turnover and lower cost on inventory carrying.
- Better servicing of the dealers, better communication and better motivation and training bring in superior dealer loyalty. And, with this loyalty, the firm can win markets.
- Appraisal of the performance of individual channel member is yet another important element of channel management. Performance appraisal must bring forth the strengths and weaknesses of the channel member. If the performance is below the desired level, remedial action must be taken promptly.
- Customer satisfaction surveys are also conducted to evaluate the quality of the service provided by the channel member.
- The primary purpose of training is to improve the performance of the channel members through a sharpening of their sales skills and product knowledge.
- Concorde, a Telco-Jardine Matheson JV; created for setting up the dealer network for Indica, conducts in-house training for Indica dealers. And, Maruti has tied up with National Institute of Sales for training its dealers.
- Channel objectives determine channel strategy. Making a major change in an established channel structure is difficult and often risky.
- A sales executive who is dissatisfied with the remuneration, will leave the company. While a company that is unhappy with the salesperson's performance, in view of their total costs, it may discharge him.
- Maintaining effective communication with the dealers is another element of dealer motivation.

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REVIEW QUESTIONS

1. How does channel provides distribution efficiency?
2. Discuss the channel functions.
3. How channel is important due to its functions?
4. For the list of products given below, suggest whether direct or indirect distribution channels would be appropriate. Give reasons for your answer.
 - (a) Fresh fruit juice
 - (b) Packaged or tinned fruit juice
 - (c) Jams, jellies or marmalade
 - (d) Vegetables preserves
 - (e) Pickles

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- (f) Packaged ready to eat vegetables
 - (g) Soup powders.
5. so an entrepreneur you have developed a line of fruit based products to suit the health requirements of the present generation. These include a complete range of fruit juices, preserves, jams and jellies without artificial sweeteners or extra sugar. As chemical preservatives have not been used the products have a relatively short shelf life. What are the criteria that you would apply to select appropriate channels for your product line?
 6. What are the important decisions within the physical distribution function that an entrepreneur dealing in value added food products will need to take? Explain with the help of suitable examples.
 7. What do you mean by trade margin?
 8. What are the functions of principal?
 9. Why is it necessary to train channel members?
 10. How are channel members appraised?
 11. What do you understand by motivation? Why is it required to motivate channel member?
 12. Why control is essential of channel members?
 13. What is the role of manager (link person) in motivating channel member?
 14. What are elements of dealer motivation?

FURTHER READINGS

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