

UNIT-IV

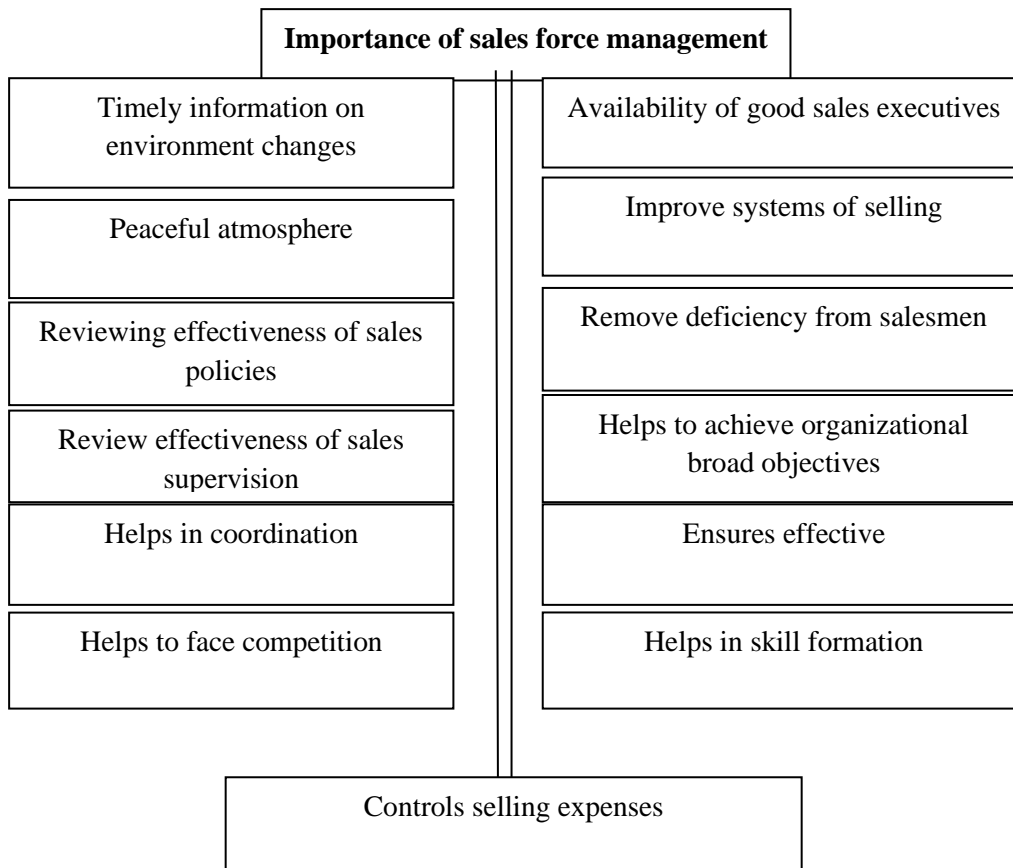
Subject Name	Sub Code	Semester	Prepared by
Advertising and Sales Promotion	18BBA63C	VI	Dr.L.Shanthi, Assistant Professor in BBA

SALES FORCE MANAGEMENT

According to American marketing association (AMA), “Sales management is defined as the planning, direction and control selling, including recruiting selecting, equipping, routing, supervising, paying and motivating as these tasks; apply to the personal sales force”.

IMPORTANCE OF SALES FORCE MANAGEMENT:

The success of any business depends upon the success of its sales force management. The major importance are as follows:



1. Timely information on environment changes:

Sales force management makes the salesmen more alert. They inform the top management about these changes well in time and hence enable top management to take timely action.

2. Availability of good sales executives:

When good salesmen are selected, they work with more efficiency, ability and enthusiasm and attract more customers.

3. Peaceful atmosphere:

Good salesmen have faith in their abilities. They do not indulge in any unnecessary activities that affect the working atmosphere.

4. Improve systems of selling:

Periodic reviews will enable the salesmen to pinpoint the effectiveness of the systems introduced for selling. Hence changes can be made accordingly.

5. Review effectiveness of supervision:

Many – a – times, it is the supervisor who deters the performance of the salesmen. Periodic review helps the supervisor to evaluate the salesperson effectively..

6. Help to achieve organizational broad objectives:

Sales force management help to achieve organizational broad objectives of sales maximization, profit maximization, and continuous business growth.

7. Helps in coordination:

Sales force management help to achieve coordination among various department performing selling and non selling activities.

8. Ensures Effecting Salesmanship:

Salesmanship is the art of persuading prospective buyers to buy goods and services provided by the institution. Effective sales management ensures effective salesmanship.

9. Helps to face competition:

Better relations with customers established by sales management helps to face competition.

10. Helps in skill formation:

Sales management provides training to sales force and helps them to develop their skills for performing various selling activities. It helps the

11. Controls selling Expenses:

Sales management establishes control over wasteful selling expenses, reduces percentage of selling expenses on sales.

SALES FORCE MANAGEMENT DECISIONS:

There are several decisions that are necessary for managing the sales efficiently. They are:

1) Sizing the sales force size:

Under this activity, management need to determine how many number of sales man are required for meeting sales volume and profit objectives.

2) Staffing the sales force:

Staffing mean filling positions in the organization structure. In sales force management, staffing is considered more important as it directly influences the sales of the organization.

3) Training the sales force:

Sales personnel training is designed to instill the skills needed to sustain the sales process from initial enquiry to eventual sale and then follow-up.

4) Motivating the sales force:

After hiring and training people for the job the most important thing which needs to be dealt with is motivate the sales people in order to generate maximum sales.

5) Leading the sales force:

Sales manager is the head of sales department. He is the leader of sales team.

6) Evaluating and controlling the sales force:

Evaluating a salesperson's performance is a part of the managerial function of sales force management. Management compares the results of a person's efforts with the goals set for that person.

MOTIVATING THE SALES PERSON:

The sales force plays a crucial role in generating revenue and helps to sustain the growth and survival of companies. It is the responsibility or the sales force of an organization to constantly improve its sales.

Because of the nature of the job, salespeople have to be self-motivated in order to derive maximum satisfaction from the job. When self-motivation fails, it is the task of the Sales Manager to ensure that the sales man remains motivated and committed. Hence motivating the sales person plays an important role.

According to Berelson and Sterier, "Motivation consists of all those inner striving conditions described as wishes, desires, drives, needs, impulses, etc. It is an inner state that activates or motivates".

According to Sharetle, "Motivation is a reported urge or tension to move in a given direction to achieve a certain goal".

IMPORTANCE OF MOTIVATION:

All the sales personnel like to have their efforts recognized. They like to feel that they are part and parcel of the firm. Some salesmen require no encouragement from the management and are able, ambitious and self-starters. But most of the salesmen need encouragement and stimulation to work at their best . This is because of the following reasons:

1) Nature of the Job:

Salesmen's job is to tell and to sell. He has a chain of incidents of happy and unhappy results from the customers. He has to face the customers of different attitudes – rude, impatient etc., as well as nice, friendly, good natured etc. Therefore, a strong stimulation keeps him to the desired level of performance.

2) Human Nature:

A satisfied salesman will do better for the firm, but unsatisfied salesman will do more harm than good. The financial incentive is not enough to keep him happy. Stimulation in the form of promotion, extra financial benefit etc., are needed to keep him at the level of performance. His mind must be happy.

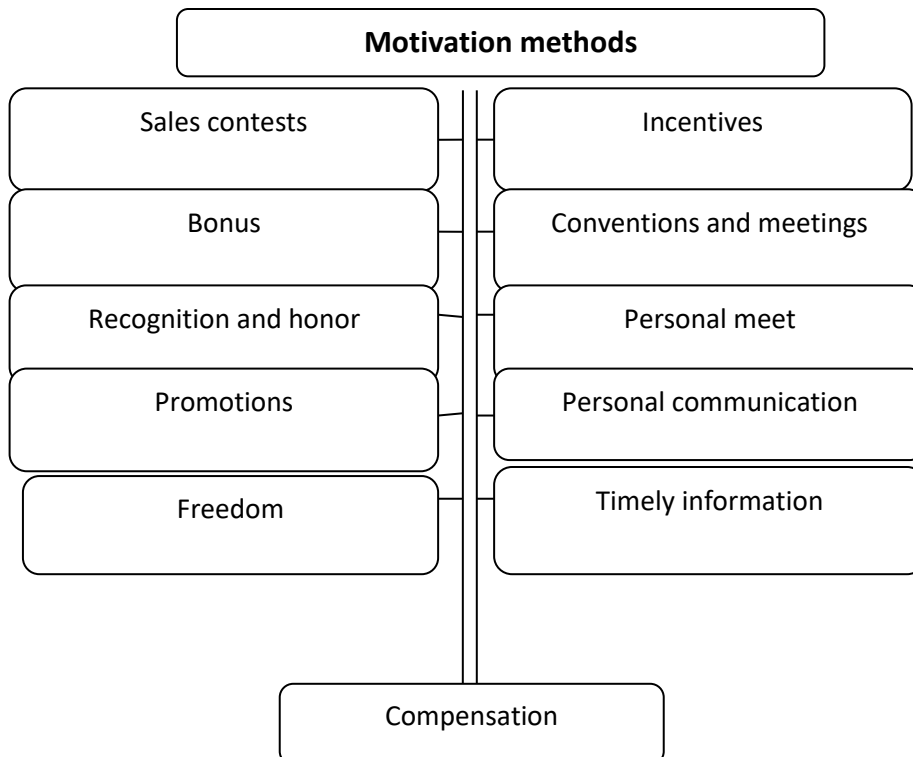
3) Personal problems:

A salesman passes most of his time away from his family. He is unable to attend to his family affairs. Hence, he needs a good encouragement.

4) **Loners:** By profession, he is working in the assigned territory. He may feel lonely and monotonous. He must be kept in with the feeling of group identity.

METHODS OF MOTIVATING SALES FORCE:

In addition to the fixed remuneration, certain types of encouragement are needed. A few of them are shown below:



1. Sales contests:

A sales contest means a competition among the salesmen, by maximizing their effort to boost up the sales, to earn the name of superior salesman.

2. Incentives:

An incentive is any factor financial or non – financial) that enables or motivates. Incentive programs are particularly used in business management to motivate employees, and in sales in order to attract and retain customers.

3. Bonus:

The word bonus refers to extra pay due to good performance. Sales people performance can be increased by providing bonus so that they remain committed to their work continuously.

4. Recognition and honor:

Recognition and honor – title such as, “superman for the year”, medal or trophy, congratulatory greetings, appreciation letters, etc., greatly encourage the salesman to do more hard work. These recognitions and honours satisfy a salesman greatly.

5. Promotions:

Promotion leads to increase in status, self – respect , remuneration ; which is the best motivation for salesmen.

6. Compensation:

Compensation is the most widely used method of motivating a sales force. It is the key to changing sales people’s behavior.

7. Sales Meetings:

In sales meetings exchange of ideas and opinion takes place and hence the salesman has a close touch with the fellow workers and executives. Problems are solved and new policies are developed.

8. Personal Meet:

Personal meet with the sales manager may find solutions to the sales executives problems and lead to increase their job performance.

9. Freedom:’

Although the sales man is controlled by his superior, he should be permitted to do his job in his own pattern. Frequent calling of report should be avoided.

10. Timely information:

In new product introduction, changes in policies etc., the sales man should be informed in time, since he is the person who ultimately meets the consumer.

11. Personal Communication:

It is always good for the sales manager to write personal letters to the salesman, solving the problems of the salesman, who is performing his work.

SALES FORCE COMPENSATION:

According to Cascio, “compensation includes direct cash payment, indirect payments in the form of employee benefits and incentive to motivate employee to strive for higher levels of productivity”.

OBJECTIVES OF COMPENSATION PLAN:

The compensation plan will thus meet the objectives of both the parties, i.e., the sales manager and the organization on one hand and the salesman on the other hand.

1) Sales Manager's Objectives:

Sales manager's objectives are as follows.

- i) Attracting the Best Talent:** The prime objective of the sales manager is to devise a compensation plan that attracts the best talent, develop and retain them to deliver the best results, as it is ultimately the team that has to realize the sales plans.
- ii) Devising Compensation Plan within Cost Budget:** The compensation plan must be within the cost budget specified by the organization; the emphasis will be to put minimum strain on the organization finance, which is a difficult task.

iii) Utilizing the Team at Optimum Cost: The objective is to utilize the team at the optimum cost and not necessarily the minimum.

iv) Controlling Salesman's Operational Activities: The objective of adequate compensation plan will be to have a control over the salesman's operational activities. The compensation plan will not allow "rest at peace attitude to set in, nor will it be low enough leading to de-motivation for the salesmen - the productivity should not suffer.

v) Taking Care of Individual Differences: The plan must take into account the individual differences in working attitudes, capacities and attainments. The comfort and the discomfort level of each separate territory must be identifiable through the remuneration plan.

vi) Matching Industry Norms: The plan must keep pace with the industry norms. It should neither be set up too high to the next competitor, nor too low. The idea being to keep the attrition rate as also the high comfort level within control.

vii) Maintaining Harmony with Personnel Policy: The compensation plan will have to be devised keeping in view the salary levels of other departments within the organization.

viii) Matching Compensation Plan with Organized Sales Force: With the sales department also getting unionized now, the sales manager has to cope with the demands of the organized strength of the sales force while devising the compensation plan.

ix) Taking Care of the Law of the Land: Lastly, the social systems and the legal and fiscal rules too put their pressure on the management to structure the salaries and wages in accordance, with the laws of the land.

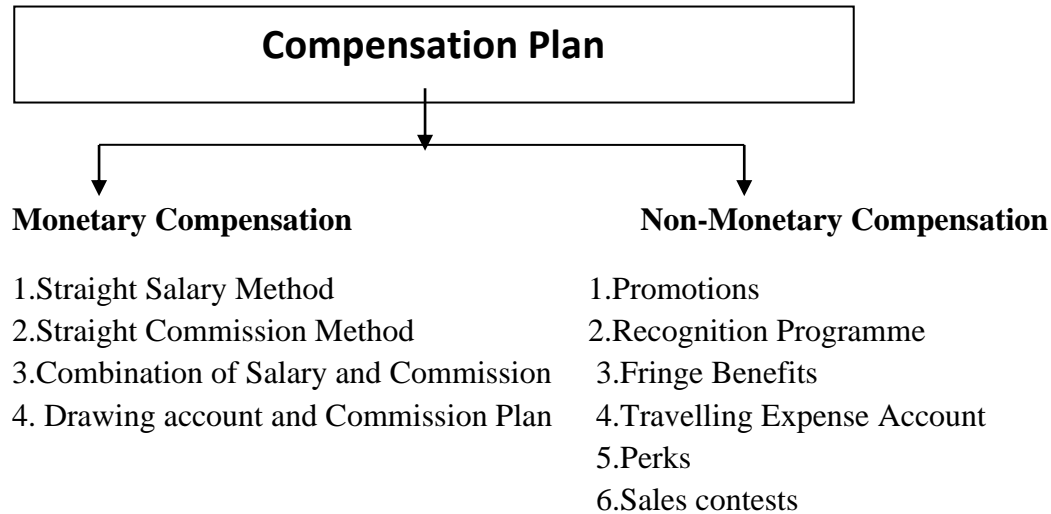
Salesman's Objectives:

A salesman will look at the anticipated and expected remunerations of his job considering the following:

- i) **Acceptable Standard of Living:** The salesman feels he is a responsible member of the organization, who contributes to the revenues of the company. He is aware that the business procured by him will ultimately add up to the profit margins of the organization. Thus, he wants his company to pay him decently to maintain his family standards.
- ii) **Consistency in Income:** The salesman will like a certain amount be paid to him in terms of salary every month in order to take care of regular expenses. That will also provide him a sense of security. This salary should not be linked to the ups and downs of trade, and sales volumes.
- iii) **Performance linked Incentives:** In addition a salesman will like his performance to be rewarded. The incentive to do better will certainly be there, if it is linked to the sales performance after a certain cut-of stage.
- iv) **Simple and Comprehensible:** A salesman will like the salary structure to be simple, easily worked out and one which is easy to compute.
- v) **Fair and Transparent:** The salesman will like the compensation to be fair to all his colleagues as well.
- vi) **Timely Payments:** The salesman will like his earnings to be paid to him in time. The regular salary on the fixed pay day and the incentive earned by him should also be computed and paid to him within a reasonable time period.
- vii) **Scope for Future Raise:** The salesman obviously does not want to continue earning the same salary all his life. He will like to know the scope for future raise both in terms of status and salary.

METHODS OF COMPENSATION PLAN:

The various types of compensation plan are as follows:



MONETARY COMPENSATION:

1) **Straight salary method:**

Under this system, salesmen are paid a predetermined amount, as a salary, generally at the end of every month. That is fixed amount is payable to the salesman, regardless of his sales target achieved.

2) **Straight commission method:**

The productivity, i.e., volume of sales made by a salesmen is a basis for remuneration. The commission is calculated usually as a percentage on total orders secured i.e., total value of sales.

3) **Combination of salary and commission:**

The combination of salary and commission plan takes the advantages of both the method – straight salary method and straight commission method. This is the popular method of remuneration.

4) **Drawing account and Commission Plan:**

In this method, the sales organization opens a drawing account in the name of the salesperson and credits the commission due to him every month. The salesperson can draw from this account within the permissible limit.

NON – MONETARY COMPENSATION:

1) **Promotions:**

Salespeople working in organization for a longer period of time always look for higher job responsibility.

2) Recognition programs:

These are programs designed to honor individual salespersons' contributions and recognize the excellent performance. The promotion policy should be open and clear so that it serves as a motivational tool for the salespeople.

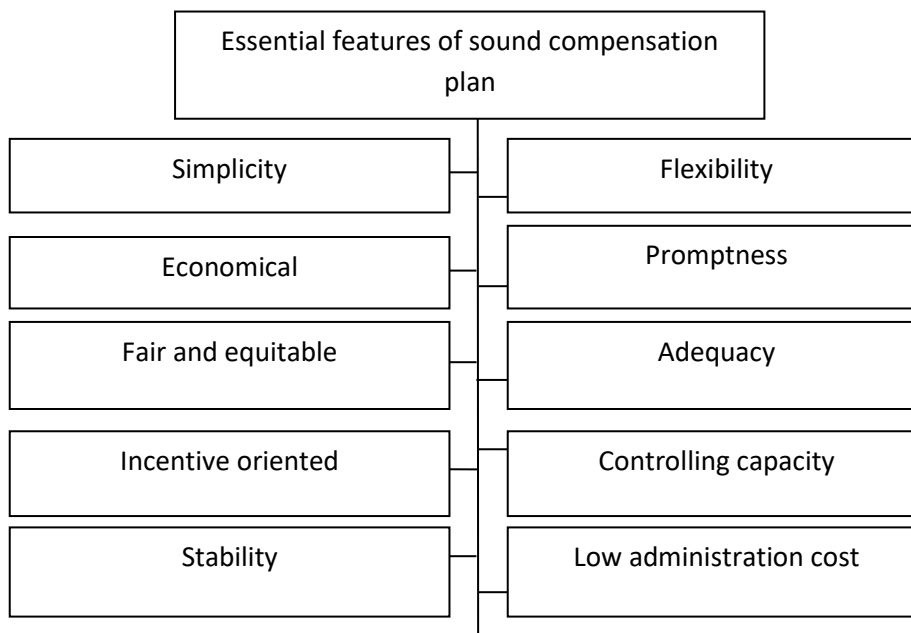
3) Fringe benefits:

Many sales organization also fringe benefit for compensating the sales force. These are employment benefits in addition to the salary and wages paid to the sales staff. These include medical benefits, retirement benefits, life insurance, and other forms of employee motivation tools like stock options and profit sharing.

4) Sales contests:

Sales organizations organize sales contests for the salespeople to stimulate sales. Sales contests enhance the morale of the salesman and motivate them for higher sales in the short term.

ESSENTIAL FEATURES OF A SOUND COMPENSATION PLAN



The compensation plan should be easy and simple to understand.

2) Flexibility:

Plan should be able to meet the varying requirement of different selling conditions, individual employers and the aims of the organization.

3) Economical:

A sound compensation plan should be economical. The earnings of the salesmen should be kept within the economic limits of the organization.

4) Promptness:

Prompt payment works as an incentive for the sales force to work hard.

5) Fair and equitable:

A sound remuneration plan should always be fair and equitable towards the entire sales force.

6) Adequacy:

While planning a remuneration policy, it should be noted that the salesmen are getting an adequate income so as to maintain a decent living in the society.

7) Stability:

This is an importance feature of sound remuneration plan. The income of the salesman should not fluctuate too often.

8) Low administration cost:

The cost of administration of any compensation plan should be as low as possible.

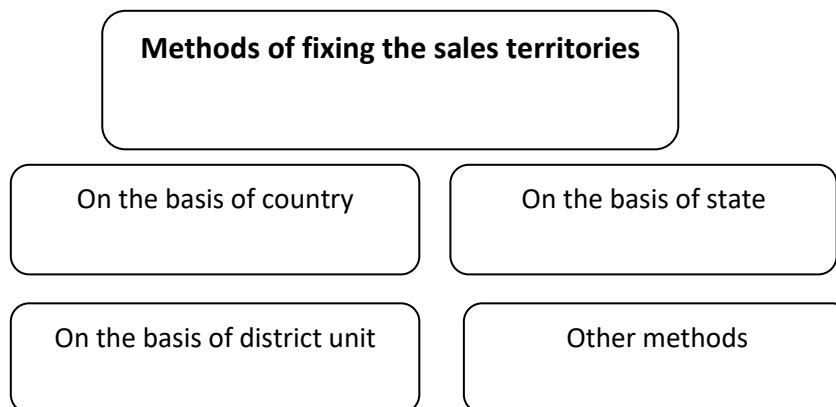
SALES TERRITORIES:

A sales territory is composed of a group of customers or a geographic area assigned to a salesperson.

According to Maynard and Davis, “Sales territory is a basic unit of sales planning and sales control”.

METHODS OF FIXING THE SALES TERRITORIES:

The main methods used for fixing/ established sales territories are as follows:



On the basis of country: When the sale of a product is done on international level (such as petrol, tea, and coffee, etc.) then the whole country is treated as one unit and thus only one sales territory is established for the whole country. Indian tea Board had established one sales territory in our country.

On the basis of state Under this method, sales territories are established on state or province basis. Once sales territory is established for the entire state or province, the same sales territory is responsible for selling the product of an enterprise in the particular state. Several Indian industries are on state basis.

On the basis of district unit: Under this method, sales territories are established on the basis of district. Under this method, one sales territory is established for one district.

Other methods: Besides the above methods, sales territories can also be established on regional basis, size of production, unit basis, etc.

Guidelines for fixing sales territory:

- Every possible effort should be made to prevent duplication of efforts. Two salesmen may not be allocated the same territory.
- While allocating sales territories it should be kept in mind that as far as possible sales opportunities are equally divided.
- The allocation of sales territories should be done in such way that it may facilitate the effective control of the sales manager the sales force and develop healthy competition amongst the salesmen.
- Allocation of sales territories should facilitate comparison among the sales personnel.
- Allocation of sales territories should avoid wastage and facilitate economy. The selling cost should suit the amount sales.
- Allocation of sales territories should provide flexibility so that the changes may be done conveniently without distributing the structure; etc.
- Equitable assignment should be done. It should be based on the competence, skill, ability, experience, and the knowledge of the salesmen.
- Allocation of sales territories should be done on the basis of demand of the product and the elasticity of demand that the advantages of discriminating price policy can accrue.
- New salesmen should not be given independent charge of a sales territory at the first instance. He should be required to work under the direct supervision and control of experienced salesmen for some time.

The contents in this E- Material has been taken from the text and reference books as given in the syllabus