Sales & Distribution Management

Block

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THE SALES PERSPECTIVE

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COURSE INTRODUCTION

Sales refer to the exchange of goods or services for an amount of money or its equivalent in kind. Selling helps an organization achieve its business goals. Thus, managing sales in an organization is a critical activity. A sales manager needs to ensure that the salespeople are motivated to perform the selling function in a way that will help the organization attain its goals. The sales team continuously monitors the changes taking place in the external environment regarding competitors, customers, government and other regulatory agencies, advances in technology and industry trends. This provides the sales personnel with vital information regarding trends in organizational sales, product development, and budgets. By offering the management, vital inputs pertaining to such information, the sales team helps the management to develop plans regarding sales, production, and design.

Over the years, substantial changes have taken place in the selling environment, leading to changes in the sales function. The trends that have shaped the sales function include shorter product life cycles, longer and more complex sales cycles, reduced customer loyalty, intense competition among manufacturing firms, rising customer expectations, increasing buyer expertise, electronic revolution in communication, and the entry of women into the sales force.

In addition to having a strong sales function, companies should also have efficient distribution channels to make the products available to the end consumer. Management of distribution channels involves efficient channel design, conflict management, and implementation of sophisticated channel information systems, which will enhance the process of making the products available to the end consumer in a timely manner.

The course, Sales & Distribution Management, examines the various aspects of the sales function ranging from various sales organization structures to the role of the sales manager in improving sales by hiring, training, motivating, and leading the sales force. It also deals with the distribution function, and discusses logistics and channel management.

The course introduces students to the issues involved in the sales and distribution function. It enables students to learn how to plan, organize, and direct the sales function. The course will also equip the students to learn how to manage the distribution function. It also provides to the students an understanding of the various channel institutions.

This edition has added a large number of contemporary examples and deleted old examples and exhibits. It has simplified the language and text layout to make it more readable.

BLOCK 1: THE SALES PERSPECTIVE

The first block of the course on Sales & Distribution Management deals with the sales perspective. The block contains four units. The first unit discusses the basic concepts of sales management. The second and third units focus on the sales organization, and the sales function and policies, respectively. The fourth unit examines the concept of personal selling.

The first unit, *Introduction to Sales Management*, explains the process of sales management and discusses the evolution of the sales concept, which is an important part of business. It also analyzes the role and image of selling, and the different objectives of sales management. The unit discusses how to evaluate the various environmental changes that affect sales management. The unit ends with a discussion on the concept of sales management, and its importance in an organization.

The second unit, *The Sales Organization*, deals with the concept of sales organization. The unit analyzes the role of a sales organization. It also explains the basis for designing a sales organization. The unit gives a detailed description of the different types of sales organizations, and also mentions the advantages and disadvantages of each of them. It also discusses the different types of sales force structure by explaining the advantages and disadvantages of each structure. The unit also provides information about the sales culture, its different components, and the role of sales culture in developing a sales organization.

The third unit, *Sales Functions and Policies*, provides an idea about the roles and responsibilities of a sales manager. It also discusses the roles and responsibilities of the sales executives. The unit ends with a discussion on the different policies that impact sales management.

The fourth unit, *Personal Selling*, discusses the concept of personal selling. It provides insights into the various aspects of personal selling. It also examines the different objectives of sales force, while explaining the different sales force strategies. The unit also discusses the theories of personal selling and the different approaches to personal selling. The unit ends with a discussion on effective selling techniques, and the importance of automation in personal selling.

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Unit 1

Introduction to Sales Management

Structure

"Sales is not about selling anymore, but about building trust and educating."

- Siva Devaki (CEO-MassMailer Inc.)

1.1 Introduction

To survive in today's competitive environment, companies must look beyond just selling products and services like educating the customers about the products and services and build trust with them. This needs a systematic sales management approach.

In this unit, we introduce sales management. Sales refer to the exchange of goods or services for an amount of money or its equivalent in kind. Selling is the most important and a difficult function in an organization. Without the sales function, a firm cannot stay in business for long. Therefore, managing sales in an organization is a critical activity.

A sales manager needs to ensure that the sales people are motivated to perform the selling function in a way that will help the organization attain its goals. He/she also needs to constantly interact and coordinate with other departments to ensure that goods are supplied to customers on time, and deal with complaints from other departments about the sales people. Other departments usually complain that sales people make promises to customers that are difficult for the production, finance, and other departments to fulfill.

Other activities of the firm such as advertising, marketing, public relations, etc. play a crucial role in creating a desire for the product in the minds of the customers. However, the interactions, that the salespersons have with the customers, is the most critical part in closing the sale. Therefore, there is a need to understand that sales is an important activity that can make or mar the future of an organization.

This unit deals with the various dimensions of sales management. The unit provides a discussion on the evolution of the sales concept followed by a description of the nature and role of selling. The unit also provides an overview on the objectives of sales management and the importance of integrating the sales and marketing functions in an organization. The unit ends with a discussion on the environmental changes affecting sales management.

1.2 Objectives

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

- Define sales management.

- Explain the nature and role of selling.

- Analyze the objectives of sales management.

- Evaluate sales and marketing management.

- Explain how environmental changes could affect sales management.

1.3 Evolution of the Sales Concept

Selling has been an important part of business throughout history and will continue to be so. To understand the sales concept better, one needs to understand the evolution of selling from the Stone Age.

Trade and selling were not common during the Stone Age. People in one group perceived the other groups as a threat and either fought with them or avoided them altogether. However, when one of these groups had to pass through the territory of another, they would leave behind some gifts or offerings in exchange for being allowed to pass through safely. This form of exchange can be considered as the first evidence of trading by human beings. Gradually, socialization between groups increased, leading to an improvement in trade. It gave rise to the concept of demand and supply. These developments were confined to negligible activities and so cannot be considered as trade or selling in the true sense. However, these activities laid the foundation for modern trade and selling.

When men started cultivating and harvesting crops around 10,000 BC, it necessitated large-scale selling and travel across territories. Thus evolved the concept of traveling sales persons who carried goods across territories for the purpose of selling them. Jewels and other valuable metals served as the currency during this period. Agricultural produce was brought to a market-place for

exchange with other goods. This gave rise to the concept of intermediaries who sold goods produced by others in the market. This type of business prevailed for several thousand years.

The development of iron tools led to ship building that in turn led to selling goods across seas. Trading was now done by a chief trader who appointed field sales persons to sell the goods. These sales persons were paid on a daily basis or on a commission basis. Despite these developments, during the early Iron Age, trading did not take place on a large-scale due to the lack of proper protection to foreign traders and the absence of currencies that were freely tradable or acceptable.

Gradually, commercial laws evolved and in 670 BC, government backed coinage was issued. This greatly facilitated foreign trade. Competition slowly evolved during this period with traders selling similar goods and reducing prices to attract customers. The profession of sales gained rapid acceptance and commission as a mode of payment became popular. With the fall of Rome in 476 AD, trade was stalled to a significant extent for several hundred years. It began once again with the origin of Islamic trade in the Middle East. Book-keeping methods were introduced for easier transactions.

During the Middle Ages, the concept of door-to-door selling became popular in rural England. In the preceding years, Northern Europe had suffered extensively from plague and the markets almost went mute. Several hundred years later, art and art forms prospered in Florence, Venice, Rome, and other places, giving a boost to commerce and trade. Trade fairs became popular and sales persons, even more so. People from all economic strata visited these trade fairs to buy the goods exhibited. The sales person occupied the most important position in these trade fairs. He played different roles – that of auctioneer, lecturer, trader and entertainer -- to sell his goods. He was considered to be highly intelligent and became immensely popular among the general public. Sales persons at this stage realized that to be successful, it was essential to foster long-term relationships.

The Industrial Revolution brought about a dramatic change in the sales scenario and gave rise to modern sales and marketing practices. The setting up of industries led to mass production of goods and the opening of a large number of showrooms and sales offices. Advancement in transport and communication technology in the form of railways, postal system, the internet, etc., further revolutionized the selling process across the world and laid a strong foundation for selling in the 20th century.

On the whole, the evolution of sales can be divided into seven generations.

- **First generation**: During the first generation, selling took place in the form of exchange of goods. In other words, a barter system was followed. The barter system has been around since the beginning of civilization and is the simplest form of exchange.

- **Second generation:** The second generation of sales involved in the evolution of the store concept. Goods were stored for sale at one place from where the buyers could purchase whatever they required. Thus, rather than purchasing goods on a one-to-one basis, a stockpile of necessary or desired commodities was created. From the barter system of trade, sales graduated to the inventory form of trading.

- **Third generation**: In the third generation of sales, traders began peddling their wares by searching for and locating customers, rather than waiting for customers to arrive and purchase their wares from stores.

- **Fourth generation**: The fourth generation of sales can be considered as the first step toward adopting a systematic approach to selling. In this stage traders realized that certain customers purchased goods from them repetitively and at regular intervals.

- **Fifth generation**: The fifth generation of sales was marked by the advent of need-based selling. Thus, the sales activity became more scientific in its approach. The emphasis of the trader in this generation of sales was to identify the customer's need and fulfill it with a product or service. This approach toward selling can be considered to have laid the foundation for modern day sales techniques.

- **Sixth generation**: The sixth generation of sales began somewhere around the late '60s. In this period, the sales approach underwent considerable transformation. This was because there was an increasing demand for sales persons to understand customers' unique needs and offer solutions for them. The efforts of sales persons to understand the unique needs of customers gave rise to the 'consultative selling' approach wherein the sales people and sales managers assisted buyers in their purchase decisions. In the consultative selling approach, sales people give top priority to customers' needs. They also play the role of experts and try to resolve consumers' problems by identifying and offering them a product that best satisfies their needs.

- **Seventh generation**: In the seventh generation, the sales person assumes the role of a moderator, his aim being to make the customer realize the implications of buying the product or service. In this stage of selling, the sales person's focus is not on selling the product but to help the customer identify the long-term consequences of buying the product. The present system of selling that is in vogue in the digital marketing era reflects customer orientation[1]. With a focus on creating, building and securing long term relationships with profitable customers, modern selling is called relationship

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[1] https://blog.hubspot.com/sales/value-based-
selling#:~:text=Value%20Based%20selling%20is%20an,value%20the%20product%20son%20 (Accesses on 12th April 2022).

marketing. The most successful sales professionals in the present digital marketing times (second decade of the 21st century) see themselves as problem solvers. The value-based approach of the modern sales professionals is characterized by the following aspects:

o   Relationship with customers based on trust and integrity.

o   Understanding of customer problems and sales opportunities through study of customer data and information or research.

o   Thorough understanding of customer needs and the marketing implications.

o   Identifying specific customer needs and then validating the suitability of products or services that would meet customer needs.

To sum up, the modern day selling approach can be called 'value-based selling', where the customer-centric approach defines customer needs, solves problems and helps people make mutually beneficial purchase decisions.

Such an approach to selling helps in developing trust among the customers, thereby leading to referrals to the sales person. And as the customer is not pressured by the sales person to make the purchase, there is an improvement in the quality and quantity of sales, besides in personal satisfaction for both the customer as well as the sales person.

Check Your Progress - 1

1.   Which of the following functions plays a more critical role in closing the sale, than just stopping with creating a desire for the product in the minds of the customers?

   a.   Marketing

   b.   Advertising

   c.   Sales

   d.   Public relations

   e.   Publicity

2.   Who needs to constantly interact and coordinate with other departments to ensure that goods are supplied to customers on time?

   a.   Advertising manager

   b.   Sales manager

   c.   Production manager

   d.   Finance manager

   e.   Product head

3. During the first generation of evolution of sales, people sold their goods using one of the following approaches. Name it.

    a. Large-scale selling

    b. Barter system

    c. Selling through intermediaries

    d. Selling through showrooms

    e. Selling through sales offices

1.4 Nature and Role of Selling

Selling helps an organization achieve its business goals. It has other roles as well, such as that of enhancing knowledge about both the internal and external environments, such as customers, suppliers, distributors, employees and other people. It also includes developing a positive relationship with the customers, suppliers and distributors, and negotiating with customers to sell the company's products profitably. The sales team of an organization can play these roles effectively only when it receives the required support from other departments.

All the roles of the sales team are inter-dependent and the success of one role depends upon the success of the other roles. Information exchange among the departments of the organization is very crucial and the sales department has to share necessary information with other departments such as production. For instance, if the sales team forecasts a higher sale, then such information should be communicated to the production department so that it can take the necessary steps to increase the level of production.

The sales team continuously monitors the changes taking place in the external environment regarding competitors, customers, government and other regulatory agencies. It also includes advances in technology and industry trends. This provides the sales personnel with vital information regarding trends in organizational sales, product development, and budgets. By offering the management vital inputs pertaining to such information, the sales team helps the management in organizations to develop objectives. The management in organizations needs such information to also develop various plans regarding sales, production, and design.

There is another important role that selling has to play – the sales team should identify potential prospects, qualify them, and develop a long-term relationship with such customers. Locating new customers while retaining existing ones, is the most important function of a sales team. Sales personnel can locate new customers by obtaining information about them from personal acquaintances, existing customers and referrals from satisfied customers. Developing and maintaining a good relationship with the customers is also an important function of the sales team.

Example

Samsung is the global smartphone leader as on 2022 January. It achieved success through its sales teams which are regularly able to maintain loyal customers and keep rewarding them. Every time the customers purchase a new Samsung product, they give reward points which can be redeemed into money. The loyal and existing customers are the main focus for the company.

Discussion Question: Which function/role of selling is exhibited by the sales team of Samsung in the situation?

Source: ICFAI Research Center

1.5   Image of Selling

The sales force is the company's most valuable resource since it determines the success of the company in the market-place. It influences the profits or losses made by the company. The sales force is the principal, and often, the only revenue generator in some companies. However, despite the crucial role played by the sales force and despite millions of people across the world being employed in the selling profession, sales as a career option is viewed in a negative light. Salesmen too tend to have a negative image in society.

Many salesmen might have had the experience of being abused, shown the door in offices and homes, and worse still, of even being manhandled. The profession of selling is one of the most degraded, condemned, and ridiculed professions in the society. There may have been rare occasions when a sales person was praised and appreciated, but the negative experiences tend to outnumber the positive ones. Thus, although sales makes a vital contribution to society and the economy, its negative image tends to overshadow the good it does.

Exhibit 1.1 presents the results of research studies by HubSpot on image of sales persons.

Exhibit 1.1: Image of Salesmen

The principal cause of the negative image associated with the selling profession appears to be the misconceptions among the public regarding the job of a salesman and the manner in which sales activities are carried out. A study by HubSpot in 2018 suggested that only 19% of customers trusted sales persons. HubSpot study further reported that only 24% of customers opened sales e-mails and 48% of them deleted mails in less than five minutes.

These studies confirm the negative perceptions and apprehensions that people have towards sales persons. There are other views that state sales men exaggerate and don't just stop talking. Further, they are Type A Personalities who are aggressive and deploy manipulative selling tactics to achieve targets.

Contd….

Respondents in surveys also stated that selling job brought out the worst in the personality of an individual and that salesmen had to be dishonest, deceitful, arrogant and ready to compromise on their principles and values in order to be successful.

In reality, however, some of these perceptions could just be negative experiences reported by certain customers. Often these turn out to be myths. There is a lot of stereotyping in creation of such negative images of sales men. The respondents' reaction in many of the surveys done on salesmen had more to do with public opinion about salesmen rather than actual knowledge of the salesmen, their work style or attitudes.

There are certain statistics which suggest that over 46% of salesmen never intended to get into sales jobs *(Hub Spot-2018).* This means that they are just accidental sales persons, who may commit some mistakes in the job till such time they become well versed and committed to their jobs. Forrester predicts that due to the digital impact, over one million sales representatives would be out of job by 2020.

Source: Aja Frost, "75 key sales statistics that will help you sell smarter in 2020" Hub Spot- Sales Statistics-2019.

1.6 Objectives of Sales Management

The major objectives of sales management of a company are to increase sales volume, and contribute to profits and the long-term growth of the organization. Although these are the objectives of the entire organization, the sales force in particular, plays a significant role in achieving the objectives. Therefore, it is necessary that the sales manager clearly defines the tasks of the sales force personnel. While the sales force can serve as a tool for achieving these objectives, the ultimate responsibility lies with the top management. Sales quotas are normally sales volume objectives.

Sales quotas are set for sales personnel on the basis of the territories and regions in which they operate. The sales volume objectives are normally expressed in terms of rupee sales volume. Sometimes, the sales management expects the sales force to achieve higher sales volumes for specific product categories. The sales management offers special incentives for sales persons who achieve such targets. The idea behind offering such incentives is to motivate sales persons to put in extra effort. Similarly, other important objectives of the sales management include improving the contribution to profits and attaining long-term growth in the market.

1.7 Integrating Sales and Marketing Management

It has often been found that the sales and marketing functions in organizations are not in tandem. This leads to a lack of coordination between the sales and marketing activities and the business of the firm gets badly affected. If the

organization attempts to swap the jobs of the sales and marketing people, both sections resent the move, as they normally do not like the other job. A marketing person may perceive the sales job as one with no scope for creativity, while a sales person may perceive sales activity to be more important than marketing because it is the one that ultimately makes a marketing program successful.

Moreover, the sales department views the marketing department as being alienated from the actual market, while the marketing personnel feel that the sales personnel do not properly understand the behavior of the customers and, therefore, fail to handle them effectively. This belief makes the marketing people visualize their function as being superior to the sales function.

In most organizations, the sales and marketing functions are two separate departments. Added to this, these departments often have conflicting objectives, making them compete with each other. For example, quarterly revenues form the focus of the efforts of the sales department whereas the marketing department aims at long-term growth of the organization through brand building measures. Moreover, communication between these two departments, which is vital for the success of the organization, is often negligible.

Although issues relating to the lack of coordination between the sales and marketing functions create significant problems in most organizations across the world, companies have realized that there are no quick-fix solutions for these problems. Some companies have even come up with innovative solutions to ensure long-term healthy relations between the marketing and sales departments and their working in unison. These companies have adopted methods that will help them to effectively coordinate their sales and marketing activities.

Most modern companies are able to integrate sales and marketing by following the one-to-one marketing approach[2]. Technology and data made scalable personalized marketing possible. Twiddy is a vacation rental company based in Outer Banks, North Carolina. Twiddy[3] studied that rental volume and demand were seasonal and also changed from week to week. Further, it realized that the week after Independence Day (USA's independence day- 4th July), rentals witnessed a significant drop. The company asked home owners to start sending price recommendation by January. By studying the trend and setting lower prices for low demand periods, Twiddy made customers happy. Also personalized marketing that brought in sales leads was a great way of integrating sales and marketing. Based on customer data insights, Twiddy's marketing strategy was able to generate sales leads. The sales team was able to convert these leads into sales. Thus, getting the marketing and sales team to work around the data set proved beneficial to the company.

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[2] https://www.forbes.com/sites/falonfatemi/2017/02/15/why-customers-win-when-account-based-marketing-merges-sales-and-marketing/#710be8fe4261 (Accesses on 12th April 2022)

[3] https://blog.hubspot.com/marketing/marketing-personalization-examples (Accessed on April 12th 2022)

Activity 1.1

The traditional selling process of converting prospects into customers through elaborate and far reaching efforts is not paying in modern times. Companies are bringing down marketing costs and increasing pay offs by using targeted and personalized strategies. Use of technology has enabled integration of sales and marketing team. Take the example of Nike and explain how the company has judiciously integrated marketing and personalized sales to engage and reach out to customers.

Hint: Nike's use of personalized content for mobile devices, mobile's adverts tailored for the youth in Instagram, Snapchat and YouTube.

Answer:

1.8 Environmental Changes Affecting Sales Management

Over the years, substantial changes have taken place in the sales environment and the sales management too has witnessed a simultaneous change. Various trends have been clearly visible in the sales environment from the early 1980s. The trends that have considerably shaped and transformed the sales profession include: shorter product life cycle, longer, more complex sales cycle, reduced customer loyalty, intense competition among manufacturing companies, rising customer expectations, increasing buyer expertise, revolution in the information and communication technology sector, and the entry of women into the sales force.

1.8.1 Shorter Product Life Cycle

Owing to greater competition in recent times, the product life cycle of most products is getting shorter and shorter. Companies are reducing the cycle time for new product development so that they can introduce new products into the market much faster than the competition and thereby gain an early mover advantage. For instance, Xerox is known for introducing its products in the market much before the competition. It has significantly reduced its cycle time for new product development from seven years to two years. This has helped it become the leader in the office copier market.

1.8.2 Longer, More Complex Sales Cycle

A sales job can be a strenuous one. As a result, sales people often tend to get impatient when there is a delay by the customer in finalizing the deal. The impatience on the sales man's face becomes apparent when the customer takes a long time to make a decision. In such a situation, some sales persons might act in an over-enthusiastic manner to close the deal and instead end up spoiling the much-needed long-term relationship that could have been established with the customer.

There are, however, certain techniques that a sales person can adopt to deal with such dilly-dallying customers and reduce the duration of sales cycles. First, the salesperson should try and clear the doubts and apprehensions that are stopping the prospect from taking a decision. Here, the sales person should assume the role of fear alleviator. He should give the prospect some time rather than pressure him to make the purchase decision. He should adjust his pace of selling to suit the customer and put him at ease.

There are some customers who might like to take a slightly longer time than others to make the purchase decision. In such situations, the sales person should maintain his calm. Once the sales person feels that the customer has verbally agreed to the terms and conditions of the sale, he can send or put across the contract to the customer. Even if the customer takes time to sign the contract, the sales person, by sending him the contract, reinforces the message that the company is willing and committed to offer a solution to his problem.

Example

Mr. Mukhesh is a sales person dealing with HNI (High Net-worth Individuals) segment for an automobile firm. Most often these target groups take a long time in finalizing the deal. He first tries to clear the doubts and apprehensions of these prospects that are stopping them from making a decision, then he gives some time for them rather than putting pressure to make decisions and puts them at ease by adjusting his selling pace. The firm experienced many environmental changes like 'longer and more complex sales cycles' which are affecting the sales management of the products.

Discussion Question: Identify the role played by Mr. Mukesh while handling the prospects.

Source: ICFAI Research Center

1.8.3 Reduced Customer Loyalty

It is highly important for companies to retain their existing customers, especially in today's competitive environment. If a company concentrates only on improving its market share, allocates all its resources to accomplish this objective, and fails to pay attention to its existing customers, it will have to see its profits being eroded over a period of time.

Customer loyalty is achieved by offering products that deliver the perceived value to the customer. However, customer loyalty should not be confused with customer satisfaction. It costs more to attract new customers than to retain existing ones. Over the years, customers have been increasingly shifting their loyalties from one manufacturer to another manufacturer. In order to increase customer loyalty, there is a growing need for companies to analyze the reasons behind this shift.

It is generally perceived that price is the major factor that causes customers to shift loyalties. Companies thus engage in price wars, thereby eroding their profits. However, such measures are not really effective in increasing customer loyalty and customer satisfaction, as price is only an excuse for customers to shift their loyalty. There are actually other factors that cause customers to shift loyalties. So, companies need to address the problem of decrease in customer loyalty by viewing it *in toto* rather than in a piecemeal manner.

When customer loyalty decreases, a company loses customers. There are two categories of lost customers -- dissatisfied customers and forgotten customers. Dissatisfied customers are those who may have had a problem with the product at some point of time and who may not have been provided the necessary customer support by the company. Forgotten customers, on the other hand, are those who feel that the company is ignoring them by taking them for granted and not treating them as special any more. Customer loyalty also decreases if the sales person fails to give the customer proper information about the value of the product or if he fails to understand the customer's needs. While failing to communicate the customer perceived value reduces customer loyalty, failing to deliver the customer perceived value makes customers shift their loyalties.

1.8.4 Intense Competition among Manufacturing Companies

Competition from multi-national companies has been increasing over the past decade. When existing markets get saturated, companies target new markets with their products. For instance, after liberalization of the Indian economy in the 1990s, products manufactured in foreign countries such as China, Taiwan, South Korea and Japan had inundated the Indian market. With the elimination of trade barriers, sales people across the world have to put in tremendous effort to help their companies counter competition from products of multi-national companies.

1.8.5 Rising Customer Expectations

Compared to the past, consumers have become more professional in their buying approach. They place a lot of importance on product performance and customer satisfaction. And the customers' expectations are only going to rise in the near future. So, sales people have to be more attentive and careful while dealing with customers. According to a survey conducted by the US Office of Consumer Affairs, about 70 per cent of customer complaints on defective products have

never been resolved. Although it is very difficult and sometimes impossible to get products that are perfect in all respects, sales people should understand that customers will always look for better products and will immediately shift loyalties the moment they find one available in the market. Thus, sales people should act as the eyes and ears of the company. They should always keep a watchful eye on customers and their satisfaction levels. By doing so, the sales force can immediately alert the company regarding unsatisfied customers, thereby allowing the company to take prompt action to prevent these customers from shifting their loyalty to competing firms.

Example

Ferrari is a very popular automobile manufacturer for its design and performance. It has stepped up its production and in a less span of time was able to launch new models like 'F8 Tributo' in just four years. 'F8 Tributo' made its world debut in the Geneva Motor Show in 2019. Due to this short time period the sales management of the cars was positively affected and helped in improving the sales and profits.

Discussion Question: Which one of the environmental factors is affecting the sales management of Ferrari?

Source: ICFAI Research Center

1.8.6 Increasing Buyer Expertise

The budget allocations of companies are depleting by the day as profits get eroded. Companies are becoming more and more choosy about the products they purchase. Likewise, individual consumers, resellers, and government organizations expect to derive the maximum value from the products they buy. Consumers are willing to spend some time in searching for and evaluating alternatives rather than tolerate products or services that fail to meet their expectations.

While making industrial purchases, companies set up purchase committees comprising managers from engineering, marketing, production, and operations functions. Sales persons approaching these organizations to sell industrial products should possess the technical knowledge to be able to convince these experts about their product's qualities and attributes.

The expert purchase process of organizations thus requires that the sales force personnel be highly skilled and knowledgeable about the product. Taking this into consideration, firms selling to industrial markets need to adopt new methods of recruiting, selecting, training, motivating, and compensating sales people in order to match this trend of increasing buyer expertise. Similarly, the increased awareness of customers regarding the various products and services available in the market makes it necessary for even sales people selling to individual customers to be highly skilled.

Example

The Indian toothpaste market was dominated by Colgate and HUL then companies like Dabur and Patanjali started launching herbal toothpastes. By 2019, the herbal toothpaste segment share was around 25%. The sales of Colgate and HUL were affected and they had to launch herbal toothpastes due to companies like Dabur and Patanjali.

Discussion Question: Which environmental change affected the sales management of toothpaste companies like Colgate and HUL?

Source: ICFAI Research Center

1.8.7 Communication Evolution

The rapid advancements in the field of technology and communication impacted the way professional sellers communicate with their customers. From the invention of printing press in the 15th century, to telegraph, radio, television, and satellite technology in the 19th and 20th centuries, technology played an important role in changing the way people communicate.

Internet connection, web browsing, lap tops, smart phones, social media connectivity, GPS (Global Positioning Systems), e-commerce, cloud computing, artificial intelligence, robotics, IoT (Internet of Things) and a host of other new technologies and communication tools have revolutionized the way professional sellers communicate with target customers. Let us understand how the communication revolution[4] impacted professional selling:

- **Digital Marketing:** In the digital marketing era, sellers have the global market at their fingertips. Truly the communication revolution made possible the belief that this is 'One World' where sellers have access to consumers all over the world. Due to wide scale digital marketing, the level of competition and the choice available to customers increased.

- **Changes in Ways Sellers Communicate:** Most sellers use the e-mail to send marketing messages to customers. Sales managers have virtual meetings with sales staff through conference calls. In the B2B marketing world, sellers negotiate price and product details with industrial customers through conference calls. The need to travel and have one-to-one discussions was not felt so much as it was in the past.

- **Greater Awareness of Products/Services:** Customers have access to the wealth of information available in the World Wide Web. By searching for required information in Google and other search engines, customers have greater knowledge of products and services.

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[4] https://www.forbes.com/sites/richardlevick/2019/11/04/the-communications-revolution-is-now-an-insurrection/#b89a06448edb (Accessed on April 12th 2022)

- **Access to Customer Data and Information:** Companies that gather and integrate customer data across various touch points, have benefitted as customers are connected with each other in the digital world. Customers are able to exchange and share their experiences with products and services. Sellers can also communicate in real time with their customers.

- **Internet Marketing:** In the past, marketers reached out to customers through bill boards, TV commercials and print advertisement. In the digital era, internet marketing or online marketing has emerged as a cost effective communication tool for marketers. Here, the marketers use the internet platform[5] to deliver marketing/promotional messages and advertisements to customers. The internet offers some unique benefits to sellers: scope of wide reach, ability to personalize content to both target group and individual customers, opportunities to build relationships with customers, build goodwill and enable world of mouth reference of products, etc.

The communication revolution has impacted the selling environment. Consumer behavior has changed and as a consequence sales function has also changed. Access to more information has led to greater buyer awareness and high buyer expectations.

Example

Organizations like Amazon which are operating in the high technology and communication revolution era are making use of technology to the maximum. Technologies like Digital marketing and web search engines like Google are helping Amazon to easily connect with the suppliers and customers and create huge sales for its merchandise globally.

Discussion Question: Can you identify the environmental change which affected the sales management of companies like Amazon in the above situation?

Source: ICFAI Research Center

Activity 1.2

Standard Pharmaceuticals Company (Standard) wants to equip its sales force with mobile technology to enable them to track inventory, manage deals, and serve customers effectively. Softservice, a new business solutions provider that offers mobile task automation software to organizations, was asked to send its sales representative to explain the workings and benefits of its product to the selection committee. Explain how Prakash Jha, a sales representative from Softservice, should approach Standard.

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[5] https://blog.hubspot.com/marketing/internet-marketing

Answer:

Check Your Progress - 2

4. Which of the following brought about a dramatic change in the sales concept, leading to new sales and marketing practices?

    a. Foreign trade

    b. Trade fairs

    c. Industrial revolution

    d. Electronic revolution

    e. Shorter product lifecycle

5. Selling helps an organization to achieve its business objectives and it plays many roles. Select the option which cannot be considered as a primary role of selling.

    a. Designing promotional programs for the customers.

    b. Identifying probable prospects and turning them into customers.

    c. Developing positive relations with customers and distributors.

    d. Negotiating with customers to sell the company's products profitably.

    e. Engage and interact with customers.

6. What reasons cannot be attributed to the conflict between the sales department and the marketing department?

    a. Marketing department feels that selling is a creative activity.

    b. Sales department believes that the marketing department is alienated from the actual market.

    c. There is usually a lack of coordination between marketing and sales.

    d. Marketing department aims for long-term growth of the organization rather than quarterly revenue targets.

    e. Marketing feels that aggressive selling turns customers away.

7. Most organizations today have customer-centric attitudes. What is the most important factor that has to be considered to increase customer loyalty?

   a. Concentrate mainly on improving market share ahead of competitors.

   b. Concentrate on being more affordable to customers, when compared to the competitors.

   c. Concentrate both on retaining old customers and attracting new customers.

   d. Concentrate on attracting competitors' customers.

   e. Concentrate on hardcore selling.

8. Which of the following helped in increasing competition from multi-national companies in the Indian economy?

   a. Mass production

   b. Liberalization and trade reforms

   c. Socialization

   d. Industrialization

   e. Privatization

9. Electronic revolution had resulted in sales persons using a lot of tools and technologies. Which technology option is closely related to reduction in travel time for sales meetings and training programs?

   a. Satellite pagers

   b. Computer graphics

   c. Portable fax machines

   d. Teleconferencing

   e. Television media

10. A telecom company almost lost credibility when it was unable to resolve the various complaints and enquiries from customers. Which factor has the company ignored?

    a. Improvement of market share

    b. Satisfaction of customers

    c. Communication of perceived value

    d. Awareness level of buyers

    e. Knowledge and expertise of buyers

1.9 Entry of Women in Sales Management

In recent times, an increasing number of women have begun to opt for a sales career. Companies too are no longer discriminating between the genders while

recruiting personnel for their sales force. As a result, women can now be seen actively involved in selling products and services, both to individual customers as well as in industrial settings.

With more and more multi-national companies recruiting women into their sales force, their representation in sales forces worldwide is increasing by the day. Companies like Xerox, IBM, and GE have been recruiting women into sales from as early as the 1970s. The women comprising the sales force in these companies have been either recruited from non-industrial jobs or have been promoted to managerial positions. In the US, around 26 per cent of the sales people (excluding door-door sales people and store clerks) are women.

1.10   Summary

- Sales is the principal, and often, the only revenue generating function in the organization. Sales has formed an important part of business throughout history and will continue to do so.

- A constant evolution has been witnessed in the sales function from the early Stone Age, through the Iron Age and the Middle Age to sales in the 21st century. The evolution of the sales concept can also be studied in terms of seven generations.

- In addition to helping an organization achieve its business goals, the selling function performs various other roles such as enhancing knowledge pertaining to the internal and external environments, developing positive relationships with customers, suppliers and distributors, and negotiating with customers to sell the

- Company's products profitably.

- Despite the crucial role the selling function plays in the growth of an organization, sales has a rather negative image associated with it. This can be attributed more to the misconceptions in the minds of the people rather than actual knowledge of the profession.

- The major objectives of a sales organization are to increase sales volume, contribution to profits, and attaining long-term growth.

- For an organization to be successful, it is essential to integrate the sales and marketing functions so that coordination of activities can be achieved.

- Over the years, substantial changes have taken place in the selling environment, sparking a change in the sales function too. The various trends that have shaped the sales function include: shorter product life cycle, longer, more complex sales cycle, reduced customer loyalty, intense competition among manufacturing firms, rising customer expectations, increasing buyer expertise, electronic revolution in communications, and the entry of women into the sales force.

1.11   Glossary

Barter: An exchange of goods.

Data: The statistics, facts, and opinions that market researchers record and store.

Database: A computerized system that stores and retrieves a variety of data.

Distribution management: Determines optimal quantities of each product to be made at each plant and to be distributed to each warehouse, such that manufacturing and distribution costs are minimized and customer demand is met.

Distribution: The process of moving products from the producer to the consumer, which may involve several steps and the participation of multiple companies.

Distributor: An enterprise that purchases products for resale to their customers, who are usually retail outlets. The distributor expects to receive a significant price discount from the supplier for providing the distribution service.

EDI: Electronic Data Interchange is a standard for automated exchange of business documents. Using EDI, purchasers and suppliers can exchange digital paperwork including purchase orders, invoices, and other business documents, and perform electronic fund transfers.

Exchange: The transfer between two or more parties of tangible or intangible items of value.

Fringe benefits: All benefits offered to the employees other than salaries, bonuses, and commissions for the services rendered to the retail organization.

Goods: Tangible products that customers can evaluate by touching, seeing, tasting, or hearing.

Industrial product: A product bought for use in the production of other products or in a business's operations.

Inventory: Raw materials, work in process, finished goods and supplies required for creation of a company's goods and services.

Logistics: A supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from point of consumption in order to meet the consumers' requirements.

Marketing channel: A system designed to move goods and services from producers to customers, which consists of people and organizations supported by various facilities, equipment, and information resources.

Need: A felt discrepancy between your actual state and your desired state.

Personal selling: A form of paid personal communication, wherein the sales personnel satisfy the customers' needs, by exchanging information through personal interactions.

Product development: A type of intense growth strategy that improves present products or develops new ones for the firm's current markets.

Product life cycle: A model that describes the stages that a product or a product category passes through, from its introduction to its removal from the market.

Product: A good, service, or idea for which customers will exchange money or something else of value. A product is a bundle of features and benefits designed to meet needs of target customers.

Promotion: A variety of techniques, including advertising, sales promotion, public relations, and personal selling, that are used to communicate with customers and potential customers.

Prospects: Consumers or organizations that are potential customers.

Quality: A measure of how closely a product conforms to customers' needs, wants, and expectations.

Quota: An expected performance objective that is routinely assigned to sales units such as individuals, regions, or districts.

Recruitment: The process, whereby an organization induces suitable people to apply for employment vacancies by making them aware that such vacancies exist.

Resellers: Retailers who buy merchandise in large quantities at discounted prices from the retailers, and sell them at normal prices in their shops.

Retailing: A set of business activities that adds value to the products and services sold to the final consumers for their personal, family or household use.

Sales management: Planning the personal selling effort, organizing the sales personnel, and developing a winning sales team.

Values: Beliefs about what is good or desirable.

1.12   Self-Assessment Test

1. Coordination between the sales and marketing departments is vital for the success of an organization. Explain the statement with a suitable example.

2. Discuss the issues that an organization needs to address while forming a sales team to market its products and services.

1.13   Suggested Readings / Reference Materials

1. Nag A, "Sales and Distribution Management," McGraw Hill Education. 2017

2. Tapan K. Panda and Sunil Sahadev, "Sales and Distribution Management," 3rd edition, Oxford University Press. 2019.

3. Krishna Havaldar and Vasant Cavale, "Sales and Distribution Management: Text and Cases," Third edition, McGraw Hill Education. 2017.

4. Richard R. Still, Sales and Distribution Management, Sixth Edition, Pearson Education, 2017

5. Bholanath Dutta, Fundamentals of Sales & Distribution Management: Text & Cases, Dreamtech Press, 2020

6. Gupta S L, "Sales and Distribution Management – Text and Cases AN Indian Perspective," Laxmi Publications Pvt Ltd. 2018

7. Venugopal Pingali, "Sales and Distribution Management: An Integrative Approach", SAGE Publications Pvt. Ltd., 2020

1.14 Answers to Check Your Progress Questions

1. **(c) Sales**

    A company spent a huge amount of money in activities like advertising, marketing, public relations, etc. Although these play a crucial role in creating a desire for the product in the minds of the customers, it is ultimately the interactions that the sales persons have with the customers that is critical in closing the sale.

2. **(b) Sales manager**

    Sales manager needs to constantly interact and coordinate with other departments to ensure that goods are supplied to customers on time, and deal with complaints from other departments about the sales people.

3. **(b) Barter system**

    During the first generation, selling took place in the form of exchange of goods. In other words, a barter system was followed. The barter system has been around since the beginning of civilization and is the simplest form of exchange.

4. **(c) Industrial revolution**

    The Industrial Revolution brought about a dramatic change in the sales scenario and gave rise to modern sales and marketing practices. The setting up of industries led to mass production of goods and the opening of a large number of showrooms and sales offices. Advancement in transport and communication technology in the form of railways, postal system, the internet, etc., further revolutionized the selling process across the world and laid a strong foundation for selling in the 20th century.

5. **(a) Designing promotional programs for the customers**

    Selling helps an organization achieve its business goals. It has other roles as well, such as that of enhancing knowledge about both the internal and external environments, such as customers, suppliers, distributors, employees and other people. Other roles include:

Developing a positive relationship with the customers, suppliers and distributors, and negotiating with customers to sell the company's products profitably.

6. (a) **Marketing department feels that selling is a creative activity.**

    Quarterly revenues form the focus of the efforts of the sales department whereas the marketing department aims at long-term growth of the organization through brand building measures. Moreover, communication between these two departments which is vital for the success of the organization, is often negligible.

7. (c) **Concentrate both on retaining old customers and attracting new customers**

    In an effort to increase customer loyalty, companies not only have to focus on retaining their existing customers but also attract new customers.

8. (b) **Liberalization**

    After the liberalization of the Indian economy in the 1990s, products manufactured in foreign countries inundated the Indian market. With the elimination of trade barriers, sales people across the world have to put in tremendous effort to help their companies counter competition from products of multi-national companies.

9. (d) **Teleconferencing**

    With the expenditure on traveling and other activities constantly increasing, companies are now relying on teleconferencing for conducting sales meetings, training programs, customer interactions, etc. Teleconferencing offers an economical way for companies operating on a global scale to conduct their sales meetings, and it is thus highly advantageous for them.

10. (b) **Satisfaction of customers**

    Providing efficient service to customers is one of the crucial steps toward maintaining a long-term relationship with customers. By providing quality customer service, companies can ensure customer satisfaction.

Unit 2

The Sales Organization

Structure

"The sales department isn't the whole company, but the whole company better be the sales department."

- Philip Kotler

2.1 Introduction

Here, Philip Kotler saying the point that a company has many different departments (e.g. sales, finance, research & development, customer service/support, etc.) that focus on different areas. However, every employee (regardless of their department) should learn/understand how their work affects sales productivity (and how they can improve sales productivity) even if their primary job/work does not directly involve sales.

In this unit, we will discuss the sales organization. The previous unit defined the concept of selling management, the nature of selling, and objectives of selling. Further, it also covered how changes in marketing environment impacts selling.

The sales organization has a direct impact on the revenues and profits of the overall organization and on employee compensation. The main component of a sales organization is the sales force which is guided and supervised by sales managers. The effectiveness of a sales organization depends on the efficiency of its sales force in increasing sales volumes, gaining market share and improving profitability. Large-sized sales organizations usually have a large number of sales personnel, sales offices in different locations and multiple levels of hierarchy.

This unit will discuss the importance and role of a sales organization, the aspects that influence the design of a sales organization, the basic types of sales organizations, and different sales force structures. The unit will also analyze the importance, role, and development of sales culture in a sales organization.

2.2 Objectives

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

- Define the role of a sales organization
- Identify the factors that should be taken into consideration while designing a sales organization
- List different types of sales organizations and sales force structure
- Explain the role of sales culture in a sales organization

2.3 Role of Sales Organization

To achieve success, customer and employee satisfaction, an organization must be able to match its structure, personnel relationships and activities with its corporate strategy. The role of a sales organization is important to achieve this match. The sales organization acts as a medium through which the sales manager achieves organizational objectives with the help of the sales force. A typical sales organization is mainly concerned with activities that are directly linked to selling. It must also handle the relationships between sales personnel and various sales accounts, and between sales personnel and the organization.

The sales organization has to create a selling environment that is conducive to motivating sales personnel to improve their individual and team performance. The exact role may vary depending upon the emphasis laid by the top management. If the emphasis is on a planning-oriented sales organization, the focus will be on analysis and development of effective organizational structures and streamlining of roles, responsibilities and reporting relationships of sales personnel. In other words, the activities and personnel are organized on the basis of the designed structure.

If the emphasis is development, the focus will shift to creating programmes to improve working relationships, organizational climate, identifying appropriate leadership roles for particular situations, improving individual skills and formulating compensation plans. The stress is rather on people and their activities. Organizational structure is shaped according to the attitudes and behaviour of sales personnel.

The primary role of a sales organization is to increase shareholder value by improving the profitability of the organization. It also helps create goodwill for the company by ensuring that its sales personnel follow ethical practices of selling and give customer satisfaction by offering products or services that fulfill the customers' needs.

A sales organization must also aid the achievement of corporate objectives; development of specialized selling functions and personnel and ensure coordination and balance, both among sales personnel and between sales and other management functions. It must streamline various selling activities to ensure maximum utilization of the sales force's time and costs. Let us now elaborate the specific roles of a sales organization.

Facilitate development of specialists: Rapid changes in the business environment, technological obsolescence, and changes in customer expectations compel managements to gain an in-depth understanding of all areas that affect the organization. This means that the company requires personnel who are specialists in these areas, are able to keep track of rapid changes, and can devise appropriate methods to tackle competitive situations.

The sales organization must also facilitate the development of specialists in sales management functions such as sales promotion, market research, and consumer behaviour. The need for functional specialists increases as companies grow in size as such growth is accompanied by a simultaneous increase in sales activities. Also, increasing size leads to the line of control becoming less distinct and there is less clarity in reporting relationships. The sales organization finds it difficult to handle additional task requirements under existing structures. In such circumstances, a different organizational structure has to be designed and responsibilities for specific tasks re-assigned to those with expertise and ability to handle them.

Achieve company objectives: The sales organization should help achieve the company's objectives by ensuring that the sales force structure and performance evaluation systems are in tune with overall corporate strategy. If the objective is to increase market share, the sales organization's activities should be directed toward achieving this aim. For instance, to increase market share, the sales organization can decide either to increase the strength of its sales force or enter new markets.

For example, Nestlé reorganized its sales organization structure so that direct selling teams from the company would call on the headquarters offices for key customer accounts instead of limiting themselves to the customer's divisional officer. The aim behind the reorganization was to enable the company and its customers to understand each other's objectives better, leading to a win-win situation.

Achieve coordination and balance: The sales organization must coordinate the various activities of the sales force. Sales personnel are involved in different selling activities such as making a certain number of calls per day to customers, making product presentations to them, etc. They are also involved in non-selling activities like relationship building with key customers. The sales manager must ensure that sales personnel are able to coordinate their selling and non-selling

activities so that both are in alignment with corporate strategy. An effective sales organization makes such coordination easy, especially in a combination type of sales force structure.

A reasonable span of control where not more than five or six executives report to a superior, makes coordination and control simpler. It also ensures structural balance and stability by ensuring that a high number of reporting relationships is avoided. Also, no organizational member is overburdened. There should also be good coordination between line and staff functions as well as between sales and non-sales departments.

For example, effective coordination between sales and finance helps the management to devise measures to monitor and control the expenses incurred by sales personnel. If the costs involved in selling a product offset the gross margins or net profit, achieving sales targets does not mean anything. The overall loss or profit is the key factor.

Economize on executive time: Proper designing of sales force structure and processes helps reduce time spent by the sales force on daily routine activities. For example, a product-based sales force structure allows sales personnel to show-case a number of products to the customer in a single visit, saving the time of both the parties.

Similarly, a territory-based sales force structure limits the geographical area of sales coverage assigned to each sales person and helps reduce the time taken to travel between customers. The sales manager can also make use of methods like routing and scheduling to cut the time spent on non-potential activities. It is clear that the sales organization plays an important role in effective utilization of executive time.

The primary role of a sales organization is to provide support and help achieve the organizational objectives. The sales organization structure must be in tune with the corporate strategy of the company. Freight Tigers, a global logistics team pursued global expansion. Exhibit 2.1 explains how the sales organization structure was changed to support the corporate strategy.

Exhibit 2.1: Freight Tigers pursues global expansion with new sales team

Tigers is a global logistics and transportation company specializing in technology that provides supply chain solutions and e-fulfilment. The company also provides transportation service by air, sea, rail and road. Tigers serves its customers through its three arms:

- Global freight forwarding
- Omnichannel fulfilment and technology
- Fulfilling cargo orders

Contd....

The company has its headquarters in Hong Kong. Tigers employs over 1,000 persons worldwide. It has over 70 offices located in more than 11 countries.

In 2019, the company announced its plans to expand globally to meet an increase in customer demand. To facilitate this expansion, the company has added a new dedicated international sales team. The new team would operate in various geographic regions like South Africa, North America, Asia-Pacific region, Europe. Through this expansion, Tigers plans to leverage on the booming e-commerce market.

In 2018, Tigers launched 'SmartHub Connect', a freight e-commerce portal. This cloud-based platform, the first of its kind globally helped Tigers in gaining visibility across the supply chain. The new sales team would provide support to the 'SmartHub Connect' exercise and its expansion pursuit as well.

The new sales team will be based in key locations like Geneva in Switzerland, Chicago in USA, Melbourne in Australia and Johannesburg in South Africa.

It can be concluded that as Tigers continues to expand its e-commerce and digital operations, the sales team that functions in four key continents provide support to the company's expansion.

Source: 1. James Muir, "Tigers launches SmartHub: Connect Portal," Aircargoweek.com, 29/11/18 Accessed on 07.04.2022

2. Donald Urquhart, "Tigers expands global footprint with new sales team," asiacargobuzz.com, 08/02/2019 Accessed on 07.04.2022

Example

Paint companies like Asian Paints depend more on its salesforce for generating good sales for their products in the market. They have a territory-based salesforce structure which limits the geographical area of sales coverage assigned to each sales person and helps reduce the time taken to travel between customers.

Discussion Question: Which feature of sales organization was exhibited by Asian Paints towards its salesforce?

Source: ICFAI Research Center

Check Your Progress - 1

1. Which of the following statements is **not** true regarding sales organization?

    a. Sales organization is the medium through which the sales manager achieves organizational objectives with the help of sales force.

    b. One of the roles of a sales organization is to increase shareholder value by improving profitability of the organization.

    c.   Sales organization has to create a selling environment that motivates sales personnel.

    d.   One of the important roles of a sales organization is to design advertising and sales promotion activities of the company.

    e.   Sales organization facilitates a firm's geographic expansion.

2.   What **does not** come under the role of a sales organization?

    a.   Developing specialists in sales functions

    b.   Achieving company objectives

    c.   Increasing executive time spent on routine activities

    d.   Achieving coordination and balance

    e.   Change in leadership of sales team

2.4   Basis for Designing a Sales Organization

Designing a sales organization is not an easy task in the present-day business environment. It is due to high level of competition and rising customer expectations. There is a standard format that can be followed in this regard. The design of a firm's sales organization is influenced by multiple external (target market segment, technology) and internal environmental factors (company objectives, culture, reward systems, recruitment policy, etc.).

The influence exerted by these factors is explained in the following paragraphs.

Firm's Mission and Objectives: Firm's sales organization's design and activities must complement the key business strategies. Any inconsistencies in this regard will lead to a situation where sales personnel act in contradiction to business strategies framed by the top management. For example, the sales personnel may focus on increasing sales through sales promotion activities while top management may want to focus on building a strong brand.

Target Market Segments: The sales manager must consider the market segments in which the firm is operating. Knowledge of market characteristics and needs of the targeted customers is necessary to formulate the sales strategy. The sales strategy can be implemented with ease and its objectives achieved only if the organization design supports it. For instance, if competitors are selling similar 'me too' type of brands to the firm's target market then the firm should choose a strategy that helps developlong-term relationships with customers. In the above case, a geographic or customer-based sales organization structure is best suited.

Core Competence: The sales organization should also enable a firm to leverage its core competencies. For instance, if a company has competence in successfully introducing new innovative products, the organization structure too should ensure

that all activities are streamlined towards achieving this core competency. In the above case, a horizontal organization structure that enables coordination of different functions such as production, marketing, finance and research & development is best suited. Such a structure will help a firm develop and launch new products rapidly, outsmarting competitors.

Organizational Relationships: While designing a sales organization, the various hierarchical levels and reporting relationships within the department and between various departments need to be considered. The organization structure should support the flow of communication and authority and reinforce reporting relationships as designated.

Flexibility: The sales organization design should have the in-built flexibility to adapt to changes in the external environment. The ability to adapt rapidly in accordance to the market requirements gives the firm a competitive edge. An agile sales organization needs to change selling tactics in accordance to contingencies, respond to customer complaints and immediately respond to change in competitor's selling tactics.

Organizational Culture: Organizational culture plays a major role in influencing the design of a sales organization. Sales culture is essentially a part of organizational culture. It needs to evolve over a period of time to enhance sales force efficiency. When the sales culture is favorable, the motivation level and satisfaction level of the sales force is high. Sales force is highly skilled and performance level is high.

Size and Type of Sales Force: Allocation of resources by the top management to the marketing department and the costing method adopted by the firm directly influences the size of the sales force. While the sales force can focus on product lines, geographic territories or customer segments, it must operate within the limits of the resources allotted.

Terms of Employment: A sales organization can opt to have an in-house sales force consisting of full-time sales men receiving fixed salary or independent sales persons. The firm can also opt to deploy the services of distributors' agents who sell products of other companies as well. Eureka Forbes has its own in-house salesmen, who visit customers, make product demos and make effective sales of at least one product per day on an average[6]. Dow Corning, manufacturer of chemicals and plastics use the services of manufacturers' agents to sell their products at lower selling costs. Lucent Technologies, global telecommunications equipment firm uses independent representatives to sell to its customers.

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[6] https://economictimes.indiatimes.com/industry/cons-products/durables/why-it-still-pays-for-eureka-forbes-to-knock-on-doors-despite-extending-sales-online/articleshow/53163937.cms?from=mdr July 12, 2016 Accessed on 07.04.2022

Block 1: The Sales Perspective

Staffing Activity: The required qualifications and behavioural traits of sales job changes based on the type of product, geographic location and customer segment. For example,[7]Apple store salesmen, who are also called specialists educate customers by giving all relevant product information. They allow the potential customer to get a feel of the product and encourage him or her to use the product. Customers who visit Apple stores feel empowered, engaged and happy. Apple has thus trained its store sales specialists to emotionally connect with its customers. Considering that Apple is an iconic product targeted at high end customers, this sales approach has worked for Apple.

Compensation System: The compensation system adopted by the sales organization which incorporates remuneration and incentives given to sales personnel, needs to reflect the top management's approach. For example, a company which has just commenced operations may do well to adopt a compensation system that focuses on a straight salary method to motivate and retain sales personnel. In this case, a commission-based compensation system might not be suitable as achievement of sales targets is a challenge considering that the firm's products have little awareness. The new firm which adopts a commission-based salary system may not have many applicants as a minimum take home pay is not guaranteed.

Market Orientation: The market orientation of a company can be observed based on whether the top management's focus is on short-term or long-term objectives. Building a strong brand, nurturing long-term relationships with customers, etc. are some of the activities that reflect a market orientation directed towards achieving long-term objectives of the firm. Often to tide over an economic slowdown, a short-term approach may be required. The sales organization design needs to keep in mind the market orientation of the firm. Market orientation also helps improve sales force innovation and productivity. Often a market orientation with a long-term focus helps salesmen adopt a suitable approach to earn customer goodwill.

Technology: Technology too impacts the design of a sales organization. Technology often influences the training methods adopted to train sales persons. Also, most companies invest heavily on big data analytics and this provides customer information. With greater insights on customer needs, attitudes and behavior, salesmen are able to better target customers and increase the hit rate of the calls made. Amazon is able to make customized product recommendations to customers.[8]35% of Amazon's revenue is generated through its 'product recommendation engine'. Majority of E-Commerce companies use big data analytics to gain customer insights. Exhibit 2.2 elucidates how technology

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[7] https://www.apple.com/jobs/ae/retail.html

[8] http://rejoiner.com/resources/amazon-recommendations-secret-selling-online/

directly or indirectly impacts marketing strategy and the sales organization structure.

Exhibit 2.2: Impact of Technology on Sales Organizations

The sales organization has to change. It needs to adapt on a continuous basis to the ever changing technological eco system. Let us understand how technology can directly or indirectly impact the marketing strategy and the sales organization structure:

- Technology has changed the product life cycle time. The shelf life of products has shrinked dramatically as competitors are able to come out with products with similar features and benefits within a short span of time. The reduced cycle time of products calls for a different marketing and sales strategy.

- Online space or virtual space has become the market place for many products. This has directly impacted the marketing strategies and the sales organization structure as a result.

- Cloud computing and big data analytics provide accurate customer information. These customer insights provide salesmen the required information to make customized and targeted selling offers.

- The evolution of internet and technology has removed entry barriers. Firms from all over the globe are able to enter the competitive landscape of local industries. Companies like Uber posing competition to local auto and taxis illustrates this trend.

- Google, Facebook and other social media sites have become market places where firms engage with customers and even sell products. The emergence of virtual market place and app store ecosystems have forced companies to reduce the size of sales force that makes one-to-one sales.

To sum up, technology has forced marketers to change the marketing strategy and to keep pace with the new strategies. It is also necessary to change the sales organization structure.

Source: Anthony Chaine, "Technology Impact on Sales Organization", Medium.com, 18/10/2019 Accessed on 07.04.2022

Company Size: The size of the company influences the sales organization structure design of a firm. For instance, a small firm whose operations are confined to limited geographic regions may not find it prudent to opt for a geographic or a combination –based sales force structure. The limitation in the case of a firm that operates on a small scale is also because of the limited resources. As the company evolves, the scope for having a complex sales force structure increases.

Example

Most of the FMCG companies in India like ITC have a sales hierarchy levels and reporting relationships and its organization structure supports the flow of communication and authority and reinforce reporting relationships as designated. Their salesforce structure will be in the following hierarchy; President Marketing, Vice President Marketing, Zonal Sales Managers, Regional Sales Managers, Territory Sales Managers, Sales Officers for Territory, Territory Sales Executives and Sales Representatives.

Discussion Question: Which feature of sales organization was considered by ITC while designing the sales force structure?

Source: ICFAI Research Center

Activity 2.1

Small Finance Bank, SFB received approval to start banking operations in 2016 and further got approval to operate as Scheduled Bank in December 2018. The Kerala-based bank has a network of 432 banking outlets and a customer base of 2.6 million. SFB was a micro finance institution earlier. It has entered the highly competitive banking environment. What factors must SFB consider in order to design an effective sales organization?

Answer:

Check Your Progress - 2

3. In a technology company, the salespersons need to be either technically qualified or sufficiently trained. Which aspect of designing the sales organization are we talking about?

   a. Organizational relationships

   b. Staffing activity

   c. Flexibility

   d. Terms of employment

   e. Inter-personal relationships

4. On which of the following factors does the size of the sales force directly impact?

    a. Resources allocated to the sales organization

    b. Accounting method adopted by the organization

    c. Economy of the country

    d. Growth rate of the industry

    e. Competitor firm policies

2.5 Types of Organizations

The three structural variables that form the basis on which organizations are classified are: formalization, centralization and departmentalisation.

Formalization: Formalization refers to the extent to which the roles, authority, organizational procedures, communication and reporting relationships in an organization are influenced by its rules and policies. It depicts the extent of rigidity or flexibility in the organization.

Centralization: Centralization refers to the level of consolidation of decision-making authority and the span of control in an organization.

Departmentalisation: The allocation of activities to various departments is known as departmentalisation. It is one of the earliest concepts in management theory.

Based on these three criteria, four types of organizational structures can be described. They are:

- Formal and informal organizations

- Horizontal and vertical organizations

- Centralized and decentralized organizations

- Line and staff organizational structure

2.5.1 Formal and Informal Organizations

Organizations need a definite structure to carry on their activities smoothly and survive in competitive market-places. When the top management prescribes the tasks to be carried out, the organization structure is known as a formal organization structure. Project teams and committees form part of formal organization structures. Moving to informal organizations, studies conducted in the 1930s at the Western Electric Plant revealed the value of informal relationships in accomplishing organizational tasks. The concept of informal organizations came into the limelight. An informal organizational structure comprises a network of personal and social relationships between personnel within an organization. Let us describe these two types in more detail.

Formal organization: Formal organizations have rigid structures and reporting relationships which sometimes result in poor flow of communication. The bureaucratic structure of formal organizations makes them inflexible and slow. Such a structure creates barriers between the organization and its customers because the sales force is not allowed to modify or make changes in the selling approach according to situational demands.

For example, it might become necessary for a sales person to offer an additional discount to a particular customer to retain business. In a formal organization structure, the sales person will most probably lack the authority to do so without directions from the sales manager. Notwithstanding the disadvantages stated above, a formal organization has its own advantages, which are listed below.

Advantages of a formal organization structure:

1. Clear-cut reporting relationships, a characteristic of a formal organization, helps avoid confusion and overlapping of activities.

2. It is easier to evaluate sales force performance according to set criteria and methods of evaluation.

3. There is a structured and defined format to perform every task.

4. Clearly defined policies, procedures and hierarchical relationships allow sales personnel to have a clear idea of organizational expectations.

Some drawbacks of formal structures have been mentioned.

Disadvantages of a formal organization structure:

1. In a formal organization structure, due to extensive departmentalisation, sales personnel are confined to performing activities pertaining to their functional area. There is little opportunity for them to involve themselves in activities other than selling. This tendency to limit the activities of personnel to a single functional area reduces the scope to form cross-functional teams. It also rules out leveraging of information and competencies. So, organizational members in a formal organizational structure fail to develop cross-functional expertise.

2. The rigidity in reporting relationships impedes the smooth flow of communication. It leads to lack of flexibility, making it difficult for the organization to respond to sudden changes in the external environment. The flow of communication becomes mostly upward and downward, with very little lateral communication. In a formal structure, even if a sales person possesses information about a competitor's plan to launch a series of new products in the market, this information cannot be passed on directly to the R&D department. He or she can only give the information to an immediate superior and it is left to the superior to communicate it to the top management. Information flow is slow; there is a resultant delay in organizational response.

3. Formal structures prevent personal contact between superiors and subordinates because of notions of hierarchy and authority. These differences in hierarchy may extend into the employees' social life as well and rule out the development of personal relationships. Employees working in formal organizations tend to maintain the same attitude and personal distance among themselves in their social life too.

Informal organization: Unlike a formal organization, an informal organization has a more flexible hierarchical structure. The reporting relationships and the communication channels are not rigid and provide for greater flexibility. Salesmen have greater flexibility and need not adhere to fixed procedures of doing work as in the case of formal organizations. Informal organizations are unavoidable in companies. Therefore, managers should learn to make full use of informal organizational structure to achieve organizational goals. For example, a sales manager must understand the leadership style of informal leaders, the personal values and defined norms of behaviour in informal groups and use these to achieve sales targets.

Informal structures nurture informal relationships across departments. The relationships which are sometimes outside the hierarchy chain help employees cultivate relationships that are mutually beneficial. Let us elaborate on the advantages and disadvantages of an informal organization structure.

Advantages of an informal organization structure:

1. An informal organizational structure helps sales personnel re-define responsibilities and relationships among themselves, leading to better performance. The informal groups may include personnel from different departments. The interaction between these people helps in the learning of happenings in other parts of the organization. For example, sales personnel may obtain information about competitor moves on products being manufactured, from another division of the organization, say the production department. An informal network will ensure that the information is directly passed on to the sales manager of the concerned division instead of going through long and cumbersome formal reporting channels. This reduces the response time the organization needs to come up with a strategy to counter the competitor's moves.

2. Informal organizational structures help develop positive norms and values within the organization by encouraging shared decision-making and instilling personal interest in achievement of organizational goals. For example, sales personnel frequently help colleagues in preparing quotations, provide leads about customers and guide new entrants in their territory though it is not formally required for them to do so. A shared approach toward selling develops a sense of belonging and encourages team spirit.

Disadvantages of an informal organization structure:

1   An informal organization within a company may not support the goals and objectives established by the overall formal organization. Informal groups may be interested in promoting personal interests rather than achieving organizational objectives.

2   As informal relationships develop spontaneously, it may lead to informal leaders wielding an unhealthy control over group members. This influence or control may be detrimental to organization interests and may even lead to conflicts between hierarchical levels.

2.5.1 Vertical and Horizontal Organizations

Organizations can also be classified into horizontal and vertical structures based on the number of hierarchical levels present in the organization and the span of managerial control.

Vertical organization: A vertical organizational structure is a traditional management structure with authority being the basis of control. Vertical organizations have more hierarchical levels. This results in a narrow span of control for managers. The management holds the power of decision-making, strategy formulation, control and allocation of capital. It directs resources and responsibilities down to frontline sales personnel.

A sales organization with a vertical structure is characterized by many rules and regulations, a strict hierarchical framework and few teams and task forces. Although this is basically a traditional management structure, modern organizations like Wipro have adopted it to have an industry-driven organization structure and meet its customer needs better.

Advantages of a vertical organizational structure:

1.   In vertical organization structures, work is first organized on the basis of functions, next on the basis of departments, and finally on the basis of tasks. Therefore, functional excellence is the most significant advantage of a vertical organization structure.

2.   As a vertical structure has a smaller span of control, the possibility of information loss down the hierarchy is reduced. This is especially beneficial when constant flow of information from top to bottom and vice-versa is essential to success.

3.   The smaller span of control leads to less chances of duplication of authority and better control over activities of subordinates.

Disadvantages of a vertical organizational structure:

1.   A vertical organizational structure has many hierarchical levels. Therefore, such organizations spend more on maintaining the additional staff required to fill various posts. Likewise, the higher number of hierarchy levels makes it difficult to coordinate various departmental activities.

2. The presence of many hierarchy levels complicates the communication of objectives, policies and plans because of the possibility of misinterpretation due to information changing several hands. The large number of departments in organizations with a vertical structure also makes planning and controlling complicated. For instance, a plan made by the top management may lose its clarity as it percolates down to various levels of the organization for implementation.

Horizontal Organization: A horizontal organization is that where both management levels and departmental boundaries are reduced to a large extent. In the traditional vertical structure, departments are organized as per functions such as sales, marketing, finance, human resources, etc. On the other hand, horizontal organization structures are built around natural work flows.

The focus in horizontal structures is on meeting customer expectations. To achieve this, work is organized around company-wide processes rather than on the basis of departments, functions or tasks. Cross-functional teams are common in such organizations.

A cross-functional team-based approach helps overcome the barriers of departmental boundaries. In cross-functional sales teams, reporting relationships, flow of communication, delegation of authority, resources etc., are directed across different sales units or departments within the organization. Many companies have improved their performance significantly by switching to a horizontal organization structure. For example, GE Appliances reduced its inventory by $200 million and Hallmark Cards cut product development time by 50 per cent after they adopted a horizontal organization structure.

Further, policy initiatives and decision-making in a horizontal organizational structure are lateral rather than hierarchical. In a horizontal organization, employees have an opportunity to share responsibility and make decisions that help achieve organizational objectives. To illustrate, in a horizontal organization, policy initiatives such as Total Quality Management (TQM) involve not only research personnel but also sales teams/units in improving the quality of the company's products and activities. This leads to an increase in efficiency and motivation levels of the sales force.

A horizontal organization structure encourages innovation and entrepreneurship. In Minnesota Mining and Manufacturing (3M), a spirit of entrepreneurship flows across all levels of the organization.

The number of organizations with a horizontal structure is on the rise with many MNCs adopting this structure to increase emphasis on long-term customer relationships and develop team culture.

Advantages of a horizontal organization structure:

1. A horizontal organization structure reduces the number of hierarchical levels between the top management and lower level employee. This reduction greatly cuts costs.

2. This structure helps organizations to respond to market changes faster due to a smaller number of hierarchical levels.

3. A horizontal organizational structure facilitates teamwork and collaboration among employees.

4. It helps improve decision-making in an organization. It offers employees at lower levels the freedom to make decisions and share responsibility and contribute towards achievement of organizational objectives.

5. By eliminating too many levels of hierarchy, a horizontal organizational structure provides flexibility and reduces response time in addressing customer requirements.

Disadvantages of a horizontal organization structure:

1. Horizontal organization structures involve trimming the number of hierarchical levels. However, excessive reduction in levels may result in the organization losing people with experience and expertise. This, in turn, would result in the organization losing competitiveness.

2. A horizontal organizational structure is not suited for all operations in an organization. Deciding which operations are most suited to have such a structure is difficult and time-consuming.

3. As employees work in cross-functional teams, they have to be trained on teamwork. Training employees requires investments.

Example

Multinational companies like McDonald's consist of organizational structures that are traditional management structures with authority being the basis of control. They have more hierarchical levels as they operate in more countries which results in a narrow span of control for managers. The management holds the power of decision-making, strategy formulation, control and allocation of capital. It directs resources and responsibilities down to frontline sales personnel.

Discussion Question: Identify the type of organization McDonald's is representing in the situation.

Source: ICFAI Research Center

Activity 2.2

AT&T, the US telecom giant, started two separate divisions -- AT&T Wireless and AT&T Broadband. David Dorman (Dorman), Chairman and CEO of AT&T, announced his intention to streamline the company's organization structure. This was part of AT&T's long-term goal to change its culture and adopt a horizontal leadership structure. Mention the reasons that could have prompted Dorman to restructure the organization.

Answer:

2.5.2 Centralized and Decentralized Organizations

Organization structures can also be classified on the basis of delegation of authority into centralized and decentralized organizations.

Centralized organization: A centralized sales organization is one where there is a common sales force to sell the products of more than one division of the company. A centralized organization typically consists of a corporate headquarters and various divisions under it. The authority and decision-making power lies entirely with the top management which controls all organizational activities like recruitment, training, and performance evaluation. This type of structure is common in small firms because the size makes it easy for the top management to supervise, control and ensure smooth flow of operations. A centralized organization structure is well-suited when the products too are sold in similar markets.

In a centralized sales organization, the sales force may not be given the authority to take decisions. This makes it difficult for them to act independently and convert new prospects into customers. They also lack the freedom to make concessions to customers in the form of higher discounts to retain them and induce them to make repeat purchases. Let us now look at the advantages and disadvantages of this type of structure.

Advantages of centralized organization structure:

1. Since decision-making is restricted to the top management, it is easier to align sales force activities with the corporate mission and objectives.

2. A centralized organization structure is suited to small-sized organizations as it allows the top management to monitor and control all activities and operations.

3. There is no conflict between different functions because decision-making is centralized and there is no possibility of difference of opinion.

4. An organization with a centralized structure has a centralized sales force. This is economical as it eliminates the need for a separate sales force for every product, territory or market.

Disadvantages of a centralized organization structure:

1. The retention of all authority by the top management inhibits skill development in sales personnel.

2. In this structure, top management approval is necessary for all actions. This increases the response time of the organization which may irritate the customer.

3. The decision-making authority rests with the top management. So, decisions might be taken without consulting sales personnel or taking their opinion. This could affect the latter's morale and fail to address problems at the sales front.

Decentralized organization: A decentralized sales organization is one in which each division within the organization has its own sales force to sell the products of that division alone. The top management delegates authority and resources to lower levels of the organization. The sales department functions as an independent entity and the sales force has the freedom to independently take decisions pertaining to sales accounts. This structure is suited for large organizations where it is not possible for the top management to supervise all activities and for markets that differ from each other considerably.

Advantages of decentralized organization structure:

1. Decentralization allows the sales force to take decisions on its own based on the information it possesses, experience and judgment. Decentralization leads to better utilization of information and personnel skills at the lower levels of the organizational hierarchy.

2. This structure places the responsibility of formulating strategies on those who are closer to the scene of action. It helps increase the morale and job satisfaction of these personnel and motivates them to function with greater enthusiasm and zeal.

3. The structure allows organizations to capitalize on the expertise and knowledge of divisional managers or managers of business units with regard to products, markets, competitors and customers in the local market.

4. There is greater flexibility and the organization can adapt itself according to requirements and changes in the local business environment.

5. The top management can focus on more strategic issues instead of monitoring routine matters.

6. As decisions can be taken at the divisional level rather than referring everything to the top management for approval, the response time of the organization is reduced. Such organizations can respond to environmental changes, counter threats and seize opportunities much faster.

7. A decentralized organization structure encourages innovation and risk-taking in divisional managers thanks to greater resource autonomy and fewer regulatory controls. The managers feel confident as faith has been placed in them.

Disadvantages of decentralized organization structure:

1. A decentralized structure increases the organization's costs. Maintaining a sales force for every division hikes overhead costs.

2. This structure places the responsibility for achieving organizational goals on divisional managers rather than on top management. This can lead to organizational inefficiencies because of competition between various divisions. Competition can also cause non-cooperation between divisions which will harm the organization.

3. There may be a loss of control over divisional managers by the top management. The former may tend to misuse their autonomy by placing more importance on the objectives of their own division rather than on organizational aims.

4. The top management in a decentralized organization structure might often be unaware of ground realities on the sales front. This makes it difficult for the top management to address problems faced by the sales personnel.

Example

Most of the Public Sector Enterprises like SAIL (Steel Authority of India) in India have a common sales force to sell the products of more than one division of the company. They typically consist of a corporate headquarters and various divisions under it. The authority and decision-making power lies entirely with the top management which controls all organizational activities like recruitment, training, and performance evaluation.

Discussion Question: Identify the type of organization Public Sector Enterprises represent in the above situation.

Source: ICFAI Research Center

2.5.3 Line and Staff Organizations

Line functions involve all activities that directly contribute to creating, developing and delivering an output. They are directly related to the achievement of organizational objectives. Production, marketing, sales and finance are examples of line functions. Staff functions, on the other hand, are of a supportive

and consultative nature. They support line functions and, their contribution to reaching objectives is indirect. Human resources activities such as hiring, staffing, training and compensating sales force are examples of staff functions.

While deciding the sales organizational design, awareness of line and staff relationships is necessary to avoid confusion and disruption in selling activities. In a sales organization, all primary activities related to selling, such as personal selling, sales planning, sales forecasting, budgeting and assigning sales territories, come under the line function. All related non-selling activities like gathering information, sales training and sales advertising are supporting or staff functions. A line organization is the simplest form of organization, in which authority flows from the top to the lower levels. The field sales force reports to a sales manager who reports to the sales/marketing director. This arrangement is known as line arrangement. A line organizational structure can exist in very small companies or within small-sized sales departments within large organizations.

Advantages of a line organization structure:

1. A purely line sales organization is less expensive and facilitates easier coordination of activities as it has a very simple structure with clear-cut demarcation of positions, authority and responsibilities.

2. It helps quick decision-making because of a well-defined hierarchy.

3. It prevents conflicts from arising due to differences in thinking between personnel in charge of different functions.

Disadvantages of a line organization structure:

1. Decisions made by sales managers may lack the staff perspective. This can cause problems like unsuitable recruitment and training of personnel, inappropriate compensation and other human resource problems. Decisions on such things should be left to HR personnel who are specialists in this field.

2. It is very difficult for a line manager to handle multiple activities because of their inherent complexity. While handling multiple activities, the line manager may get too involved in operational matters and lose the strategic or competitive focus.

Nowadays sales organizations do not opt for a purely line structure due to many reasons. First, front-line sales personnel have too much responsibility. Next, since there is no staff function to assist them, sales managers have to oversee activities other than selling, like market research, which can take away focus from their core competence. The line and staff type of organizational structure is probably the most common and popular form of sales organization structure today. It has the added advantage of staff specialization where activities not directly related to selling, like market research and advertising, are handled by qualified people. Generally, companies that have a large sales force, a wide range of products to be sold and which operate in various markets adopt this type of structure.

Unlike in line organizations, where the field force reports to a sales manager who, in turn, reports to the sales/marketing director, in a line and staff organization, reporting relationships vary according to the importance of staff activities. For example, in a conventional sales organization, the sales personnel report to the sales manager. In a sales organization having both line and staff personnel, sales personnel may report to an AGM (Assistant General Manager) or a Regional manager, who may not be associated with the sales department.

Let us now discuss the advantages of a line and staff organization structure:

1. The presence of staff personnel adds expertise and a staff perspective to strategic decisions made by sales managers. This improves the quality of decisions.

2. This type of structure is best suited for organizations with few products. This is because, with a large number of products, there is possibility of coordination going haywire and also an increase in conflicts between various functions.

3. This type of structure is also suited for organizations operating in a stable environment because any change that is initiated will take place very slowly.

Let us now analyze the disadvantages of a line and staff organization structure:

1. In a line and staff organization structure, the probability of problems arising is high because of conflicting objectives of line and staff personnel.

2. Lack of coordination between different functions may lead to dilution of focus on the customer.

3. Each function may try to further its own objectives resulting in organizational goals being ignored.

4. If there is poor coordination between departments, the chances of innovation of products and processes are reduced.

2.5.4 Circular Organization

A project team working on an assignment with a large number of professionals is led by a project manager who is at the same level with many co-workers but hierarchically below others. This combination results in the circular organization structure which has a high degree of informal interaction and gives the central role to the project manager as opposed to the traditional project director. The structure combines both the ideas of leadership and free interaction and sharing of ideas and thoughts in informal way. The project manager's key role is that of a facilitator and coordinator especially with regard to flow of information and optimization of team efforts. This type of organizational structure is being practised by some pharmaceutical companies especially when developing a new molecule that involves professional people from research & development, product management, marketing and sales departments who despite their levels in hierarchy work as team at the same level.

5. Identify the appropriate reason that induces a company to shift from a vertical structure to a horizontal structure.

   a. To reduce the duplication of authority

   b. To gain better control of the activities of subordinates

   c. To reduce information loss down the hierarchy

   d. To improve functional excellence

   e. To reduce hierarchical levels and increase flexibility

6. In a sales organization, there are many functions undertaken by line managers. Which of the following functions is **not** performed by line managers?

   a. Sales forecasting

   b. Sales planning

   c. Assigning sales territories

   d. Compensating sales force

   e. Enforcing sales targets

2.6 Types of Sales Force Structure

Developing a successful sales organization involves adapting organizational processes and structure to meet the demands of the ever-changing market place. A company decides on a particular type of sales force structure depending upon factors such as type of market (developing or fully developed), region or country, type of industry being operated in, customers to which it caters, level of sales desired, size of the sales force and the width and depth of the product mix.

On the basis of these factors, there can be four types of sales force structure – product-based structure, geographic structure, customer-based structure and combination structure. Usually organizations select the type by weighing the profits that can be accrued from each structure against the costs involved in coordinating the sales effort using that structure. They then choose the best option.

2.6.1 Product-based Sales Force Structure

In a product-based structure, sales force responsibilities and activities are divided according to the type of product sold. There can be a single (product/product line) sales force or a multiple (product/product line) sales force. This structure is suited for companies that manufacture a variety of complex technical products or products that are dissimilar and unrelated. 3M Corporation uses separate sales personnel to sell its wide range of product lines. IBM and Xerox have also switched over from a divisional type of sales force structure to the product type.

However, while adopting this type, care should be taken to avoid duplication of the sales effort.

Advantages of a product-based sales force structure:

1. In this type of structure, since the sales person simultaneously handles more than one product and can promote many products in a single sales call, it reduces the frequency and number of calls the sales person needs to make on a customer.

2. This structure is suitable when purchase rates and frequency of buying are high and customers buy from a set of closely related and complementary, competing products.

3. When the territory assigned to sales personnel is large and a lot of time is spent travelling to clients, a multi-product-based sales force structure reduces costs and saves time.

Disadvantages of a product-based sales force structure:

There is a possibility of duplication of activities at the corporate and regional levels in the organization due to sales personnel handling multiple products. If the products to be sold by the sales persons are not clearly defined, there is a chance that more than one sales person may approach the same customer with a particular product.

There is also the possibility of clash of objectives between the product division and the top management. Sometimes, the former's aims may not be in the strategic interest of the organization. For example, there can be conflict of objectives if the product division follows a market skimming strategy to earn rapid profits at a time the organization is planning a frontal attack through a price war.

2.6.2 Geographic-based Sales Force Structure

In a geographic sales force structure, the sales force is grouped by physical territories. It is the most widely used system in dividing responsibility and authority among sales forces. Each sales person is assigned a separate geographic territory and each territory is headed by a regional or a zonal manager. This structure is suited for companies that have mature product lines with several products targeted at the same market. It is also ideal for companies that manufacture products with a high degree of similarity. Generally, pharmaceutical, automotive and FMCG companies prefer this type of structure.

Advantages of geographic sales force structure:

1. It reduces time and expense on travel because sales personnel are based in their respective territories and limit their sales efforts to that region.

2. It is the simplest method by which a company can equalize territories among sales personnel, in terms of current and potential business. It helps companies to delegate responsibility among sales personnel equitably and ensures coverage of the entire market.

3. Every sales person has an assigned territory and customer base. This helps the company and its sales force to meet local requirements better and make changes to suit local conditions. This contributes to better relationship building and customer satisfaction.

Disadvantages of geographic sales force structure:

1. The sales personnel lack specialized training pertaining to the product and may not be as efficient as their counterparts in a product-based sales structure. As the sales personnel will handle many products in a territory, there is less chance of their developing competency and technical expertise for products.

2. In a geographic structure, local managers lack supporting staff for non-selling activities like market research, advertising and sales promotion. Doing these jobs is an additional responsibility for the local managers. This can lead to loss of focus on specialized marketing activities.

3. Sales personnel are limited to their respective territories leading to poor coordination of sales efforts across different product lines. This makes integration and standardization of selling activities across product lines difficult.

2.6.3 Customer-based Sales Force Structure

In this type of structure, the sales force is divided on the basis of customer needs. This structure is preferred when specific customer groups require special attention due to differences in their needs.

In the pharmaceutical industry, organizations adopt a customer-based sales force structure to target customers in different market segments. For example, Merck along with Astra AB has formed Astra/Merck to sell drugs. The new organization has a much smaller sales force than a typical pharmaceutical company. It has only three levels of hierarchy between the CEO and front-line sales people. Based on customer requirements, the sales force sells products belonging to either company.. To build strong customer relationships, many organizations have advanced to using strategic account management. In such a sales force structure, sales personnel are allotted a certain number of high potential customers with the potential to bring big business to the company. The sales personnel concentrate exclusively on meeting customer requirements with tailor-made sales programmes.

Minnesota Mining and Manufacturing (3M) established a strategic account with IBM Storage, a division of IBM, which manufactures hard disks for computers.

Fifteen different divisions from 3M studied the processes at IBM Storage. After the research, the 3M personnel were able to provide effective solutions to IBM Storage to help it improve profitability. This led to an increase in 3M's business with IBM Storage from $ 1 million to $10 million.

Advantage of a customer-based sales force structure:

1. This structure is advantageous when the company has a wide range of products to offer to customers. A customer-based sales force will be able to accurately assess customer needs and offer those products which will meet customer requirements.

Disadvantages of a customer-based sales force structure:

1. In a customer-based sales force structure, the sales function and the finance and production functions may have different emphasis resulting in lack of coordination.

2. Further, some sales personnel may pressurize the management for special favours like higher discounts and credits tailor-made to specific customers. This can lead to dissatisfaction among other sales personnel. Giving such extra concessions to some sales persons makes it difficult to uniformly evaluate the sales force.

2.6.4 Combination-based Sales Force Structure

A structure that combines various types of structures and takes the best of each structure's individual merits, while eliminating the demerits associated with it, is called a combination-based sales force structure. Nowadays, companies are adopting a mix of product, customer and geography-based sales force structures. This is effective for companies with a large sales force, a wide range of products and widely dispersed customers.

As companies grow, more product lines are introduced, new markets are tapped, and the geographic and product-based sales force structures lose their efficacy because of coordination and control problems. In such circumstances, the combination-based structure is well suited as it can support a specialized sales force in large, high volume markets. Philips has a combination structure in the form of a 5-tier organization with 14 product divisions, a global product service organization, a central management board overseeing all operations and a regional bureau co-ordinating major geographic operating units.

For a company using a combination structure, it is essential to have collaborations and networking relations between various departments and business units. Otherwise, there may be differences if various departments have different objectives. For example, pricing decisions for products would be different for a geographic-based and customer-based sales force, especially in discounts offered.

The former may have to offer higher discounts to retain customers than the latter, where meeting sales target is more important than customer retention.

Advantages of a combination-based sales force structure:

1. A combination-based sales force structure offers flexibility to handle diverse product lines, operate in territories with varying potential and operating conditions and cater to customers having diverse needs. The appropriate structure can be used based on the variation in product lines, territories and customers.

2. Thanks to the adaptability and flexibility of this structure, balance can be maintained between corporate and divisional goals. This may be absent in a purely product or customer-based sales force structure.

3. This structure combines the advantages of all other structures while taking care to avoid their shortcomings.

Disadvantages of a combination-based sales force structure:

1. A large number of staff with specialized skills is required to handle different functions within the organization. This means high administrative costs.

2. It may be difficult to coordinate different structures within the combination-based sales force structure because of differences in operational styles. There is a potential for conflict to arise over allocation of resources between various functional and divisional departments.

3. If the top management formulates a new corporate level strategy, it may take a long time for individual structures within the combination to respond and implement at the operational level. This is because of the complex inter-relationships between various structures.

Companies are no longer relying totally on traditional sales organization structures to sell their products. Along with existing structures, they are using the internet Selling System, a new technology that helps companies derive maximum advantage from the internet's potential.

2.6.5 Service-based sales force organization

In this type of sales structure, the company uses multiple sales structures as discussed in previous sections along with service-based sales organization. Companies are increasingly moving towards servicing their customers for building long-term relationship and converting their customers as loyal customers. Many companies are segmenting their customers according to the kind of relationship the company has or would like to develop with them. In one segment, the sale may be just an individual transaction, and in another segment, the sales person serves as a consultant or service sales person who develops a close, long-term partnership with the customer.

Many companies are now offering value-added services to their customers offered by special sales force. Consultative or service sales persons are sales people who have in-depth knowledge of their customers, their needs and expectations and also possess deep knowledge of the company and its business. Sales force automation has made the job of service sales persons very easy as they can track the customer's history and offer better services to the customers. For example, companies like TCS have a separate division of service people who offer value-added services to their existing customers by offering them unique solutions to their problems.

Example

Kodak has separate sales forces for its industrial and film products. Their sales force responsibilities and activities are divided according to the type of product sold. They are maintaining multiple product salesforce separately. The sales force for film products handles simple products for intensive distribution whereas another salesforce for industrial products handles complex products and they need a technical understanding of this.

Discussion Question: Identify the type of sales force structure Kodak is representing in the situation.

Source: ICFAI Research Center

Check Your Progress - 4

7. Select the sales force structure that is widely preferred in industries such as pharmaceuticals and automotives.

   a. Customer-based

   b. Geographic-based

   c. Product-based

   d. Combination-based

   e. Company based

8. Which of the following is definitely true about product-based sales force structure?

   a. It reduces the frequency and number of calls a sales person needs to make on a customer.

   b. It helps the company to delegate responsibility among sales personnel equitably.

   c. It ensures coverage of the entire market.

   d. It reduces duplication of activities at the corporate and regional levels.

   e. It helps the company in meeting local requirements better and making changes to suit local conditions.

9. Which of the following sales force structure type offers flexibility to handle diverse product lines, operate in territories with varying potential and operating conditions, and cater to customers' diverse needs?

    a. Customer-based

    b. Geographic-based

    c. Product-based

    d. Combination-based

    e. Hybrid

2.7 Sales Culture

Culture is a set of values and beliefs that pervades all levels of an organization. It is a shared assumption of the moral, social and behavioural norms an organization follows, based on the beliefs, attitudes and values of its members. Every sales organization has a unique culture that is created unconsciously, based on the values and beliefs of top managers. Sales culture can be successful only if sales personnel imbibe it and accept it. Many companies have created sales cultures that have become their core competence..

Sales culture directly affects sales personnel by impacting many areas of sales management. It motivates sales personnel to share the vision of the organization and affects various business outcomes like productivity, profitability and customer loyalty. There is also a significant but hardly acknowledged impact of sales culture on employee retention. Therefore, sales organizations must have an extensive understanding about different aspects of sales culture and its influence on the sales force.

2.7.1 Components of Sales Culture

Sales culture has a number of components. These include symbols, jargon, ceremonies, rituals and rites role models, tales and stories, and values and beliefs.

Symbols: These are in the form of pictures, pins and trophies. In some companies, sales personnel are given tiepins, trophies, specially designed coats, etc. on achieving sales targets. Receiving such visible acknowledgements of success encourages sales personnel to continue to perform well and maintain a good work ethic.

Jargon: This is a common set of words or phrases used by employees within an organization and conveys a distinct and unique meaning only to them. The use of a common language or jargon improves coordination, increases integration of common values and beliefs and facilitates cooperation among organizational members. Every organization has its own jargon and so too with sales

organizations. Sales organizations and sales force personnel have their own sales jargon, which has a special meaning for the sales force and others in the organization. Examples of sales jargon include cold calls, closing, shelf space, etc.

Ceremonies: Annual achievement award ceremonies are a part of an organization's culture. They help communicate its image and position, both to its members and to external stakeholders.

Rituals and rites: Rituals are routine activities in an organization, such as formal evaluation and reward procedures, monthly sales meetings, etc., which help in developing a sales culture. Rites differ from rituals in that they are planned activities and more formal. Annual sales meetings are an example of a rite in a sales organization. A lot of planning takes place before the meeting and includes organization-wide publicity by means of presentations, internal publications, etc.

In annual sales meetings, sales persons who display exemplary behaviour are rewarded. This helps reinforce the desired beliefs and values in employees throughout the organization and development of an effective sales culture.

Role models: Role models are individuals within the organization whose excellent behaviour and performance make them worthy of emulation. Role models indirectly communicate sales culture to other employees in the organization by projecting the most desired behaviour. Former and current outstanding sales performers can act as role models for sales personnel.

Tales and stories: Tales and stories of past events, actions of predecessors and management practices are also instrumental in moulding sales personnel. The time period between initial prospecting and closing a sale is painfully long and often, there is a possibility of the sales person becoming de-motivated during this time. At such times, tales and stories of past achievers help maintain morale.

Values and beliefs: Values refer to an individual's recognition that a certain mode of conduct or style of behaviour is socially acceptable compared to other possible modes of conduct. Values are judgmental in nature as they convey an individual's ideas regarding what is right, good, or desirable. Beliefs, on the other hand, refer to the way in which an individual organizes his or her perceptions and cognitions. They may be unfounded. The values and beliefs held by sales personnel help communicate sales culture.

Values and beliefs cannot be directly observed but can be perceived from the language, symbols and stories that prevail in the organization. The socialization process of new recruits is a method of disseminating these values. In a sales organization, during this process, a new sales person learns about life in the organization and how well he or she can achieve a good fit between individual needs and skills, and the organizational role that has to be performed.

2.7.2 Role of Sales Culture in Developing a Sound Sales Organization

Sales culture forms a part of organizational culture. Numerous studies have been undertaken to identify, manage and measure sales culture and understand its relationship to different aspects of sales management.

Sales culture in an organization affects the behaviour of its personnel and is in turn influenced by their behaviour.

The success of sales culture depends on two factors:

1. Strength of sales culture

2. Direction or fit of the culture

Strength of sales culture: The strength of sales culture in an organization is measured in terms of intensity and depth. Intensity or depth refers to the number of shared values and beliefs among sales people and the extent to which they are shared. A strong culture is one where there is more number of shared values and these are widely shared.

Organizations that have a strong sales culture have clear beliefs and values and make serious efforts to uphold and disseminate them using stories, anecdotes and legends. These organizations reinforce the sales culture by communicating these stories and ideas throughout the organization through rallies and competitions. Companies with strong cultures stress greater sharing of cultural values more than companies with weak cultures. GE, Xerox and IBM are examples of companies with strong cultures.

Direction or fit of the culture: The direction or fit of the sales culture refers to whether or not it suits the environmental context in which sales persons operate. If the values and beliefs propounded by the sales culture oppose or are contrary to environmental requirements, it might lead to sales force inefficiency. For example, if a sales organization has changed from a product-based structure to a geographic-based structure, it is necessary to develop a culture that encourages initiative and independence. The sales culture should reinforce a sense of autonomy among the sales force, enabling them to work independently in their respective territories.

The sales culture, if properly developed, improves the effectiveness of the sales force by allowing free flow of communication, minimizing dissonance and incompatibility in expectations. The right sales culture also helps establish clarity of job description and guide sales people's beliefs along the same lines as the organizations.

Sales culture can be consciously developed and defined to suit organizational requirements. It can be ethical, aggressive, team-oriented, empathetic, customer-centric or revenue focused. Effective sales culture helps develop team spirit, mutual accountability and role clarity among sales personnel, apart from reinforcing appropriate behaviour. Sales culture is even more important when

there is significant diversity among sales personnel with regard to religion, social background and upbringing. A well-defined sales culture acts as a unifying factor that overcomes barriers.

Check Your Progress - 4

10. Which of the following statements is **definitely false** regarding sales culture in an organization?

   a. Sales culture forms a part of organizational culture.

   b. Sales culture in every organization is consciously created based on the values and beliefs of sales personnel.

   c. Sales culture should be accepted and adopted by sales personnel to make it successful.

   d. Sales culture affects many areas of sales management.

   e. Sales culture influences customer relationship.

2.8   Summary

- Owing to intense global competition, slow growth in markets and different customer expectations, sales organizations have to re-engineer their organization structures and streamline their processes.

- An inefficient organization structure can frustrate top managers as it may result in strategic plans going astray due to absence of clearly defined responsibilities and reporting relationships.

- Developing customer-centric organizations, building strong relationships within and outside the organization, modifying the traditional top-down hierarchical structure and introducing cross-functional teams are some steps companies are taking to improve their efficiency and profitability.

- The organizational structure should fulfill the purpose for which it has been designed. The role of a sales organization is to achieve company objectives, streamline reporting relationships, facilitate effective coordination, and control and develop an efficient sales force structure to ensure effective selling strategy.

- Designing the sales organization plays a crucial role in a company's overall success. One must consider the influence of external and internal factors while designing a sales organization.

- External factors include the markets targeted and the technology prevailing in the target market. Internal factors influencing the design of a sales organization include the company objectives, the size of the sales force, core competence of the company, compensation system, reporting relationships, etc.

- Based on the span of control, authority, hierarchical levels, nature of assignment and departmentalization, various organization structures are possible. These are formal and informal structure centralized and decentralized structure, vertical and horizontal structure, line and staff organization structure and circular organization structure.

- To efficiently serve the ever-changing needs of customers in the best possible manner, a company can have a product-based, geographic-based, service based, customer-based or a combination-based sales force structure.

- The type of customers, the market size and its potential, the type of industry in which the company is operating, level of sales desired, size of the sales force, and the width and depth of the product mix are some factors that influence the decision on the type of sales force structure to be adopted.

- Sales culture plays an important role in the success of a sales organization. Sales culture is a collective impression of the values, attitudes and personality of top management in an organization. It pervades down to the lower levels of hierarchy over time.

- Sales culture has a significant influence on sales force activities and attitudes. The various components that make up sales culture include symbols, language, ceremonies, rites and rituals, role models, tales and stories, and values and beliefs.

- The strength and direction or fit of the sales culture also play a crucial role in developing a sound sales organization.

2.9   Glossary

Agent: One who negotiates contracts, or acts in the legal capacity of another party.

Centralization: The degree to which authority for taking retailing decisions is delegated to corporate managers rather than to geographically dispersed regional, district, and store managers.

Centralized organization: An organization in which authority and responsibility are concentrated in the hands of relatively few people usually the higher levels of management.

Circular Organization: A project team working on an assignment with large number of professionals is led by a project manager who is at the same level with many co-workers but hierarchically below others. This combination results in the circular organization structure which has a high degree of informal interaction.

Competitive advantage: In the context of international business, the ability of a nation's industries to innovate and upgrade to the next level of technology and productivity.

Dealer: Basically, a dealer is an intermediary as a distributor. But, some people distinguish dealers as those intermediaries that sell only to final customers not to other intermediaries.

Decentralized organization: An organization characterized by widespread distribution of authority and responsibility.

Direct selling: Selling that utilizes direct, face-to-face contact between buyer and seller.

Gross margins: The difference between net sales and the cost of goods sold. It is also expressed as a percentage of net sales.

Ideas: Concepts, philosophies or images that can be exchanged in the market-place.

Job description: A clearly written statement that explains the duties, responsibilities, qualifications and performance expectations of a particular retail employee.

Organizational structure: A formal definition of people's responsibilities and the allocation of authority in a company.

Performance evaluation: A systematic assessment of how well employees are performing their jobs in relation to established standards and communicating the same to the employees.

Product line: A group of closely related product items.

Product mix: A company or strategic business unit's complete assortment of products and product lines.

Routing: Used in conjunction with the bill of material in manufacturing operations. While the BOM contains the material requirements, the routing will contain the specific steps required to produce the finished items. Each step in the routing is called an operation. Each operation, generally, consists of machine and labor requirements.

Sales forecast: An estimate of a firm's sales volume in dollars or units for a specified future period.

Sales promotion: Techniques that are used to stimulate product demand, including special events and activities such as coupons, celebrity appearances, and contests.

Service-based sales force organization: In this type of sales structure, the company uses multiple sales structures along with service-based sales force organization. Many companies are segmenting their customers according to the kind of relationship the company has or would like to develop with them. In one segment, the sale may be just an individual transaction, and in another segment the sales person serves as a consultant or service sales person who develops a close, long-term partnership with the customer.

Total quality management (TQM): A philosophy and management system that bases everything an organization does on the pursuit of quality.

2.10   Self-Assessment Test

1. Discuss the role of a sales organization in a company. What are the factors to be considered while designing a sales organization?

2. A company offers a wide range of products that include computers, printers, automation software for businesses, and office equipment like furniture and electric appliances. Suggest a suitable sales force structure that the company can adopt. Explain the associated benefits as well as disadvantages.

3. What do you mean by circular organization? Explain its utility in contemporary and dynamic sales organizations.

2.11   Suggested Readings / Reference Materials

1. Nag A, "Sales and Distribution Management," McGraw Hill Education. 2017

2. Tapan K. Panda and Sunil Sahadev, "Sales and Distribution Management," 3rd edition, Oxford University Press. 2019.

3. Krishna Havaldar and Vasant Cavale, "Sales and Distribution Management: Text and Cases," Third edition, McGraw Hill Education. 2017.

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5. Bholanath Dutta, Fundamentals of Sales & Distribution Management: Text & Cases, Dreamtech Press, 2020

6. Gupta S L, "Sales and Distribution Management – Text and Cases AN Indian Perspective," Laxmi Publications Pvt. Ltd. 2018

7. Venugopal Pingali, "Sales and Distribution Management: An Integrative Approach", SAGE Publications Pvt. Ltd., 2020.

2.12   Answers to Check Your Progress Questions

1. **(d)   One of the important roles of a sales organization is to design advertising and sales promotion activities of the company.**

   The sales organization acts as a medium through which the sales manager achieves organizational objectives with the help of the sales force. A typical sales organization is mainly concerned with activities that are directly linked to selling. The sales organization has to create a selling environment that is conducive to motivating sales personnel to improve their individual and team performance. Another important role of a sales organization is to increase shareholder value by improving the profitability of the organization. However, designing advertising and sales promotion activities of the company is not the role of a sales organization.

2. **(c)** **Increasing executive time spent on routine activities**

Proper designing of sales force structure and processes help reduce time spent by the sales force on daily routine activities. It is not to increase the time spent on routine activities.

3. **(b)** **Staffing activity**

The qualifications and behavioral traits required for a particular sales position depend on the type of product, customer and geographic location. For example, the sales person's knowledge of products and market segments assumes importance if the company's products are high-tech. These sales persons need to be either technically qualified or sufficiently trained to answer customer queries.

4. **(a)** **Resources allocated to sales persons**

The size of the sales force depends on the resources allocated to the sales organization by the top management. The management can have its sales force specializing in customer segments, product-lines, or geographic territories. The sales manager must keep in mind the organizational resources, the corporate strategy, and operations in various departments.

5. **(e)** **To reduce hierarchical levels and increase flexibility**

A vertical organizational structure is a traditional management structure with authority being the basis of control. Vertical organizations have more hierarchical levels. On the other hand, a horizontal organization is one in which both management levels and departmental boundaries are reduced greatly. A horizontal organization structure reduces the number of hierarchical levels between the top management and lower level employee. Therefore, a company shifts from a vertical structure to a horizontal structure so as to reduce hierarchical levels and increase flexibility.

6. **(d)** **Compensating sales force**

Line managers are responsible for all primary activities related to selling, such as personal selling, sales planning, sales forecasting, budgeting and assigning sales territories. However, compensating sales force is not performed by line mangers.

7. **(b)** **Geographic-based**

Geography-based sales force structure is widely preferred in industries such as pharmaceuticals and Automotives. In a geographic sales force structure, the sales force is grouped by physical territories. It is the most widely used system in dividing the responsibility and the authority among the sales forces. Each sales person is assigned a separate geographic territory and each territory is headed by a regional or a zonal

manager. This structure is suited for companies that have mature product lines with several products targeted at the same market. It is also ideal for companies that manufacture products with a high degree of similarity.

8. (a) **It reduces the frequency and number of calls a sales person needs to make to a customer.**

A product-based sales force structure allows sales personnel to showcase a number of products to the customer in a single visit, saving the time of both parties. Since the sales person simultaneously handles more than one product and can promote many products in a single sales call, it reduces the frequency and number of calls the sales person needs to make to a customer.

9. (d) **Combination-based**

A combination-based sales force structure combines various types of structures and takes the best of each structure's individual merits, while eliminating the demerits associated with it This type of structure offers flexibility to handle diverse product lines, operate in territories with varying potential and operating conditions and cater to customers' diverse needs.

10. (b) **Sales culture in every organization is consciously created based on the values and beliefs of sales personnel.**

Every sales organization has a unique culture that is created unconsciously based on the values and beliefs of top managers and not based on the values and beliefs of sales personnel.

Unit 3

Sales Functions and Policies

Structure

"Sales enablement can't be reactive. It has to be a full-blown strategy that's woven into the fabric of the company."

\- Roderick Jefferson, CEO, Roderick Jefferson & Associates

3.1   Introduction

From sales to marketing, product and HR, few roles touch as many different business functions as sales enablement. That's why Roderick Jefferson, CEO of sales enablement consultancy Roderick Jefferson & Associates, compares the profession to a tire hub, with different spokes connecting it to various other parts of the organization. He says sales enablement leaders must be savvy communicators that can translate complex information into "sales speak" and collaborate effectively across the company.

In the previous unit, we discussed the concept of sales organization, different types of sales organization and sales force structure, and the role of sales culture in developing a sales organization. This unit will discuss the sales functions and policies.

Effectiveness of sales force is a major determinant of an organization' performance. Hence, companies put in a lot of emphasis on developing their sales force. The sales force of an organization comprises sales representatives (also called salesmen), sales managers, etc. All of them have distinct roles to play, and responsibilities to fulfill. The effectiveness with which these roles are played and responsibilities fulfilled determines the profitability of an organization.

This unit will discuss the role and responsibilities of sales personnel in an organization. It will also discuss the policies that impact the performance of various sales activities by these personnel.

3.2 Objectives

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

- Explain and elaborate on the role of a sales manager and a sales executive.
- List the responsibilities of a sales manager and sales executive.
- Analyze the policies that impact sales management.

3.3 Role of a Sales Manager

Sales managers occupy middle level positions in an organization with the top management above and the sales personnel below them. The activities of a sales manager are influenced by the demands and expectations of various groups of people, both internal and external to the organization. Those internal to the organization include the top management, the sales personnel, and other sales managers, people external to the organization. The groups of people influence the activities of a sales manager include customers, competitors, advertising agencies, suppliers, society, etc. This places the sales manager in an unenviable position of having to meet the demands and expectations of these varied groups of people.

Sales managers not only perform sales management functions but they also perform other functions of marketing management to effectively achieve the strategic marketing objectives of the organization. They plan, direct and control the personal selling activities of the sales personnel. They also organize, recruit, select and train the sales personnel, assign them necessary resources and aids, allocate territories, set sales targets, route, and supervise their sales efforts. Sales managers also play a vital role in designing compensation plans for sales personnel. They motivate the sales personnel by designing attractive financial and non-financial incentive schemes for them and evaluate their performance objectively.

Other roles of a sales manager are as listed below:

- *Organization:* A sales manager organizes sales team to achieve organizational objectives.
- *Strategic planner:* A sales manager devises strategies that would help in achieving organizational objectives
- *Observer:* A sales manager observes buyer behavior.
- *Market analyst:* A sales manager continuously monitors and analyzes the marketing environment and identifies opportunities and potential threats

- *Leader:* A sales manager is to be a role model for his team members in order to be able to show other sales representatives how to sell. At the same time, a sales manager is also required to push the sales personnel under his supervision to perform to their maximum capability to achieve sales goals.

- *Cost and profit analyst:* A sales manager analyzes the cost and profit involved in various segments of the market.

- *Budget manager:* A sales manager sets the budget requirement of the sales organization for carrying out various activities involved in the personal selling process.

- *Communicator:* A sales manager transmits information from the marketing/strategy planners to the sales force. The role of a sales manager as a communicator also involves gathering information from various sources, both external and internal to the organization.

3.4   Responsibilities of a Sales Manager

Sales managers are the front-line managers of a sales organization. The quality of a sales organization is directly dependent on how well its sales managers fulfil their responsibilities. Sales managers have several key responsibilities. These include: hiring, training, coaching, motivating, setting targets for the sales personnel, tracking the results, recognizing and rewarding performance, providing leads and sales support, organizing the sales effort, and conducting sales meetings.

3.4.1 Sales Analysis

One of the most important responsibilities of the sales manager is sales analysis. The sales manager must possess a deep understanding of sales trends in sales representatives' territories. He must analyze the total sales as well as the individual product sales trends. The major tools available in the hands of sales managers for sales analysis are the invoices of the dealers and distributors and their stocks and sales statements. Another important tool is retailer wise sales statements. Based on these tools, the sales manager can analyze the trends and the movement of various products in an individual sales representative's territory.

3.4.2 Planning

Planning is an integral part of sales manager's responsibilities. The sales manager is a key figure in the company's planning process. Generally, in organizations, the top management decides upon an objective or sales target and passes the same to marketing manager, who further sets targets for sales zones and territories in consultation with the respective zonal/territory managers. Sales targets are then fixed for individual sales representatives.

As against this common method of sending the budget from the top, the correct method would be that the top management first briefs the sales manager on the objectives of the company, the growth to be expected in sales and profits, the change expected in the pricing and the distribution structure, the new products that will be introduced, which products are to be strongly promoted, the expected promotional expenses and what the general environment is expected to be, etc.

The sales manager then plans for his team and territories by taking into confidence his team members by analyzing the value-wise, product-wise, customer-wise and area-wise sales analysis of individual representatives. The sales manager then builds specific objectives for each sales representative keeping in view the objectives of the top management. This approach and involvement of sales managers in planning will ensure that the set objectives are achieved and the sales representatives as well as the sales manager are motivated to achieve the sales budget. The other areas where the sales manager should plan are:

Product Sales Planning- In the process of planning the operations, the sales manager should have fresh look at his total area and identify new market segments for various products. The sales manager should find out the total number of actual and potential customers, what do they buy, why do they buy, and in what quantities do they buy and in what frequency and under what conditions they buy, what is the competitive environment existing in the territories and then classify them into high, medium and low potential customers. Thus, from the sales potential, the sales manager devises sales forecast and this forms the basis for further planning.

Territory Layout Planning - Once the potential of the territory is established, the next important planning process the sales manager has to undertake is territory layout planning and territory coverage planning. The territory layout and coverage plan includes - each sales representative`s workload capacity, the frequency of calls to each category of customers, the travel time required as well as the manpower requirements and their expenses required for territory coverage.

Manpower Expense Planning- The sales manager does the planning of number of existing and potential customers, the frequency of visits required to different categories of customers, the territory layout and the need for territory coverage. Next, the sales manager arrives at the number of sales representatives needed for effective territory coverage. The number of sales representatives and the territory coverage will have a direct bearing on the total expenses required for the coverage of the territory. The sales manager then calculates the sales to expense ratios for each individual sales representative and controls the overall sales expenses.

Sales Program Planning- This includes planning on what each sales representative must do and when they must do it to achieve the organizational

objective. These include sales promotion programs like: displays, demonstrations, sampling, group detailing seminars or presentations to a select group of customers etc. Proper sales program planning helps in developing loyal customers and motivates the sales representatives.

For high level of efficiency, a sales manager needs to have -

- Customer definition and then classification.

- Product or product line emphasis.

- Optimal utilization of promotional material.

- Continuous and innovative promotional activities.

Example

Shyam is working as the Sales Manager for a leading pharmaceutical company. Shyam takes care of the allotment of different responsibilities for his subordinate sales executives like the number of calls they need to make, the type of customers they need to target along with their travel time etc.

Discussion Question: What is this part of the job profile by Shyam termed as?

Source: ICFAI Research Center

3.4.3 Hiring

The sales manager plays a key role in hiring sales personnel for an organization. He is responsible for preparing job descriptions for various sales positions. A carefully worded job description prevents the management from hiring the wrong kind of people for the sales position thereby reducing the sales force turnover.

3.4.4 Training

It is the responsibility of a sales manager to train the sales persons in his team to achieve their sales targets. Sales training in a company may differ from that in another company. Some organizations conduct formal training programs for their sales force. The training may be offered by a professional sales trainer, the sales manager, or by some other employee of the company having wide experience in sales. Training may even be in the form of simple role-plays. As part of the training, the sales managers should address basic issues such as key attributes of the product, potential customers, competitors and how to make the sale. The sales manager should also train sales persons on how to handle objections and close a sale by summarizing the key attributes of the product.

Most organizations are willing to invest in sales training because they view it as a return-on-investment. However, a direct correlation cannot always be established between sales training and increased sales or enhanced performance of sales personnel.

3.4.5 Coaching

The sales manager should observe how his sales team performs in the field to identify the training needs and gauge the effectiveness of the sales training. By unobtrusively observing the salesperson's efforts and taking care not to take over the call from the salesperson, the sales manager can examine the salesperson's techniques of selling and note down the aspects on which the salesperson needs to be corrected or the aspects which the salesperson needs to improve upon.

The sales manager should provide honest and constructive feedback to the salesperson. Thus, the coaching function of the sales manager involves identifying the reasons why the salesperson is not performing satisfactorily and devising a solution to correct the problem. To accomplish this, it is essential that the salesperson agree with the sales manager that a problem exists. After having made the problem evident to the salesperson, the sales manager can discuss it with him, agree on remedial measures and set a deadline for taking action. Follow-up measures are necessary to ensure that remedial action is being pursued by the salesperson.

3.4.6 Motivating

The following three factors play a role in increasing the productivity of an employee –

- The belief that his work is important
- Recognition of his accomplishments and
- A motivated leader

The sales manager should ensure that it is not just the top performers in the sales force who require to be praised. On the contrary, the salespersons who display only a slight improvement in performance should also be praised to ensure that they show further improvement. Different individuals are motivated by different factors. For some, money may be the only motivator while for others, receiving praise and recognition, incentives, gifts, awards, challenging assignments, etc., may serve as motivators.

3.4.7 Setting Targets and Tracking the Results

A sales manager sets targets for the salespersons under his supervision. The sales targets may be in the form of new accounts, amount of revenue to be generated, or it may even be in the form of the ratio of sales per customer. The sales manager may even set additional targets for the prospecting efforts of the salesperson. This may be in the form of number of phone calls made, number of letters mailed or number of visits made in a week.

However, the sales manager should ensure that the targets set by him are realistic and achievable. After setting the targets, it is the responsibility of the sales manager to constantly track and publicize their achievement by posting the results

on the company bulletin board or the intranet, as the case may be. This acts as a great morale booster for those who have worked hard to achieve their targets.

3.4.8 Recognizing and Rewarding Performance

Sales managers keep track of the performance of the salespersons under their supervision and recognize and reward excellent performance by offering them tangible incentives. These may be in the form of a rolling trophy, extra leave, paid vacations, gift certificates, plaques, membership to exclusive sales and achievement clubs, etc. Salespersons may also be rewarded with public appreciation at sales meetings for showing excellence in performance.

3.4.9 Providing Leads and Sales Support

It is the responsibility of the sales manager to clear all the hurdles that salespersons are likely to face in achieving their sales targets. These hurdles may be in the form of lack of adequate secretarial support, lack of appropriate sales aids and tools to make effective presentations, etc. The sales manager's task doesn't end with observing and tracking the performance of the sales staff but goes much beyond it.

The sales manager has to continuously develop new business through the contacts he develops in the community, through his personal selling efforts, and by constantly making visits to prospective customers. The sales manager needs to identify leads, and then hand them over to the sales staff to follow up. The ultimate objective of the sales manager is to make the sales task easier for his team.

3.4.10 Organizing the Sales Effort

A sales manager helps salespersons organize their sales effort. The manager helps salespersons maintain active ticker files and ensures that they plan their calls in advance. The sales manager also ensures that the salespersons follow a systematic process of call reporting and filing of expense reports. This helps sales managers keep tabs on the activities of their sales staff and give them appropriate sales advice. Thus, by organizing the sales efforts of salespersons, sales managers can help enhance their efficiency by enabling them to meet their targets.

Example

Shradha is an active Sales Manager involved with various activities related to her role like in the recruitment process of her sales team. Her suggestions are valuable to build talent in the team. She creates database and distributes the leads, appreciates and gifts the achiever with appropriate rewards.

Discussion Question: Out of the various activities performed by Shradha, which one is related with the motivation of the sales team?

Source: ICFAI Research Center

3.4.11 Conducting Sales Meetings

One of the prime responsibilities of a sales manager is conducting sales meetings. These meetings when conducted effectively serve as great morale boosters for the salespersons. The frequency of sales meetings can depend on various factors. Some of them include availability of key players, frequency of requirement of progress update. To conduct effective sales meetings, sales manager should send the agenda beforehand to the participants so that they come prepared for the meetings. The sales manager while conducting sales meetings must ensure that the following aspects are covered:

- Review of the sales performance of the organization

- Review of the performance of each individual salesperson

- Recognize and reward excellent performers

- Offer effective sales tips

- Organize guest lectures by eminent sales personalities to help the salespersons learn from other's experiences in sales

- Present motivational lectures and video presentations

- Sales managers also need to ensure that during the meeting, participants do not lose focus and issues and problems are resolved by the end of the meeting. Not all sales meetings tend to be productive and useful to the participants and the company.

3.4.12 Allocation of Scarce Resources

Sales managers are responsible for allocation of scarce organizational resources among the sales personnel. They may take the aid of sophisticated technology in fulfilling this responsibility. For example, companies like General Mills use software packages to enable their sales managers to evaluate various scenarios to allocate resources with the help of "what-if" analyses.

Example

Dhruv Gupta is a well-known person in his organisation. Dhruv is known for his excellent sales skills and managing people. It is considered as a blessing to new recruitees to work under him. Dhruv is not only friendly with them but he builds their entire personality by providing honest and constructive feedback. He is also their problem-solver.

Discussion Question: What role is Dhruv playing as a sales manager to his team?

Source: ICFAI Research Center

3.4.13 Qualities of a Successful Sales Manager

A successful sales manager should have the following qualities/traits to manage his/her team effectively and achieve the organizational objectives:

- **Drive:** A sales manager should possess a strong drive and should be able to direct his team by providing innovative ideas when required on how to win customers and provide better customer service.

- **Persuasive:** A sales manager should be able to persuade top management, his sales personnel and his customers.

- **A Teacher:** A sales manager should be a good teacher who is required to train his sales team.

- **High Integrity and Loyalty:** A sales manager should have a very high level of integrity and honesty to be able to win confidence of all the stakeholders.

- **Industriousness**: A sales manager should be an industrious person who strives hard to try new and innovative ideas.

- **Resourcefulness:** A sales manager should be resourceful and work towards finding solutions to problems.

- **Intelligence**: A sales manager should possess a very high level of intelligence to gain respect from his team members.

- **An Enquiring Mind**: A sales manager should have an enquiring mind to reason out the situations and understand them completely for a better solution/option/course of action.

- **Field Experience**: A sales manager should have a reasonable field experience of dealing with customers and sales personnel.

- **Adaptability:** A sales manager should be adaptable to changing environment around him.

- **Sense of Humor**: A sales manager is expected to have good sense of humor. It helps in dealing with the team members who constantly work under pressure.

Apart from the above qualities, a sales manager is required to work towards developing his/her personality traits in the following six areas:

a. Basic character

b. Human qualities

c. Mental qualities

d. Appearance

e. Impressiveness

f. Maturity

Activity 3.1

Ajay Sharma (Ajay) has an MBA degree from a reputed institute in Mumbai. He appeared for an interview at Citibank for the post of sales manager for its home loans division in Mumbai. During the interview, Ajay was asked to elaborate on the roles and responsibilities of an effective sales manager with reference to Citibank. If you were Ajay, what kind of answer would you give to convince the interviewer?

Answer:

Check Your Progress - 1

1. One of the following is not an external factor that influences the various activities of a sales manager. Identify it.

    a. Top management

    b. Suppliers

    c. Customers

    d. Competitors

    e. Retailers

2. Which of the following does not typically come under the role of a sales manager?

    a. Transmission of information from marketing/strategy planners to sales personnel.

    b. Sales forecasting

    c. Market analysis

    d. Making presentation for sales calls

    e. Communicating with sales personnel

3. Which of the following is directly related to the sales manager's responsibility to motivate the sales force?

    a. Preparing the job description

    b. Recognizing the salesperson's achievements

    c. Gauging the effectiveness of sales training

    d. Identifying leads for the sales team

    e. Allocating duties to salesmen

4. Which of the following statements is **not** applicable to the responsibilities of a sales manager?

   a. To prepare job descriptions for various sales positions

   b. To clear the hurdles that salespersons are likely to face in achieving their targets

   c. To conduct sales meetings effectively

   d. To administer the sales order

   e. Motivate sales personnel

3.5 Role of a Sales Executive

A salesperson's job is a multi-faceted one in which he (sales person) is required to play a variety of roles such as a persuader, a service provider, an information-gatherer and reporter, an advocate, a traveler, a coordinator and scheduler, a problem-definer, a customer-ego builder and a display arranger for the wholesaler or retailer. The salesperson may play one role at a time or several roles simultaneously if necessary.

In addition to these roles, the salesperson also plays the role of a merchandiser and an ombudsman.

- As a merchandiser, the salesperson presents to the customer, the products which are most appropriate and suit the customer needs. In industrial selling, the salesperson often needs to customize the product to precisely match the requirements of the buyer. Such customization is possible due to the large-scale purchases that take place in industrial selling.

- As an ombudsman, the salesperson acts as the customer's representative to the selling company and handles various problems that the customer might be facing. These problems may be in the form of late arrival of shipments, damaged merchandise, credit arrangements, etc. The greater the effectiveness of the salesperson in fulfilling this role, the greater is the help he is able to offer the customer.

A salesperson interacts with several role partners in performing his jobs. Typical role partners with whom a salesperson interacts may range from production workers, engineers, personal assistants and secretaries to the top brass in a company including the CEOs.

Further, a salesperson links at least four groups of people. These include people from his own sales-management team, the customers whom he serves, others in the organization on whom the salesman has to depend for the fulfillment of his sales orders, and other salespersons, both within the same organization or external to it. Since the salesperson needs to interact with these various groups of people he may also be required to fulfill their demands and expectations.

The pressure to fulfill the expectations of these various groups of people creates problems for the salesperson because very often the expectations of one group of people may be in conflict with the expectations of another group.

For example, when a salesperson is successful in tapping a new prospect and convincing him to place an order, in his enthusiasm to acquire a new sales account, the salesperson tries to ensure that the order placed by the customer is delivered to him on time. In doing so, the salesperson is quite likely to create resentment among people from other departments such as the production department, the dispatch department etc. by placing undue pressure on them to deliver the product at short notice.

With increase in competition and the use of sophisticated technology in sales and marketing, the role of the salesperson has also undergone a dramatic transformation. Companies now expect their salespeople to do much more than to achieve the company's targeted revenue goals. Salespeople are expected to play a critical role in supporting changes in the company's business strategy by directing their sales efforts to establish a continuing and mutually beneficial relationship with important customers and thereby delivering a targeted profit performance. Procter & Gamble, for example, has redefined the role of its salespersons to focus on customer business development as a part of which the salesperson has to help the customer in matching his requirements with the company's products.

Example

Deepak is loved by the organization for achieving his sales target and giving happy loyal customers. His customers also like him as they are assured of hassle-free services.

Discussion Question: Which role of a sales executive does Deepak play as a representative of the company?

Source: ICFAI Research Center

3.6 Responsibilities of a Sales Executive

The sales force of a company communicates the value of the company's offerings to the customers. An effective salesperson not only encourages customers to place repeat orders, he also gets an order from a customer who has been sourcing his requirements from the competitor. In order to do so, it requires strategic thinking by the salesperson as well as an understanding of the customer's needs.

Identify potential customers from available databases

Salespersons continuously find potential customers to achieve their sales targets. Various databases such as Yellow Pages are used by salespersons to generate

initial leads. Sometimes, the existing customers may also provide leads. Though the success rate of cold calls is quite low, it is an effective method to generate initial leads because the cost for each lead is quite low.

Identifying prospective accounts and deciding upon the priority and frequency of making calls

One of the major responsibilities of a salesperson is to identify prospective customers from the existing database and to prioritize the sales calls to convert these prospects into customers.

Deciding upon the selling approach

Salespersons need to prepare presentations for certain calls. Moreover, if they happen to be making a repeat visit to the customer, they need to ensure that they are equipped with the required information the customer may have sought from them during their previous visits.

Administering the sales order

When a customer places an order, the salesperson has to ensure that the product is delivered on time. Accordingly, he coordinates with the employees in other departments who play a role in order fulfillment.

Service provider

After the order has been placed, the salesperson should ensure that the product is properly installed at the customer's location and the customer is given an orientation on how to handle the product. He should also advise the customer as to how to make profitable use of the product, and also address any complaints or warranty problems that the customer may face in future.

Information gathering and reporting

Salespersons also provide the company with relevant data about the customers. The sales manager can then make efficient use of this data to devise appropriate sales strategies to address the future buying needs of the customers.

Skill upgradation

The salesperson has to constantly upgrade his technical or product knowledge by attending sales training programs. Attending trade shows can also help the salesperson learn about the latest developments in technology.

Administrative responsibilities

As part of his administrative duties, a salesperson needs to regularly attend sales meetings and conferences, and fill in call reports and expense reports providing details about the calls made by him during a week and the expenses incurred during these calls.

<u>**Check Your Progress - 2**</u>

5. Which of the following is **not** a responsibility of sales personnel?

    a. Deciding upon the selling approach

    b. Identifying potential customers from currently available databases

    c. Attending trade shows and sales conferences

    d. Organizing sales effort

    e. Making sales calls

6. Which of the following roles does the salesperson play as the customer's representative to the selling company? How he/she handles various problems that the customer might be facing?

    a. Merchandiser

    b. Ombudsman

    c. Service provider

    d. Customer-ego builder

    e. Middleman

3.7   Policies that Impact Sales Management

Different companies have different product, distribution and pricing policies. The sales management policies of a company also vary depending on these policies. The operations and functions of the sales departments vary with the sales-related marketing policies of these companies. For example, sales-related marketing policies of companies would take into consideration what to sell, whom to sell, how to make the product available to the customers and at what price the product should be sold to the customer.(Refer Exhibit 3.1).

Exhibit 3.1: Electric Vehicles – Targeting Rural India

Market viewers observe the Indian electric scooter and motorcycles market with lot of interest. Many factors have contributed to the growth expectations. The growing concern towards the environment and the introduction of stringent emission norms is one of the primary factors. The subsidies given by the Indian Government are considered as another favorable factor.

In India, Uttar Pradesh is one of the largest geographic markets for Indian electric scooters, followed by Maharashtra, West Bengal, Gujarat and Tamil Nadu. UP accounts for 15% of the total electric two-wheeler sales. In the case of tier 2 and tier 3 cities in India, rise in the number of women customers is driving demand. To leverage on the growing demand, manufacturers are expanding the dealer networks.

Contd....

The Government of India's 'Make in India Initiative' has given a big boost to indigenous start-ups like Ather Energy, Emflux Ultraviolette Automotive, Orxa Energies and Yulu and Tork Motorcycles, who have forayed into the EV (Electric Vehicle) industry. A farmer of Maharashtra's Gove village had purchased a new EV scooter for a price of Rs.75,000 (2019). By saving petrol cost, he hopes to recover the cost in two to three years. Like indigenous companies, global companies too are enthused by the response from rural areas and Suzuki Motors and Yamaha Motors have drawn up initial plans to launch EVs in India.

As of 2018, the SMEV (Society of Manufacturers of Electric Vehicles) reports that sales of electric scooters and bikes doubled. Even though the market for electric vehicles is at a very nascent stage, India has emerged as the largest market for Electric Scooters. While most global car manufacturers are hesitant to launch electric cars in India, the annual electric scooter sales in India is expected to exceed 2 million in 2030.

The market for electric scooters is expected to pick up to a greater extent in rural India. The marketing policies and the sales organization need to be oriented to leverage on this growing demand. While the rural market perceives the electric scooters as utilitarian, they are not as powerful as petrol vehicles.

The cost factor works to the advantage in rural areas. Manufacturers need to orient their marketing strategy and organization structure to sell more electric scooters in rural India.

Sources: 1. Rajendra Jadhav, Aditi Shah, "India's electric vehicles goals being realized on two wheels, not four", Reuters.com, 14/01/2019 Accessed on 07.04.2022

2.Sahaj Desai, "The E-Scooter Revolution in India: Possibilities and Scope," Yourstory.com, 27/07/2019 Accessed on 07.04.2022.

The sales-related marketing policies laid down by a company influence the operations and functions of the sales executives. This influence is evident that through the policies, sales organization tries to achieve the personal-selling objectives of the organization, manage the sales force and organize and control the sales efforts. Thus, sales-related marketing policies establish the basic framework within which the sales function operates.

3.7.1 Sales-related Policies pertaining to Product

The sales-related product policies of a company determine what products the company should be involved with, what products to add, what products to drop, and whether to add or remove a product line. These policies also lay down the company's stand with regard to product design and quality, after-sales service, product recall, warranties, and repair.

Multi-national companies, for instance, have clearly laid down policies regarding product recall. The objective behind product recall policies of companies is to place unsafe and defective products beyond the reach of consumers as early as possible.

Very often, manufacturers or distributors voluntarily take action to recall the product when any incidence of defective quality comes to their notice. The standards laid down by government agencies such as Bureau of Indian Standards also play a role in making companies follow a code of ethics in manufacturing their products.

The most common product-related policies that impact sales management of a company are policies that pertain to the product-line, to product design and quality, and to service related to the product.

Product line policy

A product line is a set of related products sold by a company. The product line of one firm may vary from another. Some firms may have a narrow product line while others may have a broad product line. A firm may decide to have a broad product line and leverage the corresponding increase in revenue the firm is likely to get against the production and engineering costs.

Both narrow as well as broad product lines have their advantages. Firms with narrow product lines enjoy economies of scale due to product specialization and thereby lower production cost per unit, reduce inventory or holding costs, and lower costs of designing the product. This may possibly be the reason behind some computer manufacturing firms trimming their product lines.

Likewise, firms with a broad product line also have certain advantages. These firms are able to meet the needs of a wider range of customers and at the same time, deter other firms from entering the market. Therefore, they are able to charge high prices for their products. Companies like Hindustan Unilever Ltd (HUL) enjoy many of these advantages of having a broad product line in each product category. However, such companies also face a higher risk of suffering great losses if a new competitor arrives on the scene with a substitute product.

The product line policies of a company are also influenced by the amount of risk the company is willing to undertake. A company with a narrow product line takes up a large amount of risk. On the other hand, a company with a full product line spreads out its risks over a wider range of products.

Moreover, a company's decision to have a broad product line is also dependent on the ability of its sales force to effectively sell each of these products. Likewise, customer demand and expenses involved in the production and promotional activities of these products also influence a company's decision to adopt a product line policy.

If a company wants to add a new product to an existing product line, it needs to make significant changes in its sales management policy. The company, for instance, may have to train its sales force so it becomes aware of the new characteristics of the product. The sales force should also learn to identify the best prospects for the product as well as their needs and buying behavior. The addition of a new product to the product line may make it necessary for the sales manager to alter the standards for measuring the performance of the salespersons.

Traditionally, sales quotas were used as a basis for evaluating the performance of salespersons. Now, the sales managers have to measure the performance of the salespersons on the basis of the number of sales calls made and number of demonstrations given. Adding to the product line may require the salespersons to spend more time on each sales call to explain the product characteristics of the new product as well as to make the customer aware of the lesser-known products in the product line. In some cases, the sales manager may have to accompany the salesperson on sales calls. The sales manager may also form special sales teams and hold special sales orientation meetings to ensure that the salespersons are well versed with information related to the new product. (Exhibit 3.2).

Exhibit 3.2: Product Line Pruning at Nestle

Nestle, a Swiss multi-national food and beverage company is spread in 191 countries all over the world. Nestle has over 2,000 brands, some of which are iconic and others local favourites. Some of the best-known brands like Maggie, Kissan, Milkmaid, etc. have become a part of the healthy diet of people all over the world. With the world becoming more health conscious, Nestle's product strategy too started focusing on healthier brands.

Nestle, which had to its credit many iconic chocolate brands, decided to shed its sugary reputation. To achieve this objective, in 2018, the company entered into an agreement to sell its US confectionery brands 'Baby Ruth, Butter Finger, Crunch Bars, Laffy Taffy' to Ferrero, the legendary chocolate company that is well known for its hazelnut spread and iconic brand, 'Nutella'. For Nestle, the exit from chocolates would mean positioning Nestle's image as a high-tech health company, rather than as a company that sells brands that provide sugary delight.

In another major move in July 2019, Nestle sold its Israeli ice cream business to Froneri, a company which has significant global presence in the ice cream market. This divestiture by Nestle would bring all of Nestle's ice cream business in EMENA (Europe, Middle East and North America) under the control of Froneri. This divestiture of Nestle is also seen by business analysts as part of its product pruning strategy that focuses on exiting low growth and low margin businesses.

Contd....

> If this product pruning strategy is taken forward, Nestle is expected to divest more brands in future. With a view towards positioning its brand as a healthy one, Nestle acquired 'Altrium Innovations', a global leader in nutritional health in 2017. To sum up, it can be concluded that Nestle's product pruning strategy has twin objectives: Cut down losses and increase profitability and re-position brand's image as a healthy brand.
>
> Nestle, whose focus is on "Good Food Good Life", is empowering its sales team to educate customers on how the company is contributing towards a healthier future. To reduce cost, the company has adopted an organization structure that is simpler and faster. Regional sales teams are empowered through training programs to drive growth. To support the sales team, the organization has been de-layered so that decision making at local levels is faster and more efficient. Salesmen compensation has also been tailored to facilitate profitable growth

Source: Katy Askew, "Nestle continues portfolio pruning with ice cream sale: What else could go on the block," Food Navigator, 05/07/2019 Accessed on 07.04.2022.
Martinne Geller, Francesca Landini, "Health-conscious Nestle sells U.S. candy to Ferrero for $2.8 billion," 16/01/2018   Accessed on 07.04.2022.
https://www.nestle.com/aboutus/strategy   Accessed on 07.04.2022

Product design policy

Product design policies indicate the frequency at which the company may make changes to its product design and also refer to the extent to which product design should be protected from imitation.

Companies make changes to their product designs to accommodate the changing tastes and preferences of customers and increase product sales by inducing customers to trade-in their existing models of the product which may still be in a usable state, in exchange for an advanced model of the same product or a related product. Changes in the product design force companies to alter their sales management policies. Sales teams need to be trained as and when product designs change. The advertising and promotional policies are also influenced by the changes in product designs.

Companies lay down specific policies to safeguard themselves from imitation of their product designs by competitors. The protection of product design is made possible by patenting the design and establishing copyright protection regulations.

3.7.2 Sales-related Policies pertaining to Distribution

The success of a product in the market depends on a combination of several factors. The distribution of the product determines the sales of a product and it must be effectively coordinated with various other factors such as product quality, its positioning, the marketer's reputation, marketing efforts and product

promotion to ensure successful sales of the product. Ineffective distribution can result in a massive drop in the sales of even established products.

The sale of products through distributors is dependent on the consistency in the supply of the products to the distributor. Instances of lack of stock or late delivery of supplies to distributors make it difficult for the latter to meet the demands of the buyers and lead to a significant drop in the sales of the product. Hence, the frequency and the regularity of distribution play a vital role in efficient sales management.

To a large extent, the promotion of the product by the channel members depends on the relationship that the manufacturer has with its channel members. It is essential that the manufacturer maintains an ethical relationship with channel members to ensure that they actively promote his product. Moreover, the commission offered by the manufacturer to the channel members also determines their interest in promoting its product. If the manufacturer offers a low commission, it is likely that channel members will no longer be interested in promoting the products. Instead they may opt to promote the products of the manufacturers who offer them a higher commission.

A recent example of companies making changes in their distribution policies to the disadvantage of their channel members, is the slashing of travel trade commissions by international airline companies[9] from 3% to just 1%. Airlines have been decreasing agent commissions and have also been linking commission to productivity to increase revenue. Most airlines pay a productivity linked commission over and above the fixed commission.

Activity 3.2

Sunflower is a new entrant in the refined oil market. The company's management wants to sell its product through various distribution channels. In this regard, discuss the various sales-related distribution policies that Sunflower can adopt.

Answer:

3.7.3 Sales-related Policies pertaining to Pricing

Products fall into three general categories, namely, substitute products, complementary products and neutral products. Substitute products are also known

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[9] https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/international-airlines-to-slash-travel-agents-commission-to-1-per-cent/articleshow/57400664.cms?from=mdr April 05, 2017 Accessed on 07.04.2022

as competitive products and include those products whose sales affect the sales of other product. Complementary products are the products whose sales boost the sales of other product. For example, the sale of a camera boosts the sale of photographic films; the sale of a shaving razor boosts the sale of blades and shaving gel. Neutral products do not have any effect on the sales of other products.

While setting the prices of products, one must consider the fact that the differences in the prices of products in the same product line directly influence the proportions in which these products are sold. Companies offering multiple products tend to create a situation wherein each product begins to compete in terms of sales with other products offered by the company. For example, if a company manufacturing various models of refrigerators begins to promote one particular model, it affects the sales of other models of refrigerators. The sales management should make appropriate changes in its sales strategy and selling tactics when a change in the price of one product in the product line begins to have an effect on the sales of other products in the line. This is particularly true when the products are substitutes of each other. It is but natural for customers to opt for a product that costs less when it serves as a substitute for the product that the customer is seeking.

3.7.4 Sales-related Policies Pertaining to Advertising and Sales Promotion

The advertising and sales promotion strategies of the company have a direct bearing on the sales efforts of the sales management team. The advertisement of the company's products in the electronic or print media regularly makes the selling of the products by the sales team, effortless. The customers are already aware of the products and their features or at least the brand name. This makes the job of the sales persons much easier, as they have to just highlight the products' best features and push for sale. Therefore, the sales management strategy of the company should be aligned to its advertising strategy. For example, if the marketing department is planning to have a series of advertisement campaigns, but at the same time the sales management team has vacancies at various territories and the number of sales people working are less, then in such a situation the entire advertisement campaign will fail.

Example

ITC started as a cigarette company and had an excellent reach from every nook and corner of the country, from premium shops to petty shops, Kanyakumari to Ladakh. The company exploited this reach while divesting and increasing product lines to consumer foods. ITC products are available to customers at every place in the country.

Discussion Question: What is this strategy of ITC termed under policies related to Sales Management?

Source: ICFAI Research Center

Check Your Progress - 3

7. Which of the following may not have a direct bearing on the sales efforts and sales management team?

    a. Pricing policy

    b. Dividend policy

    c. Advertising policy

    d. Product policy

    e. Distribution policy

8. A company wants to add a new product to its portfolio. Which sales-related policy would be affected by this decision?

    a. Product line policy

    b. Product recall policy

    c. Product design policy

    d. Product quality policy

    e. Product benefit policy

9. Identify the statement which is **not** true.

    a. The product line policies of a company are influenced by the degree of risk the company prefers to take.

    b. A company with a narrow product line takes up more risk while a company with a broad product line spreads outs risks over all the products.

    c. Product design policy ensures imitation of product design by competitors.

    d. Product design policy indicates the frequency of changing the product's design.

    e. Product policy balances the benefits offered to customer and the price.

10. The sales of a certain product of a company are affected by a similar product manufactured by a competitor. What would you call the competitor's product?

    a. Recalled product

    b. Substitute product

    c. Complementary product

    d. Neutral product

    e. Promoted product

3.8   Summary

- A sales person's professional life is characterized by various highs and lows. At times, he/she may clinch a deal and close a sale. At other times, he/she may have to face the customer's rejection. Thus, the life of a salesperson is certainly not an easy one.

- What differentiates a successful company from a not-so-successful one is its sales force. The sales force of a company comprises the sales managers and the sales personnel. Both have distinct roles to play and responsibilities to fulfill toward the achievement of the sales objectives of the organization.

- The sales manager who occupies a middle-level position in an organization satisfies the demands and expectations of not only those above him and those whom he is supervising, the sales persons, but also various other groups of people. These include people who belong to the organization as well those who are external to it. The sales manager has several functions to perform, which fall in the sphere of sales as well as marketing management. Likewise, a sales manager also plays a variety of roles - planner, recruiter, leader, controller, market analyst, sales forecaster, budget manager, and communicator.

- In addition to playing a variety of roles in sales management, a sales manager also has a set of responsibilities to fulfill. These include the responsibility of hiring, training, coaching, motivating, setting targets for sales people and tracking the results, providing leads and sales support, organizing the sales effort, conducting sales meetings, and allocate scarce resources.

- The salesperson's job is also a demanding one. He has to play the role of a persuader, a service provider, an information-gatherer and reporter, an advocate, a traveler, a coordinator and scheduler, a problem-definer, a customer-ego builder, a display arranger for the wholesaler or the retailer, a merchandiser as well as an ombudsman. Like a sales manager, a salesperson too has his own set of responsibilities to fulfill.

- Further, the operations and functioning of a sales organization is governed by certain policies. The sales-related policies that have an impact on the sales achieved by an organization fall into three categories, namely, policies related to the product, policies related to the distribution aspects, and policies related to the pricing of the product.

- The product related policies determine the products and product lines the company should be involved in, and whether to add or drop a particular product or product line. The product-related policies also help specify the company's stand regarding product design and quality, after-sales service, product recall, warranties and repair.

- The distribution-related policies in a sales organization deal with how the distribution of a product affects its sales. These policies also highlight the relationship between various factors such as product quality, its positioning, the marketer's reputation, marketing efforts, product promotion and sales, and the need for coordination among these various factors. The policies that relate to pricing of the product discuss the relationship between product or service pricing and its impact on sales.

3.9 Glossary

Retailer: The last entity in the distribution channel. It includes all businesses and individuals who actively participate in the transfer of ownership of goods and services to their end users. They sell to final customers. They purchase goods from wholesalers, or in some cases, directly from producers.

Sales incentives: Various types of prizes awarded through sales contests.

Trade shows: Exhibitions that feature a specific industry's products and bring together buyers and sellers for a short period of time. Many industries use trade shows as forums for technical, political, and other issues as well.

Variable costs: The portion of a company's production and marketing costs that is dependent on the level of production.

Warranty: A statement specifying what the producer of a product will do to compensate the buyer if the product does not live up to its promised level of performance.

3.10 Self-Assessment Test

1. Some companies have a broad product line while some others have adopted a narrow product line. Discuss the advantages and disadvantages of broad and narrow product line policies.

2. The difference in the prices of products in the same product line has a direct influence on the proportions in which they are sold. Explain this statement using a suitable example.

3.11 Suggested Reading / Reference Material

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3.12 Answers to Check Your Progress Questions

1. (a) Top management

The activities of a sales manager are influenced by the demands and expectations of various groups of people, both internal and external to the organization. While those internal to the organization include the top management, the sales personnel, and other sales managers, people external to the organization who influence the activities of a sales manager include customers, competitors, advertising agencies, suppliers, society, etc.

2. (d) Making presentation for sales calls

The role of a sales manager include: hiring, training, coaching, motivating, setting targets for the sales personnel, tracking the results, recognizing and rewarding performance, providing leads and sales support, organizing the sales effort, and conducting sales meetings. Making presentation for sales calls does not come under the role of a sales manager.

3. (b) Recognizing the salesperson's achievements

Recognizing the salesperson's accomplishments plays a role in increasing his/her productivity. The sales manager should ensure that it is not just the top performers in the sales force who require to be praised. On the contrary, the salespersons who display a slight improvement in performance should also be praised to ensure that they show further improvement.

4. (d) To administer the sales order

The responsibilities of a sales manager include preparing job descriptions for various sales positions; effectively conduct sales meetings, to clear the hurdles that salespersons are likely to face in achieving their targets etc. However, they are not responsible for administering the sales order.

5. (d) Organizing sales effort

The responsibilities of a sales personnel includes identifying potential customers from currently available databases, identifying prospective

accounts and deciding upon the priority and frequency of making calls, deciding upon the selling approach, administering the sales order, providing service to the customers, gathering information and reporting, upgrading technical or product knowledge by attending trade shows and sales conferences. However, organizing sales effort is the responsibility of sales manager and it is not the responsibility of sales personnel.

6. **(b) Ombudsman**

   The salesperson plays the role of a service provider, an information-gatherer, reporter, advocate, coordinator, scheduler, problem-definer, merchandiser, ombudsman, etc. As an ombudsman, the salesperson acts as the customer's representative to the selling company and handles various problems that the customer might be facing. These problems may be in the form of late arrival of shipments, damaged merchandise, credit arrangements, etc. The greater the effectiveness of the salesperson in fulfilling this role, the more is the help he is able to offer the customer.

7. **(b) Dividend policy**

   The most common sales-related marketing policies of a company are policies that pertain to the sales related product policy, pricing policy, advertising and distribution policy. Dividend policy is the odd one out and has no direct impact on sales related activities and management.

8. **(a) Product line policy**

   When a company wants to add a new product to its portfolio, then product line policy would be affected by this decision.

9. **(c) Product design policy ensures imitation of product design by competitors.**

   Product design policies indicate the frequency at which the company may make changes to its product design and also refer to the extent to which product design should be protected from imitation.

10. **(b) Substitute product**

    Substitute products are also known as competitive products. Substitute products include those products whose sales affect the sales of other product.

Unit 4

Personal Selling

Structure

"Great salespeople are relationship builders who provide value and help their customers win."

- Jeffery Gitomer (King of Sales – bestselling author)

4.1   Introduction

Here, Gitomer points out a quality of great salespeople who not just look for the sales mark rather on building relationship by providing customer value.

In the previous unit, we discussed the roles and responsibilities of sales manager and that of sales executives. It also explained different policies that impact sales management. The present unit will discuss personal selling.

In an effort to attract customers to buy their products, companies have adopted innovative measures. They provide latest gadgets to their sales forces so as to enable them to respond quickly and effectively to customer requirements and sell their products profitably.

Personal selling, which is one of the tools in a company's promotional mix, is the process in which a salesperson has a face-to-face interaction with the customer for the purpose of selling a product or service. It has greater significance than any other form of promotion as it allows the sales person to converse in detail with the customer about the product or the service. Personal selling is a highly interactive tool for promotion and is particularly suited to complex products or services.

However, the advent of advanced telecommunication facilities has provided greater mobility and accessibility to sales personnel. This proved to be a major challenge for personal selling. With the rapid changes in environmental factors such as technology (sales force automation, mobile electronic gadgets, expansion of the internet), behavioural (increasing customer expectations, globalization of markets, changing customer attitudes), and managerial factors (outsourcing sales activities, integrating sales and marketing), sales managers face the difficult challenge of coordinating the efforts of the traditional sales force with those of hybrid marketing channels such as distributors and private sales persons.

This unit will discuss various aspects of personal selling including the concept of buyer seller dyads, various types of selling jobs, sales force objectives and strategies. The unit will also analyze various theories of personal selling, approaches and the process of personal selling. The unit will conclude with a discussion on customer related issues in personal selling and sales force automation.

4.2   Objectives

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

- Identify different types of selling jobs.
- Explain sales force objectives and its strategies.
- Illustrate theories of personal selling.
- Define personal selling process.
- Relate customer related issues in personal selling.
- Outline the benefits of automation in personal selling.

4.3   Buyer Seller Dyads

The effectiveness of communication between the salesperson and the customer during the sales process decides the success of a sales call. Appropriate and relevant communication between the buyer and the seller enables easier and better mutual understanding.

Whenever a seller and a potential buyer interact, they constitute a dyad, which is called a 'buyer-seller dyad.' Research conducted by Prof. H. Lee Mathews, Prof. David T. Wilson, and Prof. John F. Monoky, Jr., and published in the Journal of Marketing Research (February 1972), found that the relationship

between the customer and the salesperson is affected by the latter's principles, expectations, and communication skills. The study conducted on about 300 college students revealed that individuals sharing common views cooperated well among each other, while individuals, who are dissimilar in their views, would not cooperate among themselves.

A certain number of dyads was selected on the basis of a computer program. The students were divided into similar and dissimilar categories and told which category they belonged to. The game "Prisoner's Dilemma" was administered. In this game, success is dependent on strategy as well as level of cooperation. The results showed that there was a lot of cooperation between individuals who were similar and there was less cooperation between individuals who were dissimilar. In other words, individuals who perceived themselves as similar made greater attempts to cooperate with each other while those who perceived themselves as dissimilar made fewer attempts to cooperate.

In the control group, the individuals were not told about similarity or dissimilarity. They displayed greater cooperation than individuals belonging to the group, which perceived itself as similar, and greater non-cooperation than individuals, who perceived themselves as dissimilar. To sum up, the study clearly revealed that people who were told beforehand that they were similar increased cooperation with others in the group. The people who were told beforehand that, they were dissimilar became highly non-cooperative.

It can be concluded that the likelihood of a salesperson making a sale to a customer is higher if he shares some characteristics with the customer. These characteristics may be in the form of demographic aspects, physical features, etc.

Example

Pramod was an average looking, well-groomed humble, honest young boy. But he lagged behind his trendy and stylish classmates during the MBA program. His capabilities were doubted even but he got recruited by a multinational bank as sales executive in a small town with traditionally rich business people. Contrary to everyone's belief, Pramod connected well with the local people and became the highest achiever of the bank in terms of the sales.

Discussion Question: What according to you would have contributed to the strategic relationship responsible for his success?

Source: ICFAI Research Center

4.4 Types of Selling Jobs

For decades, businesses have been constantly searching for new customers and innovating new products to satisfy customer requirements. Acute competition and globalization have made the job of marketers even more difficult. For most firms, personal selling is a vital component of business transactions. Despite its growing importance, personal selling is still organized around traditional criteria such as sales territories, products and sometimes customers.

Strangely, it is not planned on the basis of tasks or activities involved in personal selling. It has been analysed why salespersons are assigned duties and responsibilities on the basis of territories, products and markets rather than on the basis of tasks or activities involved in the job. The analysis brings to the surface certain misconceptions held by top management. The management does not recognize that salespeople perform two very different kinds of activities or tasks, which require entirely different approaches. It also fails to appreciate that the manpower requirement for these two types of tasks is totally different. The tasks referred to here are sales maintenance and sales development. They are also termed as service-oriented selling and developmental selling.

Usually, the job of a salesperson comprises serving existing customers, maintaining good relationship with them and procuring business regularly. The aim of sales maintenance is to procure business from existing customers. On the other hand, sales development involves locating new and potential customers and persuading them to try the company's product. This is indeed a difficult task. Cutting edge skills are required to develop and sustain new accounts and only those who have these skills can excel in a sales development job.

It is evident how different these two selling jobs are, necessitating two different kinds of individuals to perform them. However, most companies expect the same set of salespersons to carry out both tasks simultaneously. When this is the case, often, salespeople do the job that is relatively easier and ignore the other task. Sales development, being more difficult, often gets left by the wayside.

4.4.1 Sales Development

As noted earlier, developing a new account requires a different skillset and is difficult because the salesperson needs to be creative and have knowledge about the customer, the economy and the market. The focus is on the customer and not on the product. The product is the centre of attention in the case of service-oriented selling or sales maintenance.

In sales development, the salesperson needs to generate a perceived need for the product in the customer's mind. The salesperson has to essentially act as a change agent by making the customer feel a need to change the status quo.

In industrial or organizational sales, a salesperson develops a new account by taking the following steps.

First comes the search for potential accounts, which the salesperson can target in his or her territory. Next is the determination or identification of the key decision-maker, who makes purchase decisions for the organization. The salesperson tries to gain access to that individual. The salesperson should then project himself as a potential problem-solver for the client company. Doing so demands a lot of groundwork by the salesperson, who should understand the prospect's needs and potential problems.

The salesperson should then develop a feeling of dissatisfaction about present product usage and make the prospect perceive the need to change. Subsequently the salesperson should explain to the prospect the need for change and what the prospect would lose if he maintains the present status quo.

The next step is to ensure that the prospect's perceived need to replace the existing product is converted into an action of actual replacement. The salesperson should create conviction in the prospect's mind that the decision to change to the new product is right and should coax the prospect to act on the decision. However, the job is not done once the customer places the order. The salesperson must try to develop a long-term relationship with the company. The customer should be reassured that the decision is indeed wise and that a better bargain could not have been got.

4.4.2 Sales Maintenance

After successfully developing a new account, a salesperson has to maintain the account. After converting a prospect into a customer, the priorities of the salesperson change. The main concern now is to retain the customer and ensure that he increases purchases from the company. The major objective at this stage is to maintain the company's position in the market and defend it from probable threats from competitors. To maintain this dominant position, the salesperson should acquire thorough knowledge of the customer's organization, operations and human and financial resources. He should always be available to customers to solve their product-related problems.

4.5 Sales Force Objectives

The marketing department develops sales force objectives in coordination with the sales department. These objectives may be qualitative or quantitative. Qualitative objectives are long-term while quantitative objectives are short-term in nature.

The following are some qualitative objectives of a sales force:

- Effective time management – managing sales calls, sales presentations and closing the sale within a reasonable time frame.

- Possessing sufficient knowledge – about the company, its products, policies, competitors and customers.

- Maintaining efficient customer relations –provide assistance and advice on product usage and give all such information that may be needed by the customer.

- To project an attitude and appearance that will please customers.

- To secure all relevant market information that may be needed by the company.

The following are some quantitative objectives of a sales force:

- Increase the market share of the company and subsequently manage and retain it.

- The number of sales calls made per day and the number of days worked.

- Sell the optimum mix of the company's products to achieve maximum profitability.

- Generate a certain number of new accounts in a specified time.

- Minimize sales expenses.

- Procure a certain quantum of business from a certain number of clients.

It is essential for a sales force to achieve both quantitative and qualitative objectives. These objectives help the management assess the performance of the salespeople and identify weaknesses of individual salespersons and help overcome them.

Check Your Progress - 1

1. Identify from the functions given below, the one that forms a part of sales development and not sales maintenance.

   a. Maintaining good relationships with existing customers.

   b. Locating potential customers and persuading them to try the company's products.

   c. Being available to existing customers to solve their product-related problems.

   d. Procuring business regularly from existing customers.

   e. Introducing loyalty programs.

2. Which would you classify as a quantitative objective of a sales force?

   a. Effective time management

   b. Secure relevant market information

   c. Project an attitude to please the customers

   d. Minimize sales expenses

   e. Improve relationship with customers.

4.6 Sales Force Strategies

Sales force strategies fall into two categories. These are to gain market access and to maintain account relationships. Gaining market access can take place by using distributors, developing hybrid marketing systems and establishing alliances. The account relationship strategy deals with the management of sales accounts in an organizational set-up, apart from individual sales accounts.

4.6.1 Market Access Strategies

Before planning to gain access to a specific market, it is important for an organization to analyze market potential and the size of different prospective accounts.

Companies normally use different approaches to enter various target markets. These include the company's own sales force, the distributor's sales force, telemarketing, the internet and so on. Let us now list the various approaches, which can be adopted by companies to gain access to new markets and then discuss them.

- Company's use of its own sales force
- Use of distributors
- Telemarketing
- Independent sales agents
- The internet
- Developing hybrid marketing systems
- Establishing alliances
- Account relationship strategy

Company's use of its own sales force

To gain market access, companies need to ensure that their sales force is geared to meet the challenges of new market conditions and new technology. They need to impart training to their sales force at regular intervals to enhance their selling skills and increase their efficiency. Companies can then use the sales force to gain market access by creating a demand for products.

Use of distributors

For manufacturers, especially those catering to industrial markets, it is very important to maintain a good relationship with distributors, because manufacturers sell the maximum proportion of their products through distributors. Only a small proportion of products are sold by manufacturers directly. A marketer should develop a thorough understanding of distributor needs and develop a working relationship with them. Managing the relationship efficiently and effectively is as important as developing it.

Understanding distributor needs

Generally, marketers who are not familiar with the distribution function find it difficult to identify distributor's needs. To overcome this difficulty, marketers must gather as much information as possible about distributors through various methods. The company's field sales people can collect information about changing needs of distributors by interacting with them. The information generated can help the marketer analyze micro and macro environmental factors.

Based on this, the industrial marketer can alter and develop strategies to effectively satisfy distributor needs.

For example, to efficiently manage the distribution function, DuPont set up a marketing steering committee consisting of a distributor marketing manager for each of its 35 divisions. These managers were responsible for managing the company's relationship with distributors. The discussions among the distributor marketing managers helped DuPont learn about distributor's problems, changing trends in the distribution function and new requirements. Apart from setting up such steering committees, some companies hold distribution councils once a year to recommend strategies for effective distribution management.

Developing a working relationship

Developing a working relationship with distributors is a crucial part of the distribution strategy. A firm can maintain a better working relationship by offering its distributors greater benefits than those offered by competitors.

For a good working relationship, it is always beneficial to seek the help of experienced consultants, who understand the needs of distributors as well as manufacturers. Another method is to align sales policies according to distributor needs. With growth in rural incomes[10], international chocolate companies are targeting India's over 6,50,000 villages where two-thirds of India's population resides. These companies are now selling premium chocolates priced between Rs.70 and Rs.170 in small villages with a small population of 3000 persons. Diary Milk has emerged as the favourite choice of rural India. Modelez, India's No.1 chocolate maker provided Indian store owners with free display refrigerators in the year 2000 itself. The company has ramped up its rural distribution and is selling its products in over 1, 00,000 villages in 2019 as compared to 50,000 villages in 2018. Modelez has systematically built a database to monitor sales of its products in the rural shops. Further, the company has increased the number of refrigerated trucks to ensure timely distribution of stock to its rural stores. Due to its excellent distribution network and good relationship with rural stores, Modelez enjoys better store display of its chocolates and has been increasing sales and market share.

A distributor marketing plan should also include a situation analysis (explaining the activities of the partnership), a SWOT analysis and what the distributor and the manufacturer expect from each other.

Maintaining proper two-way communication between the manufacturer and the distributor, along with sincere commitment from both sides, will result in an effective working relationship.

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[10] https://www.indiatoday.in/business/story/chocolate-sales-in-rural-india-dairy-milk-1574884-2019-07-29 Accessed on 07.04.2022

Managing the relationship effectively

Relationships with distributors can be managed effectively if manufacturers meet delivery schedules, maintain quality standards and support distributors with timely promotional and advertising campaigns. Finally, amicable resolution of disputes that may arise is also important to manage relationships effectively.

Such measures will encourage both parties to enhance their performance and overcome any minor problems. It will also help retain the distributors with the company and prevent them from switching to competitors.

Telemarketing

Identifying new accounts is an important activity for salespersons. Telemarketing is one of the most efficient tools for identifying new prospects and turning them into profitable accounts for the company. Telemarketing involves contacting customers using telecommunication technology. The main aim of a telemarketing executive is to sell products to customers over the telephone. In-house telemarketing is supplemented by outsourcing these activities to BPO firms that take up the responsibility of finding potential customers and increasing their clients' market access. India is one of the emerging markets in the field of telemarketing and customer services.

Independent sales agents

Compared to previous decades, there was a significant change in the selling process in the 90s. Independent sales agents were meant to cover a given territory and develop sales relationship with customers. The trend changed and independent sales agents began handling accounts rather than territories. Companies decided to use either in-house sales forces or independent sales agents, or both, on the basis of various factors like territory, market segment and customers. The primary reason behind the decision was the cost-to-sales ratio. For independent sales agents, this ratio remained constant. For an in-house sales force, it varied. When the market slumped, the cost-to-sales ratio rose for in-house sales force and vice-versa. In the case of independent sales agents, the commission is given, if a sale is made.

Internet

The growth of the internet has been phenomenal and it is still growing at an astronomical rate. This has given a significant boost to business on the internet. Sales worth millions of dollars are nowadays being conducted online over the internet. The biggest advantage in online sales is that they do not require heavy investments. Costs come down substantially. Also, these sales are not limited by geographical boundaries.

Exhibit 4.1 discusses about the leading E-retail giant, Amazon.

Exhibit 4.1: Amazon, World's leading E-Retail Giant

Amazon.com, an international e-commerce company, started its operations as an online bookstore in 1995. It later began offering a plethora of products -- books, music and video CDs, DVDs, toys, electronics, health and beauty goods, etc. Amazon also offered certain services like film processing. In 1999, Amazon launched a feature called 'Zshops', which empowered small merchants and customers to set up online stores for a monthly fee of US$10 and a transaction cost of 1-5 percent of the value of the sale. The retailers and third-party sellers registered at the 'Zshops' could sell their product on Amazon's site. This modest beginning of allowing third party sellers to market their products has catapulted Amazon to the No.1 online retailer position in the world.

Additionally, Amazon has expanded to offer instant streaming of selected movies and television shows through Amazon Prime Video and Music. In the grocery segment, Amazon launched its delivery services of fresh food products, Amazon Fresh, in the U.S. and big cities in Europe and Asia, where it usually competes with grocery delivery services provided by local supermarket chains.

Most of the company's revenue is generated through e-retail sales of electronics and other products, followed by third-party seller revenues, subscription, and AWS cloud services. Due to its global scope and reach, Amazon is considered one of the most valuable brands worldwide.

Source: Daniela Coppola, "Amazon - Statistics & Facts",

https://www.statista.com/topics/846/amazon/#editorialPicks, Dec 7, 2021 (accessed on 2nd May 2022).

Developing hybrid marketing systems

Previously, companies used either direct sales forces or distributors to sell their products in the market. In recent times most companies are using a combination of several marketing channels or hybrid marketing systems. When a company uses more than one channel for marketing its products, it is termed a hybrid marketing system. Significant increase in competition in almost all industries during the last decade has compelled companies to adopt a hybrid marketing system and increase their reach. Companies are now selecting channels for different segments of customers. Apple[11] for instance sells its iconic products to its consumers through its exclusive 'Apple Retail Stores', Apart from this Apple's biggest retailers are its well-known technology retailers like Radio Shack, Walmart, Best Buy, Sam's and Target. Thus, Apple uses a hybrid

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[11] https://lawaspect.com/apple-distribution/ 2020 Accessed on 07.04.2022

marketing system wherein its products are sold through online stores, Apple's own retail stores, direct sales force, third party wholesalers and value-added resellers.

To adopt a suitable hybrid marketing system, the company has to decide on the number of channels it wants to use to sell its products. This can be decided if it analyzes the marketing tasks it has to perform.

Establishing alliances

Another major sales strategy that companies adopt to gain access to new markets is to establish alliances with other companies through mergers, acquisitions, consolidations, take-overs and joint ventures. For instance, IBM has strategic alliances with 153 companies across the globe. In India, many companies have established strategic alliances for developing business. Examples are Maruti-Suzuki and Hindustan Motors-Mitsubishi. In strategic alliances, both partners should share a commitment to achieve a common goal, as well as allocate necessary resources towards achievement of that goal.

4.6.2 Account Relationship Strategy

Managing account relationships is yet another sales force strategy. The sales force of an organization should develop and manage long-term relationships with customers. It is very important in the case of organizational selling because continuous transactions take place between the salesperson and the customer. The customer makes repeat purchases of the same type of products at frequent intervals of time. The salesperson has to meet the same customers often due to the limited market available for the products - this is not the case with consumer goods. There are several types of consumer goods available for purchase and repeat purchases are infrequent for goods such as television, washing machine, refrigerator, and so on.

Organizational buying, by nature, is complex as several people are involved in the purchase process. In contrast, purchase by individual customers is different. It is less complex and involves less number of people in the buying decision. In an industrial set up, due to the involvement of a number of people in the purchase process, their individual tastes and preferences, authority and power and a host of other factors affect the final purchase. This requires a salesperson to put in considerable effort to understand the various dimensions of the organizational set-up before trying to make a sale.

4.7   Theories of Personal Selling

While some people consider selling an art, others call it a science. Certain theories have been developed for personal selling, based on experiential knowledge rather than on a scientific or systematic basis. These theories are based on approximation. They are called the AIDAS Theory, Buying Formula, Theory of Selling, Behavioural Equation Theory and Right Set of Circumstances Theory.

4.7.1 AIDAS Theory

AIDAS is an acronym for Attention, Interest, Desire, Action, and Satisfaction. Attracting customers is the most important function of a firm. For doing this successfully, it is essential to understand customer behaviour. The AIDAS theory says that a prospective customer's mind passes through five stages before making the actual purchase. The five stages are attention, interest, desire, action and satisfaction. For a sales presentation to be successful, it has to lead the customer through these five stages. The point to note is that the customer goes through these stages consciously and not sub-consciously.

Obtaining attention

The initial stage of securing the customer's attention is very difficult. A salesperson should be highly skillful to successfully cross this stage. Usually, customers are highly defensive when they come across a salesperson because of their inherent feeling that the salesperson is bent upon selling something. This tendency among customers makes the initial stage of selling difficult to handle. Salespersons should search for ways to overcome this problem. One quite often suggested solution is for the salesperson to start the discussion by talking to the customer about himself or discuss the business environment. Such conversations are most likely to be successful starters, as people often like to hear or talk about themselves. Once the salesperson gets the customer's attention, it becomes easier to guide the customer through the other stages of selling.

Creating interest

After obtaining attention, the salesperson tries to enhance this attention to an extent that it will get converted into interest. Salespeople should give the prospect a clear description of the product attributes and benefits and try to gain the prospect's interest in the product. During these discussions, the prospect might ask certain questions, which may reveal interest in some specific product attributes. The salesperson should be skillful enough to catch these hints and stress them to gain maximum interest. Similarly, sometimes the prospect may talk about his apprehensions about certain attributes of the product or the product itself. In such situations, the salesperson should look at the issue from the prospect's perspective and allay fears.

Stimulating desire

After obtaining attention and gaining interest, the third stage is to stimulate desire in the prospect's mind. At this stage, the salesperson should carry on the discussion to generate a desire to purchase, in the prospect. Sometimes, the prospect will have certain objections regarding the product, its qualities or perhaps of the entire selling process. Here, the salesperson has to deal with the objections tactfully and clarify them without leaving scope for further objections.

It is always better for the salesperson to anticipate objections and clear them even before customers raise them. Doing so increases the chances of stimulating desire in the prospect's mind.

Leading to action

The next stage is to lead the prospect to act. In this case, buy the product. After a careful sales presentation, it is the salesperson's duty to ask for an order. It is good strategy to ask for an order politely and straightforwardly. Some salespeople hesitate to ask for an order for fear of losing the prospect and instead prolong the discussion. This hesitation might lead to a prospective client being lost. Experienced and successful salespersons know when to close a sale and they will close it just when the time is ripe.

Develop satisfaction

After closing the sale, the salesperson should try to positively reinforce the customer's decision and generate a conviction in the customer's mind that he has done the right thing. The salesperson should thank the customer for purchasing the product and ensure that the supply will satisfy requirements. Subsequently, the salesperson should ensure that proper after-sales service is offered. The bottom line here is that the customer must be satisfied at all times with the product and the service.

4.7.2 Buying Formula Theory of Selling

The buying formula theory of selling discusses various aspects such as the mental state of a purchaser, the factors that lead him to decide whether or not to buy a particular product and so on. This theory describes the stages of the purchase process along these lines. The purchase process is said to be characterized by a psychological sequence of events that take place in the prospect's mind. The sequence of events includes – Need recognition – Solution – Purchase.

Usually, sellers are on the lookout for opportunities to establish long-term relationships with customers. Customer satisfaction is an important element that helps establish such relationships. So, satisfaction can be added as the last stage in the sequence of events that characterize the purchase process. The sequence becomes – Need recognition – Solution – Purchase – Satisfaction.

The solution can be a product/service from a manufacturer. Therefore, the manufacturer can also be considered a part of the sequence of events that characterize the purchase process. The sequence of events will then be represented like this -- Need recognition – Product/Service or Manufacturer – Purchase – Satisfaction. It is possible that the solution (a product/service) may satisfy the customer's need and create a favourable opinion in his mind. The reverse too is possible.

It is important that the consumer understands why a particular product or service satisfies his needs fully and how he would benefit by purchasing the product from a particular seller. Having such knowledge will help the consumer in effectively defending his purchase decision against competitor's sales force and in reducing post purchase dissonance.

4.7.3 Behavioural Equation Theory

The Behavioural Equation theory is based on a stimulus-response model and involves four elements of the learning process – drive, cue, response and reinforcement. According to the behavioural equation theory, customer decision making comprises different stages of the learning process and consists of the elements mentioned above.

Drives are strong internal forces that induce a response in the buyer. They are of two types – innate drives and learnt drives. Innate drives arise from unmet physiological needs such as hunger, thirst, pain and so on. Learnt drives arise from a craving for fulfillment of social needs such as status or recognition.

Cues are a form of weak stimuli that decides the response patterns of the buyer. Cues are again of two types – triggering cues and non-triggering cues. Cues that activate the customer decision process are known as triggering cues. Non-triggering cues, as the name suggests, do not trigger or activate the decision process but have an impact on it.

Response is the behaviour exhibited by the buyer.

Reinforcement is the process of making the buyer's response patterns stronger.

The relationship between these four elements is represented by the following equation:

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

Where,

B = the act of buying a product

P = internal response factor or force of habit

D = the level of motivation or the present drive

K = the value of the product to the buyer

V = the intensity of all the cues combined.

As the variables in the equation, P, D, K and V, share a multiplicative relation with each other, if any of them is zero, then B will automatically become zero, resulting in no response. Whenever a purchase gives the buyer enough satisfaction, it will increase the value of his internal response factor, thereby

resulting in the likelihood of future purchases. The salesperson will try to influence the behaviour of the buyer by stimulating his internal response at various stages of the selling process. Initially, the salesperson explains the benefits of the product to the buyer to influence a purchase.

However, the greatest influence on the buyer will come from usage of the product. At a later stage, when the customer has gained significant knowledge about the product and its features, the salesperson has to induce the buyer to make repeat purchases by projecting the positive aspects of the product such as new features or its superiority over the competitors' products. At this stage, the salesperson's responsibility will be to continuously influence the buyer.

4.7.4 Right Set of Circumstances Theory

This theory is based on the assumption that creating the right set of circumstances will make the buyer respond positively and buy a product. However, this depends on the skill and experience of the salesperson. A highly skilled and experienced salesperson would know how to create the right set of circumstances, which will make the buyer take a positive decision.

Creating the right set of circumstances depends on internal and external factors. These can be best explained with the help of an example. Consider a situation in which a salesperson goes to meet the purchasing manager of an industrial firm. The salesperson, to create the right set of circumstances or a favourable impression, invites the customer for a cup of coffee at the local coffee house. In this situation, both external as well as internal factors will influence the customer's purchase decision. The external factors include the salesperson himself and the invitation for coffee. The internal factors include whether the customer desires to have coffee, whether he desires to have coffee at that point of time, whether he wants to go out, and whether he wants to go out with that particular salesperson. This can be considered as the initial phase of creating the right set of circumstances by the salesperson. Salesperson thus gradually builds rapport with the customer by meeting with him quite often.

Check Your Progress - 2

3. Which of the following would fall under account relationship sales force strategy?

   a. Using distributors

   b. Developing hybrid marketing systems

   c. Establishing alliances

   d. Management of sales accounts in organizational set-up

   e. Provide communication training to sales force.

4. To sell its products, FGH Materials Limited uses its own sales force, distributors and, in addition, has alliances with other companies. Which market access strategy is being used by the company?

   a. Establishing alliances

   b. Use of distributors

   c. Telemarketing

   d. Hybrid marketing system

   e. Multi-channel system

5. Name the theory of selling that says the purchase is characterized by a sequence of events (Need Recognition – Solution - Purchase) that take place in a prospect's mind.

   a. Behavioral equation theory

   b. Buying formula theory of selling

   c. AIDAS theory

   d. Right set of circumstances theory

   e. Cognitive theory

4.8 Approaches to Personal Selling

To develop and maintain account relationships, salespersons can adopt any of three approaches to personal selling. These are the stimulus-response approach, need satisfaction approach and problem-situation approach.

4.8.1 Stimulus-Response Approach

In this approach, the salesperson makes positive statements about the product, to elicit a positive response from the customer. The salesperson translates the features of the product into benefits that will be of value to the customer. The objective of the salesperson in the stimulus-response approach is to elicit a positive response from the customer by using statements such as 'user friendly product' or 'satisfaction guaranteed' etc. while describing the product.

Here, the salesperson has no idea about the customer's needs. He assumes that the customer's exposure to the product features will generate a need and elicit a positive response. There is very little involvement of the customer in the selling process. This approach is adopted when products are largely standard or benefits are similar for all customers. It is suitable when the salesperson is short of time or experience.

4.8.2 Need Satisfaction Approach

The need satisfaction approach focuses on the customer's needs. The salesperson identifies the customer needs, gets the customer to agree on the needs and offers products that satisfy them. The need-satisfaction approach of personal selling involves two-way communication between the salesperson and the customer,

where the former asks the latter relevant questions to identify his needs. In this approach, there is greater involvement of the customer in the selling process.

It is important that the salesperson should be skilled and experienced enough to ask the customer relevant questions that will help identify exact needs. Lack of finesse may cause the salesperson to lose the sale and irritate the customer.

4.8.3 Problem Situation Approach

The problem situation approach to personal selling is a combination of the need-satisfaction approach and the scientific technique of problem solving. In this, the salesperson helps the customer identify the problem situation, suggests various alternative solutions to address the problem, examines the pros and cons of each solution and then helps the customer identify the best solution.

This approach takes longer to practise than other approaches. Computers, telecommunication equipment etc. are sold using this approach of personal selling.

Example

Ali sells administrative software particularly focusing schools. When Ali meets the decision makers, he starts by with telling them about the crowd at the fee counter, and quotes the utility the software provides during pandemic. He further makes them realize the speed of his software compared to already existing one.

Discussion Question: What kind of personal selling approach is undertaken by Ali in selling his software package?

Source: ICFAI Research Center

Activity 4.1

Neo Pharma is a new entrant in the pharmaceutical industry. Suggest a suitable selling style for the company and explain how the method works.

Answer:

4.9   Personal Selling Process

A study of the personal selling process is essential to understand the various stages through which a lead passes before culminating in actual sale. The process consists of seven stages. At each stage, the salesperson adopts different selling

techniques, which depend on the product and the type of customer. The following are the stages involved in a personal selling process – prospecting, pre-approach, approach, sales presentation, handling objections/sales resistance, close, and post sales follow-up.

4.9.1 Prospecting

Prospecting is the first stage in the selling process and involves the search and identification of potential customers who may be willing to buy a product and have the ability to do so. The salesperson obtains contact information about the prospect and makes cold calls to him. Information about prospects can be obtained from four different sources – external sources, internal sources, personal contacts and miscellaneous sources.

Some techniques that salespersons use to get information from external sources include community contacts (asking friends and relatives to refer potential prospects), contacting organizations (obtaining references from social and recreation clubs), contacting non-competing salespeople (seeking information on prospects from salespersons of other non-competing companies), referral approach (asking the prospect to give references of other potential prospects), introduction approach (asking the prospect over the phone, mail or in person to introduce other prospects) or by cultivating visible accounts (developing major and influential accounts that will serve to influence and attract other customers).

Sourcing of information from internal sources includes examining company and sales records (obtaining information about prospects from telephone directories, company records, membership lists and other such documents) and by obtaining information about prospects who enquire about the company's advertisements over telephone, by post or in-person.

Information can be obtained from personal contacts through observation and by making cold calls. The final source of information, miscellaneous, includes information obtained by organizing or participating in trade shows and exhibitions. Miscellaneous sources also include information from 'bird dogs' i.e. junior salespersons, who search and locate potential customers and pass on the information to their seniors for making sales calls.

Example

Shamik enters the office of VP-Finance in the potential company and introduces him as niece of the best friend of VP-Finance. He starts with a personal note and chats about the families knowing each other. Gradually he opens up with the purpose of sale.

Discussion Question: What will this approach of Shamik in reaching a potential customer be named as?

Source: ICFAI Research Center

4.9.2 Pre-approach

In this stage, more detailed information such as the tastes and preferences of prospective customers is gathered. Salespersons need this knowledge to prepare sales presentations. It can also help them avoid making serious errors during the sales presentation. They can also qualify the prospects for approach. Techniques like interview approach are used by salespersons in the pre-approach stage to gather additional information about the prospect. In this approach, the salesperson seeks an appointment with the prospect by taking the help of intermediaries (such as mutual friends) by sending a letter to the prospect (requesting an interview), contacting the prospect over telephone for an appointment, or by asking an existing customer to write to the prospect seeking his consent for an interview.

4.9.3 Approach

This is the stage when the first official contact takes place between the salesperson and the prospective customer. The sole purpose of the salesperson is to catch the prospect's attention and instill an interest in him about the product. The prospect's attention can be got by asking him an open-ended question or by giving him a sincere compliment. Having aroused attention, interest can then be triggered by stating the benefits of the product.

Some methods that can be used to obtain attention and generate interest in a prospect are:

- Non-product related approaches
- Peaking interest approaches
- Consumer directed approaches
- Product related approaches

Non-product related approaches

These include:

Referral approach: Using the name of a current customer as reference to approach the prospect.

Introductory approach: Approaching the prospect by introducing himself.

Shock approach: Putting fear in the prospect's mind.

Premium approach: Offering a gift to the prospect for consenting to a sales interview.

Showmanship: Dramatizing an aspect to gain attention and interest.

Peaking interest approaches

These include:

Arousing curiosity: Highlighting a product benefit.

Consumer directed approaches

These include:

Question approach: Where the salesperson starts the interview with a question to gain the attention of the prospect.

Survey approach: Offering to do research for the prospect.

Compliment approach: Paying the prospect a compliment.

Product related approaches

Showing the product to the prospect with little or no explanation about it. This helps a salesperson gain the attention of the prospect and generate interest about the product.

4.9.4 Sales Presentation (Types and Techniques)

This is the most important stage in the selling process. The salesperson demonstrates the product to the prospective customer explaining its features and stating its benefits. The objective is to induce a desire for the product in the customer's mind.

Types of Sales Presentations

a. **Canned Sales Presentation-** Canned Sales Presentation is a standard memorized plan which was formulated by John H Patterson, an American businessman. Standard memorized plan (canned presentation) in selling is popularly known as Detailing. Detailing is a presentation which is systematically arranged based on the product features and the main points of selling are arranged in rational &impressive manner. The sales interview has a dual task:

- To arouse a feeling of need in the prospect's mind.
- To show how the sales person's proposition fills that need.

An effective sales presentation has four characteristics:

- It should be complete.
- It should eliminate competition from the mind of the prospect.
- It should be clear, leaving no haze of misunderstanding in the prospect's mind.
- It should win the confidence, that the statement made is true.

Advantages of canned presentations:

The following are the advantages:

- It covers all ground, leaving no gaps.
- It does not leave the detailer wishing he had remembered to bring up certain points which might have clinched the sale.

- It is complete.
- It ensures a logical order in the detail talk or sales talk. The customer is led from one point to another easily, the whole presentation building itself up into an effective pattern.
- It saves time for both the sales representative and the customer.
- It gives sales representative more confidence to know that he is prepared for complete presentation.

b. **Need Satisfying Presentations-** Customers' needs are different and many a time a sales person has to device a presentation as per the needs of the customers. In such cases the canned presentation will not work. Need satisfying presentations revolve around needs of the customers and involve a lot of questioning and probing by the sales person. Solutions are developed by the sales persons as per the needs of the customers and presented. The vehicle generally used for such type of presentation is paper and pen.

E.g. Representatives selling insurance and financial products use this method of presentation.

Techniques of sales presentations

The techniques used by a salesperson to make the sales presentation include visual display techniques, presentation techniques and non-visual clarification techniques which are discussed below.

a. **Visual display techniques**

Visual display techniques include:

*Visualizing***:** Helping the prospect visualize the product by using pictures or graphs.

*Demonstrating***:** Demonstrating the utilities of the product to enhance its appeal.

b. **Non-visual clarification techniques**

Non-visual clarification techniques include:

- *Questioning***:** Asking the prospect questions during the presentation to make sure that he understands what is being said.
- *Comparisons***:** Comparing the product with that of the competitors', and
- *Showmanship***:** Dramatizing the sales presentation.

c. **Style of Presentation**

Presentation style can be of three types –

*Customized sales presentation***:** The presentation is tailor-made to suit the prospect.

Partially standardized: A sales presentation that is slightly different for each prospect.

Standardized sales presentation: Making the same sales presentation for all prospects.

Developing Effective Presentation

Developing effective presentation is not easy. The following simple steps help in developing an effective sales presentation:

a. **Keep the presentation brief and simple:** The prospect can absorb only a limited amount of information and therefore a sales person must restrict himself by giving information about very specific things as per the needs of the customers.

b. **Talk the prospects language:** There is no point in telling industry jargons, or using a language when the customer does not understand it. In such a situation, the customer does not understand anything about the product and usually pretends to understand everything and say "I will think about your product".

c. **Stress the application of the product or services to the prospect's situation:** Pitch the product as per the customer's needs and adapt your presentation to the situation and person.

d. **Seek credibility at every step:** The entire presentation will be wasted if the customer does not believe. Each statement made by the sales person must be credible. The sales person must prove points one by one or respond to objections with facts and figures. The real key to successful selling lies in credibility.

e. **Talking too much and not listening enough:** A salesperson does not just talk, he/she listens too. A salesperson should think of himself or herself as a detective. One must ask the right questions, take good notes, and "intently" listen to what the customer says as well as observe his/her body language.

Using Words that Kill Sales

One tries to "paint a picture" with words when making a presentation in sales. "A few wrong words, pictures can ruin the entire portrait" one is trying to paint. Sales people may use specific words that create negative thoughts in customers' minds, which could mean the difference between a successful sale and an unsuccessful sale.

4.9.5 Handling Objections/Sales Resistance

In this stage, the salesperson tries to clear the negative perceptions about the product in the customer's mind and create a positive image by reiterating its

benefits and techniques. The techniques that can be used to handle objections/sales resistance include:

- Create strife techniques
- Offset objection techniques
- Clarify objection techniques
- Miscellaneous techniques

Create strife techniques: These include

'Coming to that' method: Telling the prospect that the salesperson will answer any questions in a short while.

Comparative item method: The salesperson should be prepared with more than one product or variations so that if a defect is pointed out, the salesperson can show another one.

Indirect denial method: Inoffensively denying the prospect's objection, use of humour (releasing pressure by telling a humorous story).

'It's in your hands' method: Accepting the objection and asking the prospect to decide, and the

Pass-up method: Smiling and passing off the prospect's objection.

Offset objection techniques: These include

'Yes-but' method: Agreeing to the prospect's objection but offsetting it.

Compensation method: Accepting the prospect's objection but highlighting the product benefits that compensate.

Comparison or contrast method: Minimizing the prospect's objection by comparing or contrasting it with something acceptable, and

Case history method: Describing benefits accrued by another prospect by buying the product.

The clarify objection techniques: These include

Demonstration method: Demonstrating the utility of the product to the customer.

Boomerang method: Converting the prospect's reason for not buying into a reason for buying, and

Purpose trial-use method: Asking the prospect to use the product on a trial basis.

Miscellaneous techniques to handle objections and sales resistance include answering the objection by putting a question pertaining to the objection and comparing the product with the competition.

Example

Ankit, working as a sales manager in a leading Jewellery store was dealing with an argumentative stubborn customer. After prolonged search, lasting for more than an hour, the customer selected a necklace, which he put back as "very costly". Ankit agreed that the necklace was indeed costly and stated it was because of its exceptional design. He further added that these costly items were shown only to a few selected customers and for the particular product, the customer can book the product and buy at a later date. The customer was indeed happy to buy the necklace.

Discussion Question: Which kind of objection handling techniques was used by Ankit to sell the product?

Source: ICFAI Research Center

4.9.6 Close

This is naturally the most important step in the personal selling process. The salesperson asks for an order and tries to close the deal after negotiating and convincing the customer to buy the product. Some techniques used for closing sales effectively are

- Clarification closes
- Psychologically oriented closes
- Straightforward closes
- Concession closes.

Clarification close

A clarification close involves making*:*

A comparison close: Comparing the product's features and benefits with that of a well-known competitor.

A demonstration close: Demonstrating the product to the customer.

A report close: Informing the prospect how another customer with a similar problem benefited by using the product.

A choice close: Asking the customer to choose between product alternatives prior to closing the deal, or

An assumption close: Assuming that the prospect is ready to purchase and therefore, concentrates on other details of the transaction such as billing.

Psychologically oriented close

A psychologically oriented close involves the salesperson adopting different techniques such as:

Silence: Leaving the purchase decision to the prospect.

Minor decision close: Seeking the prospect's approval on a minor issue concerning the sale such as asking whether payment will be in cash or by card.

'Buy-now' close: Creating urgency in the prospect's mind to purchase the product.

Emotional close: Appealing to the prospect's emotions to lead him to make the purchase.

Straightforward close technique

A straightforward close technique involves the salesperson opting for:

A *direct close*: Asking for the order directly.

A *summary close*: Summarizing benefits described in the sales presentation to induce purchase.

A *single obstacle close*: The prospect is ready to make the purchase but there is a single obstacle preventing the decision and the salesperson has to clear this obstacle before closing the deal.

Concession close

A concession close involves the salesperson, after making the presentation, offering the customer certain concessions in terms of price discounts to close the deal.

Example

Shradha was confused over selecting the red or white home décor for the interiors of her new house. The sales person kept quiet as he was sure that whichever be the colour, she would take the product from his store only. He allowed Shradha to take her own time to do her calculations and imaginations. It took a while, but as the sales person predicted Shradha chose the red décor from the store.

Discussion Question: The behavior of sales person can be categorized under which type of close?

Source: ICFAI Research Center

4.9.7 Post-Sales Follow-up

This is the final stage in the personal selling process. The salesperson focuses on reducing any negative feelings the customer may have about the product by stressing that the customer has taken the right decision to purchase the product and that it is a very good product. Such follow-up action leads to customer satisfaction which in turn results in customer loyalty. Post sales follow-up has to be done at periodic intervals if the company wants to improve customer loyalty levels. Training the customer about how best to use the product, arranging for credit, etc. are other factors that form post-sales follow-up. Techniques used for effective follow-up are customer service activities, customer satisfaction oriented activities and customer referral activities.

Customer service activities include:

Providing the customer the services of a consultant who will give specialized advice to customers and provide solutions to their problems

Explaining the billing process and other policies and procedures of the company to the customer

Training the customer on the correct usage of the product

Arranging installation of the product at his place when required

Customer satisfaction oriented activities include handling complaints effectively after the customer has signed the order, follow-up calls after the product is installed and is in use, building a long-term relationship, reassuring the customer about his purchase decision and thanking him for the purchase.

If the customer is happy with the product performance, the salesperson can ask the customer for references. This is the third aspect of post-sales follow-up.

Check Your Progress - 3

6. All of the following except one are approaches to selling. Identify it.
    a. Problem-situation approach
    b. Need-satisfaction approach
    c. Stimulus-response approach
    d. Prospecting
    e. Persuading

7. Under which type of approach does approaching the prospect by introducing oneself classified?
    a. Non-product related approach
    b. Consumer-directed approach
    c. Peaking-interest approach
    d. Product-related approach
    e. Product reference approach

8. In the context of handling objections and sales resistance from prospects, choose the appropriate statement that best describes the compensation method employed by salespersons.
    a. Using humor and releasing pressure by denying the objection without offending the prospect.
    b. Accepting the prospect's objection but highlighting the product benefits.
    c. Converting a prospect's reason for not buying into a reason for buying.
    d. Handling the prospect's objection by showing another product, which doesn't have any defects.
    e. Explaining the consequences of not buying the product.

4.10   Customer-related Issues in Personal Selling

Organizations need to understand and manage customers effectively to be successful in the market. Customer related issues have to be dealt with so that they help the company improve profitability. Companies should devote significant time and attention to customer satisfaction, so that customers remain loyal to the company for long. Some critical customer-related issues that confront a company are understanding types of customers through different styles of selling, finding customers, researching customers, communicating effectively, providing customer service and finally, creating customer satisfaction. Let us discuss each of these.

4.10.1 Understanding Customer Types through Different Selling Styles

Customers can be of different types. They can be understood by analyzing the four prominent styles of selling -- trade selling, missionary selling, technical selling, and new business selling.

Trade selling

The most important function of a trade salesperson is to improve a company's sales volume by providing promotional assistance. These sales people help retailers, who are the customers of manufacturers, in their promotional efforts. They help them to restock and rearrange products to create more shelf space, set up displays and assist with in-store demonstrations. They also distribute free samples to the store's customers and at times perform the function of an order taker.

Missionary selling

The primary responsibility of a missionary salesperson is to promote the product to indirect customers of the manufacturer and encourage them to buy from the manufacturer's direct customers. These salespeople are hired by manufacturers to disseminate information on new products. Medical representatives are an example of missionary trade salespeople.

In the pharmaceutical industry, wholesalers are the direct customers of pharmaceutical companies and retail drug stores are indirect customers. The job of a missionary trade salesperson is to approach the retail drug store owner and inform him of new products manufactured by the company and persuade him to place an order with the wholesalers for those drugs. The term 'missionary' is used because their function is to assist the manufacturer in his selling efforts. Securing orders is not the core aspect of their job and it is incidental that missionary salespeople help increase the sales of a company. They also help sales rise by promoting the product to those who can influence its sales.

For example, a medical representative's duty is to make visits to private practitioners and hospital administrators, promote a company's products and give out free samples to them.

Technical selling

Technical salespeople have specialized knowledge in their field, which helps them provide technical assistance to customers. These salespersons cater to the needs of existing customers of the company and advise them on the characteristics of the product. They provide them with details on installation procedure and use. Technical salespersons are mainly hired by companies that manufacture products involving sophisticated technology, such as computers, photocopy machines, scanners, X-ray machines and heavy machinery.

For example, companies that manufacture and install elevators and escalators in India such as Otis, Kone, etc. send their technical engineers to provide the technical assistance needed by the customer.

New business selling

In new business selling, the company salespersons make cold calls on prospects and try to convert them into the customers. This brings us to the question of how to find customers, what research should be done, effective communication and customer service.

4.10.2 Finding Customers

Prospecting, that is, searching for new customers, is the most important and difficult task in personal selling. Salesmen have to face a lot of rejection in their search for prospects. In recent times, salesmen have got some help. This help comes in the form of CDs developed by specialized agencies, which contain complete lists of people with their contact information and other details. Further, not all prospects become customers. Therefore, it becomes essential for sales persons to qualify their prospects before pursuing them. In organizational sales, salespersons also have the additional challenge of identifying the people who influence the purchasing process in the organization.

4.10.3 Researching Customers

After identifying prospects, the sales representative has to research prospects to learn their tastes, preferences and underlying needs. Conducting detailed research of customer's attitudes and buying habits helps a company to develop products that will appeal to potential customers. The process of collecting data and analyzing it can be carried out by developing a questionnaire and appointing professional researchers.

4.10.4 Communicating Effectively

Personal selling is an effective form of communicating to the customer, as it involves two way communication, unlike advertising. The intended message can be customized according to the customer's requirements. The effectiveness of the company's communication to its customers depends on the communication skills of its sales force. It is the sales force which has to tell customers of the benefits of the product or service and create a perceived need in the mind of the customer.

Therefore, organizations should provide training to their sales force in effective communication skills.

4.10.5 Providing Customer Service

Another major customer related issue that needs to be addressed by companies is providing efficient customer service. With the spread of the internet and other technological advancements, customers are now more demanding than ever. They are in a dominant position and can dictate terms to sellers. The customer is king and companies have to constantly find ways and means to please him or her. Firms are nowadays using software tools such as CRM (Customer Relationship Management) to establish and maintain better relations with their customers.

By maintaining good relations with customers, companies can judge the exact requirements of both existing and prospective customers. The most important aim of a customer relationship strategy is to maximize their (customers') long-term value to the firm. Firms should identify their most valuable customers and concentrate on serving them. Refer Exhibit 4.2.

Exhibit 4.2: CRM in HDFC

The Housing Development Finance Corporation Limited (HDFC), which offers a wide array of commercial and transactional services including treasury products, was incorporated in the year 1994. It commenced operations as Scheduled Commercial Bank in January 1995 with a simple mission of becoming a world class Indian bank. With a customer base of over 45 million, the bank's total revenue amounted to US$ 16 billion (2019). HDFC was ranked 60th in BrandZ Top Most Valuable Global Brands -2019.

CRM is the method of using integrated information networks to establish and maintain a long-term relationship with customers through personalized customer contacts. CRM records information about customers like transactions, preferences, and even personal information. It then uses software to manage the information to serve specific business purposes and to determine future needs of customers. Let us understand how HDFC has implemented CRM program.

Customer is an asset to a bank and it is noteworthy that HDFC has a loyal set of customers due to the holistic CRM approach. HDFC has used technology to minimize frauds and provide superior service to customers. In the years 2017 and 2018, HDFC expanded its online and mobile banking channels and used technology to improve its customer service:

- Personalized home page for easy access of service.
- Use of technology for integration of customer information.
- Business intelligence to better customize offerings to customers.
- Providing personal loan in 10 seconds.

Contd....

- Loans at ATMs (Automated Teller Machines).
- Providing digital services like missed call services for mobile phone recharge.
- Providing most digital services in semi-urban and rural areas to enable geographic expansion and increase customer base.
- Have a suitable platform to address e-mail queries from customers.
- End-to-end services are provided to the village /rural customers, without the need to visit the branch through a new digital platform
- Instant account opening
- Biometric Know Your Customer (KYC)
- Fixed deposits renewal over a call
- Digital journeys for all bank products and services

Implementation of CRM also helped HDFC in campaign management, activity management, improvement of productivity and evaluation of performance. The bank, for instance, defined service standards and also used CRM to measure performance metrics. Using the services of 'CRM Next', the bank was able to adopt an effective approach to acquire and retain customers and strengthen relationships with existing customers. To face competition, it is imperative to anticipate, manage and serve customer needs and CRM provides the required customer insights to do all this efficient

Source: Mohit Rathod, "Why HDFC Bank is India's First Make in India Catalyst," Express Computer, https://www.expresscomputer.in/news/why-hdfc-bank-is-indias-first-make-in-india-catalyst/25163/, September 22nd 2020
"Customer Relationship Management in Banking Sector", bankingfinance.in, 6/05/2017 Accessed on 07.04.2022.

4.10.6 Creating Customer Satisfaction

Competition has never been as intense earlier as it is now. Once efficient customer service is provided, it paves the way for customer satisfaction. Maintaining high levels of customer satisfaction is essential if a company wants to sustain itself in the market for a long time. Customer satisfaction leads to customer loyalty.

Usually, companies have three types of customers -- customers, who are in distress, customers who are just satisfied and delighted customers. The first category will not remain with the company for a long time. The second is vulnerable to competition and may shift to a competitor's product easily. Delighted customers, on the other hand, are those who are extremely satisfied and will be loyal to the company. It is vital that a company delights its customers and not merely satisfies them. To create customer satisfaction, companies should first identify customers who are not happy with the firm and try to resolve the problematic issues. Subsequently, they should try to identify factors that will delight customers. For instance, offering free accessories to an automobile buyer might delight him. So will a life time free warranty on household goods.

4.11 Automation in Personal Selling

Over the past few years, sales personnel are being increasingly exposed to a number of advanced technology options. Innovations, particularly in telecommunications, have tremendously influenced the field of personal selling and sales management. Sales force automation, virtual sales offices and electronic sales channels have had a direct and positive impact on sales force effectiveness.

These tools have made the job of salespersons easier, and at the same time challenging. The first has happened because it allows the sales person to remain in contact with his office as well as his customers at all times and from anywhere. The second has occurred because constant connectivity requires constant alertness and better response skills than competitors' sales force. Imagine a situation where a sales representative, while on a sales call, receives a call from a dissatisfied customer seeking a clarification on an order he has placed with the company. In the past, the salesperson would not have been able to answer satisfactorily. The customer would have been dissatisfied and there would have been loss of business. Nowadays, the availability of automation tools means that a particular customer's details can be retrieved from a central database and made available to the salesperson on his mobile phone or laptop. Armed with this information, the salesperson can quickly resolve the issue and pacify the customer. Not only do such efforts by sales persons earn goodwill for the company but also lead to increase in business due to positive word-of-mouth publicity.

Some widely used sales force automation tools are pagers, cell phones, notebook computers, laptops, palmtops and Personal Digital Assistants (PDAs). These tools make wide use of technology such as e-mail, fax, telephone, desktop videoconferencing and the internet.

The diminishing size of computers from desktop to laptop, notebook, palmtop and pocket computer, accompanied by the increasing ability to operate sophisticated software applications has brought about a significant change in the buyer-seller interactions in sales. Using these tools means that the salesperson can spend less time in the selling process and more on building customer relations. It has also become possible to eliminate much of the paper work that salespeople were traditionally involved in- like filing sales call reports, order forms, etc. Sales administration tasks like sending brochures, pamphlets and other information customized to meet the needs of prospects has also become easier with tools such as notebook computers. However, most of these tools are expensive and should be used judiciously.

4.11.1 Benefits of Sales Force Automation

Let us now look at some other benefits of sales force automation. Automating the sales force helps a company forecast sales orders, keep track of them and ensure that they are met to the satisfaction of customers. Sales automation tools also help sales managers analyze sales and competitor trends.

Information sharing

Software applications that facilitate information sharing are immensely beneficial to a salesperson, who needs constant and real time access to information pertaining to his company's products and services, price or product changes, status of orders, stock availability, hot leads and market trends. A representative who does not have ready access to such information will lose out to competitors' sales force which may be armed with the latest and updated information. Tools such as notebook computers empower sales forces by giving them direct connection to large databanks of readily available information. They do not have to source information by contacting their sales managers or headquarters. Ready access to information allows a salesperson to concentrate on sales calls instead of wasting time in unnecessary paperwork.

Handling customer alerts

Whenever customers want information or a clarification regarding products or a sales order, they expect the sales representative to be ever available for a reply. In reality, salespeople are most often not available in their office but out on calls. In the past, the customer had no other option but to leave a message and wait for the salesperson to get back to him. Sales force automation has solved this problem by enabling salespeople to get alerts about customer queries or complaints via the salesperson's e-mail account, pager, cell phone or PDA. They can then

respond as soon as possible preventing the customer from thinking of shifting to another firm.

Reporting sales force activities

Sales force automation tools also provide an added advantage to sales managers by enabling them to track the activities of their sales representatives. Keeping count of the number of sales calls made in a day, the number of customer complaints received and attended to, the time and place of meeting customers and so on has become possible by the activity reporting capabilities of sale automation tools. Having these details on hand helps sales managers assess the salespersons' performance, apart from improving the sales process. Dabur[12], world's largest Ayurvedic healthcare company, uses analytics to study the performance of its distributors. Further, sales analytics also provides valuable information on which brands are doing well, which brads are lagging behind, and hence, needs improvement. The company's sales team uses personal digital assistants (PDAs)[13] and tablets to enhance the effectiveness of sales calls.

Tracking the progress of leads

These tools also offer lead tracking capabilities by allowing sales managers to generate detailed reports on how leads are progressing. Most leads start with bits and pieces of information regarding customers such as an email-ID or a telephone number. The salesperson then has to put in substantial effort to introduce himself, sell the product and build long-term relationships with customers. Reports generated by sales force automation tools help sales managers determine which leads will be profitable to the organization and which will be non-profitable. This information is invaluable in determining which leads salespeople should follow up and which will be a waste of time and energy.

Accurate routing of leads

In a sales organization, leads are routed to representatives on the basis of his or her expertise, territory of operation and other specified criteria. Routing leads to the wrong salesperson can prove disastrous. Sales force automation tools help route the right leads to the right sales person. This allows the company and the representative to effectively exploit the potential of every lead profitably.

Internet-based facilities

Sales force automation tools make effective use of the internet to help sales persons in their daily job activities. Some companies make customer information available on the internet, so that sales people can log on to the Web to access information from anywhere.

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[12] https://www.dabur.com/img/upload-files/3227-Dabur-Investor-Presentation-Update-Aug.,-18.pdf Accessed on 07.04.2022

[13] https://www.livemint.com/Industry/h5jTfYFKjopLLND2vq5GMJ/Early-movers-benefit-from-IT.html 04 Jun 2015   Accessed on 07.04.2022

These tools also help companies to exploit sophisticated technology such as desktop video-conferencing to conduct sales meetings, training and customer interactions with salespeople and sales managers. Desktop video-conferencing overcomes the hurdle of geographic distances and made it possible for vital market information to be exchanged from far-off locations.

Fast-moving consumer goods (FMCG)[14] giant Dabur uses 'Mind Tickle', an online platform that helps the company track the learning curve of every new sales recruit. The company also updates its training modules and other resources thus creating a knowledge bank for easy access by salesmen.

A salesperson once given a task is tracked through ongoing feedback given by sales managers on his or her performance. This feedback mechanism helps identifies knowledge gaps and drives performance of salesmen. Using specific software packages, sales force automation tools also help sales persons to access large amounts of online sales information. An instance is the seeding approach where salespeople mail relevant information in the form of newsletters to prospects prior to making a sales call in the hope of making a sales harvest.

Customer profiling

Most companies ensure that their sales representatives have a complete and detailed profile of their customers such as the customers' past buying habits, past complaints and so on. This information, when updated regularly in a central database, accessible to all sales representatives, provides them with current information on every customer. Nobody is left with outdated information.

Comparison of historical data

Predicting the behaviour of an individual customer is an easy task for a salesperson compared to predicting the behaviour of a group of customers. For the latter, comparison of historical data becomes useful. By such comparisons, salespeople can predict the purchase patterns of a group of customers. The analysis will help salespersons to suitably modify or update their sales processes and attain success.

Competitive intelligence

Sales automation tools help the sales force to keep track of competitors and analyze their moves and strategies. Sales teams can identify the strengths and weaknesses of competitors by evaluating their strategies whether they were successful or failures. Such analysis helps organizations avoid mistakes made by competitors.

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[14] Shrimithran.R, "In conversation with Dabur on Sales effectiveness", mindtickle,com, 13/06/2017 Accessed on 07.04.2022

Sales forecasting tools

Sales force automation tools help sales managers forecast sales patterns in the near future and set sales targets accordingly. These forecasts help the sales person to assess his performance against targets.

4.12 Summary

- Personal selling is the process of selling goods and services directly to customers.

- The interaction between a buyer and a seller comprises a buyer-seller dyad.

- The likelihood of a salesperson making a sale to a customer is higher if he or she shares some of his characteristics such as empathy with the customer.

- As a part of the selling process, salespersons perform two entirely different tasks – sales development and sales maintenance. These tasks require different skillsets and different approaches, making it tough for salespeople.

- The objectives of the sales force are of two kinds, qualitative and quantitative.

- Qualitative objectives relate to the methods of sales force operations while quantitative objectives are the measurable actions of the sales force.

- The sales force strategies of a company fall into two categories – strategies for gaining market access and account relationship strategies.

- Market access can be gained by using distributors, telemarketing, independent sales agents, the internet, developing hybrid marketing systems, and by establishing strategic alliances.

- Account relationship strategy deals with ways to manage sales accounts in an organizational set-up and individual sales accounts.

- The theories of personal selling include the AIDAS (acronym for Attention, Interest, Desire, Action, and Satisfaction) theory, the buying formula theory of selling, the behavioural equation theory, and the right set of circumstances theory.

- To develop and maintain account relationships, a salesperson can adopt any of three approaches – stimulus response approach, need satisfaction approach, or problem situation approach.

- The selling process consists of a series of seven steps – prospecting, pre-approach, approach, sales presentation, handling objections/sales resistance, close, and post sales follow-up.

- Some critical customer-related issues in personal selling include: understanding types of customers through different styles of selling, finding customers, researching customers, communicating effectively, providing customer service, and finally, creating customer satisfaction.

- Today, salespeople have a number of tools and techniques available to them that have made their jobs easier, and at the same time challenging.

- Sales force automation tools have made it possible for sales representatives to remain connected to their office and with their customers at all times. Connectivity not only provides the sales force with a competitive edge in selling but also improves their effectiveness and productivity.

4.13   Glossary

Joint venture: Collaboration by two or more companies on a task or product, sharing assets, risks, and profits.

Marketing research: The systematic collecting, recording, and analyzing of information to support marketing, decision-making.

Outsourcing: The process of getting a function (that has been done in-house in the past) done by some other firm outside the company's purview.

Promotional mix: A combination of two or more elements of advertising, sales promotion, public relations, and personal selling.

Relationship marketing: A strategy to build long-term customer loyalty that is based on becoming partners with customers and doing everything possible to contribute to their success.

Technical salespeople: Salespeople who contribute technical expertise and assistance to the selling function.

Utility: The ability of a product to satisfy the customer's wants or needs.

Wholesalers: Intermediaries who perform a variety of marketing channel functions to move goods and services through the channel to retailers and organizational customers.

4.14   Self-Assessment Test

1. The aim of sales development is to locate new and potential customers and persuade them to try out the company's product while that of sales maintenance is to procure business from existing customers. Discuss the statement using suitable examples.

2. Many private sector banks hire independent sales agents to access their markets. These may take the form of Direct Sales Agents (DSAs). Discuss the features of independent sales agents in the DSA context. What are the advantages and disadvantages of hiring such agents?

3. Discuss how successful prospecting helps organizations gain customers, with an example. Also, explain the importance of an effective sales presentation with a suitable example.

4.15 Suggested Readings / Reference Materials

1. Venugopal Pingali, "Sales and Distribution Management: An Integrative Approach", SAGE Publications Pvt. Ltd., 2020

2. Nag A, "Sales and Distribution Management," McGraw Hill Education. 2017

3. Tapan K. Panda and Sunil Sahadev, "Sales and Distribution Management," 3rd edition, Oxford University Press. 2019.

4. Krishna Havaldar and Vasant Cavale, "Sales and Distribution Management: Text and Cases," Third edition, McGraw Hill Education. 2017.

5. Richard R. Still, Sales and Distribution Management, Sixth Edition, Pearson Education, 2017

6. Bholanath Dutta, Fundamentals of Sales & Distribution Management: Text & Cases, Dreamtech Press, 2020

7. Gupta S L, "Sales and Distribution Management – Text and Cases AN Indian Perspective," Laxmi Publications Pvt Ltd. 2018

8. https://blog.hubspot.com/sales/the-5-most-common-objections-during-prospecting-and-how-to-overcome-them (Accessed on April 12th 2022)

9. https://www.salesforce.com/blog/6-techniques-for-effective-objection-handling-blog/ (Accessed on April 12th 2022)

10. https://www.thebalancecareers.com/closing-sales-techniques-2918610 (Accessed on April 12th 2022)

11. https://www.salesforcesearch.com/blog/top-4-sales-closing-techniques/ (Accessed on April 12th 2022)

4.16 Answers to Check Your Progress Questions

1. **(b) Locating potential customers and persuading them to try the company's products.**

    In sales development, the salesperson needs to generate a perceived need for the product in the customer's mind. The salesperson has to essentially act as a change agent by making the customer feel a need to change the status quo. In sales maintenance, the sales person needs to retain the customer and ensure that he increases purchases from the company. The major objective at this stage is to maintain the company's position in the market and defend it from probable threats from competitors.

2. **(d) Minimize sales expenses**

    The quantitative objectives of a sales force are:

    *   Increase the market share of the company, and subsequently, manage and retain it.

- The number of sales calls made per day and the number of days worked.

- Sell the optimum mix of the company's products to achieve maximum profitability.

- Generate a certain number of new accounts in a specified time.

- Minimize sales expenses.

- Procure a certain quantum of business from a certain number of clients.

3. (d) **Management of sales accounts in organizational set-up**

As part of account relationship strategy, the sales force of an organization should develop and manage long-term relationships with customers. It is very important in the case of organizational selling because continuous transactions take place between the salesperson and the customer.

4. (d) **Hybrid marketing system**

When a company uses more than one channel for marketing its products, it is termed a hybrid marketing system. In this case, the company uses its own sales force, distributors and, in addition, has alliances with other companies to sell its products. Therefore, this is a hybrid marketing system.

5. (b) **Buying formula theory of selling**

The buying formula theory of selling discusses various aspects such as the mental state of a purchaser, the factors that lead him to decide whether or not to buy a particular product and so on. This theory describes the stages of the purchase process along these lines. The purchase process is said to be characterized by a psychological sequence of events that take place in the prospect's mind. The sequence of events includes – Need recognition – Solution – Purchase.

6. (d) **Prospecting**

Prospecting is the first stage in the selling process and involves the search and identification of potential customers who may be willing to buy a product and have the ability to do so. This is not an approach to selling.

7. (a) **Non-product related approach**

Approaching the prospect by introducing oneself is the introductory approach which is a form of non-product related approach.

8. (b) **Accepting the** prospect's **objection but highlighting the product benefits that compensate**

   Compensation method is a part of handling objections. Compensation method is accepting the prospect's objection but highlighting the product benefits that compensate.

9. (d) **Missionary selling**

   The primary responsibility of a missionary salesperson is to promote the product to indirect customers of the manufacturer and encourage them to buy from the manufacturer's direct customers. These salespeople are hired by the manufacturers to disseminate information on new products. Medical representatives are an example of missionary trade salespeople. In the pharmaceutical industry, wholesalers are the direct customers of pharmaceutical companies and retail drug stores are indirect customers. The job of a missionary trade salesperson is to approach the retail drug store owner and inform him of new products manufactured by the company and persuade him to place an order with the wholesalers for those drugs.

10. (b) **Just satisfied customer**

    Companies have three types of customers --- customers who are in distress, customers who are just satisfied, and delighted customers. Customers who are in distress will not remain with the company for a long time. Customers who are just satisfied are vulnerable to competition and may shift to a competitor's product easily. Delighted customers are those who are extremely satisfied and will be loyal to the company.

Sales & Distribution Management

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