# Sales and Distribution Management

**Block**

# 4

## DIRECTING THE SALES EFFORTS

For any clarification regarding this book, the students may please write to The ICFAI Foundation for Higher Education (IFHE), Hyderabad specifying the unit and page number.

While every possible care has been taken in type-setting and printing this book, The ICFAI Foundation for Higher Education (IFHE), Hyderabad welcomes suggestions from students for improvement in future editions.

*Our E-mail id: cwfeedback@icfaiuniversity.in*

# BLOCK 4: DIRECTING THE SALES EFFORTS

The fourth block of the course on Sales & Distribution Management deals with various concepts of directing the sales force. The block contains five units. The first unit discusses the issue of motivating the sales force. The second unit deals with sales force expenses and transportation. The third unit provides information on leading the sales force. The fourth unit deals with evaluating the sales force performance. The last unit of the block discusses ethical and legal responsibilities of a sales manager.

The fifteenth unit, *Motivating the Sales Force*, discusses the various aspects pertaining to motivation of the sales force. The unit describes the relation between motivation and productivity of sales force and explains the effect of personal characteristics on motivation. The unit also focuses on the motivation required at different stages in the career of a salesperson.

The sixteenth unit, *Sales Force Expenses and Transportation*, deals with various expenses incurred and the transportation allowances involved while maintaining a sales force in the organization. It also highlights the importance of sales force expenses and transportation allowances in achieving sales targets and business development.

The seventeenth unit, *Leading the Sales Force*, deals with the leadership issues in sales management. The unit focuses on the nature of leadership and characteristics of an effective leader. The unit also describes the leadership styles of sales managers and the skills required to effectively lead the sales force.

The eighteenth unit, *Evaluating Sales Force Performance*, evaluates sales force performance. The unit describes the determinants of sales force performance. It also discusses the criteria and methods for evaluating sales force performance. The unit ends with providing an idea about how to monitor and review sales force performance.

The nineteenth unit, *Ethical and Legal Responsibilities of a Sales Manager*, deals with the ethical and legal issues involved in sales organization. It highlights the need for sales manager to be fully aware and keep the team briefed on the ethical and legal issues in the organization.

# Unit 15

# Motivating the Sales Force

## Structure

> *"Stop assuming the fail and start assuming the sale."*
>
> - Rob Liano (a popular sales strategist and business consultant)

## 15.1   Introduction

Sales leaders should inculcate the culture of the positive thinking and confidence building among sales people. They should push them by motivating through mentally and monetarily.

In the previous unit we discussed the objectives, characteristics and different types of compensation plans. It also explained how to design and implement compensation plans, sales contests, sales force expenses and fringe benefits. The present unit is about motivating the sales force.

Of all the tools that comprise the promotional mix, personal selling is the most flexible and competitive tool. It gives salespersons the opportunity to pursue a customized approach for different customers. In their job of personal selling, the sales force is more or less free from direct supervision, except for reporting to the sales manager regarding the targets achieved and to formulate or revise sales plans. Because of the nature of the job, salespeople have to be self-motivated in order to derive maximum satisfaction from the job.

When self-motivation fails, it is the task of the sales manager to ensure that his team remains motivated and committed to the task. Sales managers have to be sure that the incentives and rewards which they perceive as motivators are indeed motivators to their sales personnel.

In this unit, we will discuss the various aspects of motivation and the theories that have been propounded for motivation. We will also examine how motivation is linked to the productivity of the sales force. This is followed by a discussion on the effect of personal characteristics of sales personnel, on their motivation and on the sales motivational mix. The unit will conclude with an examination of how sales personnel can be motivated at different stages of their career.

## 15.2   Objectives

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

- Explain the relation between motivation and productivity of the sales force

- Analyze the effects of personal characteristics on sales force motivation

- Discuss how to motivate sales personnel at different stages of their career

## 15.3   Concept of Motivation

The word *motivation* is derived from the Latin word *movere,* which means *to move*. Motivation is a process that instigates goal-directed behavior in an individual. In other words, motivation deals with the force within a person, or which acts on a person, to initiate desired behavior and directs it toward the attainment of organizational goals.

Stephen P. Robbins defined motivation as the willingness to exert high levels of effort toward organizational goals, conditioned by the effort's ability to satisfy some individual need. Fred Luthans defined motivation as a process that starts with a physiological or psychological deficiency or need that activates a behavior or a drive that is aimed at a goal or incentive.

Thus, from the above two definitions, it is clear that motivation is a process that essentially consists of three components – need, drive and goal. Need is a physiological or psychological state of imbalance created in an individual which stimulates the individual to take certain action to satisfy the need and thereby restore the balance. Drive is the desire generated in the individual to satisfy or fulfill his need. In other words, drive is the goal-oriented action taken by an individual to move from a state of felt deprivation to a state of fulfillment. Goal is the instrument to induce the individual to follow a certain course of action. Achievement of the goal restores the physiological or psychological balance in the individual by satisfying his need. Satisfaction of the need in turn cuts off the drive in the individual to work towards need satisfaction.

The sales function plays a crucial role in the success and growth of an organization. The attainment of goals in an organization depends on the

effectiveness of its sales force, and hence requires that its sales force be highly motivated. In sales force management, motivation refers to the amount of effort a salesperson is willing to expend to accomplish the tasks associated with his job. A salesperson's motivation plays a crucial role in influencing his performance in selling, and his achievement of sales targets. The salesperson's motivation affects not just his selling performance, but also has an impact on the sales force expense, turnover, absenteeism and need for supervision.

---

**Example: NAVCO Motivating its Sales Force**

NAVCO (a US based security services company) started publishing a monthly newsletter that highlights the salesperson's monthly accomplishments in sales, new accounts, hometown business, and tracking the yearly awards to motivate its sales force. The corporation used the salesperson photo to showcase the success, and it was distributed electronically to all workers as well as to their homes.

The information showed how NAVCO motivates its sales people.

---

*Source: Forbes Panel (2020). 15 Ways Sales Managers Can Boost Their Team's Morale. Forbes. Retrieved from*

*https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2020/12/23/15-ways-sales-managers-can-boost-their-teams-morale/?sh=85d3bb0271ed (accessed on June 14, 2022)*

---

**Activity 15.1**

Aquaguard depends largely on its sales force to generate revenues. The sales manager of Aquaguard wanted to keep the sales team in high spirits using the motivational theories. How do you think the theories would help in achieving this objective?

**Answer:**

---

## 15.4 Motivation and Productivity of the Sales Force

The two prime determinants of sales force performance are: the ability to perform and the willingness to perform. The performance of the sales personnel in achieving targets serves as an indicator of their productivity.

Productivity is defined as the ratio of output to input and is represented in the form of the following equation:

$$\text{Productivity} = \frac{\text{Output}}{\text{Input}}$$

**Block 4: Directing the Sales Efforts**

Sales productivity is defined as the ratio of sales revenues to sales expenses.

$$\text{Sales productivity} = \frac{\text{Sales revenues}}{\text{Sales expenses}}$$

Sales force productivity is not the same as manufacturing productivity. Unlike manufacturing, sales force productivity is influenced by various factors other than the inputs such as customer reaction and volatility of the market. Further, it may take days, weeks, months or even longer to convert a prospect into a real customer. Thus, the constraint of time factor makes it difficult to assess sales productivity accurately.

Sales force productivity is a function of many factors such as work environment, work methods, selling skills of the salesperson and salesperson motivation.

The level of motivation of a salesperson influences his performance, and thereby, his productivity. Salespeople need to be self-motivated to perform their responsibilities well. The diversity, flexibility and challenge associated with the selling job and the lack of direct supervision necessitates the salesperson to have high motivation levels in order to achieve his sales targets. Salespersons having a high level of motivation tend to perform well in the selling job and have high productivity. On the other hand, salespersons who lack motivation tend to be poor performers and fail to achieve their sales targets. Such salespersons, hence, tend to have low productivity.

Sales managers can take various measures to motivate the sales force and boost its productivity. These measures can be in the form of sales quotas, sales contests, well-designed compensation plans and reward systems. Sales managers can even come up with innovative ideas for activities to boost the enthusiasm and morale of the sales force.

Some organizations transform themselves into fun workplaces to motivate the employee to excel in his job. In addition to the above methods, sales managers can also improve sales force productivity by improving communication, participation, job enrichment and by giving salespersons a share in company profits.

Sales force managers can enlist the participation of the sales force in decisions pertaining to the improvement of selling techniques and by inviting their participation in surveys, questionnaires and suggestion schemes. Sales managers can take steps to improve communication within the sales department of the organization by ensuring that they are always accessible to the field sales force for guidance. Job enrichment measures to enhance the motivation of the sales force include measures such as providing sales personnel opportunities to continue their education while working.

This helps them realize their self-actualization needs and helps motivate them. The sales force can also be motivated by offering them a share in the company's profits. Under such schemes, since greater sales volume translates into a greater share for the sales force, the sales force is encouraged to increase their selling efforts in order to increase their personal gain.

---

**Example: FareHarbor Virtual Learning to Enhance Productivity**

During the COVID crisis, software startup FareHarbor relocated their sales personnel. To keep their teams motivated, they organised virtual learning sessions in which a few representatives would listen to one other's conversations and learn how to pitch, share information, address objections, and enhance productivity of themselves.

The above information showed how FareHarbor used virtual learning for enhancing productivity of the sales force.

---

*Source: Forbes Panel (2020). How To Coach A Remote Sales Team: 7 Steps Successful Sales Leaders Are Taking Now. Forbes. Retrieved from*

*https://www.forbes.com/sites/steliefti/2020/06/25/coach-remote-sales-team/?sh=62cd18ef6ece (accessed on June 14, 2022)*

---

**Activity 15.2**

To ensure better performance from its sales team, Xerox Corp. (Xerox) re-organized its sales force from selling in territories to selling complete solutions to certain types of businesses. The sales force is required to be motivated to adopt the new style of selling. What do you think Xerox could have done to motivate the sales force and increase the productivity?

**Answer:**

---

## 15.5 Effect of Demographic, Psychographic, Experience, Career Stage, Job Plateau and Personal Characteristics on Sales Force Motivation

A host of factors impact salesforce motivation. They are discussed in detail in the following paragraphs.

**Demographic Factors**

Demographic factors play an important role in motivation apart from the organizational factors. If a company is able to understand demographic factors and their influence, it can use these measures to motivate the employees.

Satisfaction and motivation of sales force are very important for the success of any company. Let us first discuss major demographic factors that are considered while motivating the sales force. They are -

i.   Gender

ii.  Age

iii. Education

iv.  Marital status

v.   Job position

vi.  Experience

vii. Income

viii.Respect and status

ix.  Self–confirmation

x.   Loyalty

xi.  Acceptance at social level

xii. Job security

It is very important for the company to understand these demographic factors for each person in sales force. There may be some employees who had been working in sales team for a very long time at a lower level. They are loyal and the most experienced team members. At this time of their age, though they may be looking in for a higher salary or extra bonus, what will motivate them the most will be some kind of respect or status acknowledgement from the company side.

Similarly, a young team member who has recently got married and is on the way to start a new family will look more for monetary reward rather than anything else. Highly educated employees will look for social status and recognition of their work. Females working in the sales team will look in for job security for a long time as they are more interested in job stability whereas male members who are interested in job hopping will be interested in more money.

Apart from all other things, one should remember that money is the biggest motivation power and it affects all demographic factors.

**Psychographic Factors**

*Psychographics* helps the policy-makers understand "why people do things" or what motivates people to do the things they do. Psychographics factors are any attributes connecting to sales force personalities, values, attitudes, interests and lifestyles. Psychographics are also known as IAO (i.e., Interests, Activities and Opinions) factors. Psychographic factors complement and contrast with demographic factors such as, gender, age, behavioral attributes such as loyalty usage, habits, and firm-o-graphic variables as industry, seniority, functional area.

Psychographic factors are more fluid and subjective in nature and relate to the psychology or behavior of the sales team.

Major Psychological Factors of Motivation are -

i.     Attitude

ii.    Belief

iii.   Values

iv.    Opinions

v.     Lifestyle

vi.    Hobbies

vii.   Religious and Political affiliation

viii.  Opinion

ix.    Culture

x.     Sub-culture

xi.    Beliefs, and

xii.   Nearly every factor that involves subjective preferences

Psychological profiling of a sales team is not very easy, as it requires empathy and a familiarity with psychology and psychological techniques to measure the motivational need of the sales team.

> According to Killeen M. Gonzalez, critical difference between demographics and psychographics is the type of information gathered. Demographics tell you who your customers are whereas psychographics helps you better understand why your customers buy in the manner that they do.

By creating *psychographic profiles of the sales team, the company will be able to* understand the motivational and non-conscious drives of the sales force. Psychographic analysis will view each member of the sales team as a unique individual.

**Experience**

Motivating an experienced employee in any organization is more challenging than the new employee. Experienced sales people know the product, marketing environment and sales techniques well. For them, selling becomes a normal routine, so motivating them is a more challenging task. Before starting any motivational program with experienced sales force, the company should first –

i.     Survey the sales force and sales managers

ii.    Do a performance testing of the sales managers

iii.   Conduct a sales force Audit

Experienced Sales Managers should be motivated to –

i.   Increase sales and profit

ii.  Increase sales productivity

iii. Improve customer relations

iv.  Prepare new loyal sales force

**Career Stage Job Plateau**

A career stage job plateau is a point in one's career where the sales person assumes that his road to progress is over. A sales person feels that he/she has been hit by a plateau in his career for a wide variety of reasons. They are

i.   He thinks he has reached the highest possible level in the company he is presently working.

ii.  He feels he is restricted to a particular role.

iii. Sales become a routine task for him and he no longer feels challenged or engaged by his work.

So, to motivate these kinds of employees who feel that they are on a job plateau stage in the company, the company should –

i.   Explore new opportunities for such employees in the company.

ii.  If, the employee cannot be promoted upward, look for a geographical expansion, or new roles that he can fill in the organization.

iii. Propose new projects or systems as this creates new and challenging opportunities.

Sales managers often make the mistake of using the same technique for motivating all sales personnel. The commonly used method to motivate salespeople is to give them incentives in the form of cash. However, not all salespeople are motivated by money.

In general, salespersons have been categorized into four personality types on the basis of a study conducted by the Gallup Management Consulting Group. These personality types are competitor, achiever, ego-driven, and service-oriented. These types differ in their needs and motives and require to be motivated in different ways.

**15.5.1  Competitor**

Competitors are the type of personalities who thrive on beating the competition. They only believe in the win-lose philosophy and do not think that a win-win situation is also possible. For, salespersons having a competitor type of personality, someone has to lose for them to win.

Salespersons having a competitor type of personality are motivated by sales contests, plaques, and perks. Salespersons having this type of personality require some form of quota to serve as a challenge for them to utilize their selling skills.

IBM, for example, conducts contests for its sales representatives and the top 10percent of them are sent on a holiday to a resort along with their spouses. IBM terms its sales contest as the Golden Circle Program. In order to figure in the top 10percent, salespeople have to achieve their sales targets while delivering customer satisfaction. Similarly, MetLife Insurance company in India conducts sales contests for its Financial Advisors in which the one who makes the highest sales in the country, is declared the winner of a free holiday to Singapore.

Sales managers usually take advantage of this personality trait in the competitor type of salespersons and pit them against other well performing salespersons in order to make them excel in their selling efforts.

---

**Example: Sun Pharma Rewarding the Top Performers**

A sales executive of Sun Pharma, Ghaziabad-headquarter, shared his experience with the company on indeed.com and said he achieved many awards and certificates in the company such as star awards. He said that his hardworking attitude made him to earn high incentives and he believes this type of attitude would make him bright in his future.

The above information showed a competitor type of personality.

---

*Source: Indeed.com. Sun Pharmaceutical Industries, Inc. Employee Reviews for Sales Executive. Retrieved from*

*https://in.indeed.com/cmp/Sun-Pharmaceutical-Industries,-Inc./reviews?fjobtitle=Sales+Executive (accessed on June 14, 2022)*

### 15.5.2 Achiever

The achiever is a person who sets his or her own goals. Achievers perform purely on self-motivation and do not require the sales manager to motivate them. It doesn't bother them who gets the credit as long as the team wins. Thus, achievers are good team players and excel in team selling.

Sales managers find it difficult to motivate achievers who are already self-motivated. However, one way to further improve the performance of such salespersons is to give them continually challenging tasks or by designing long-term plans for their professional development and growth. For instance, the sales manager, in consultation with the salesperson, can identify the key aspects of the salesperson's job. These may pertain to aspects in which the salesperson is good, aspects on which he can improve, and aspects in which the salesperson is not good. After identifying the key aspects of the salesperson's job, both the sales manager and the salesperson can together set goals for the salesperson. The purpose of this exercise would be to make the salesperson learn the aspects which he is not good at.

Since achievers can manage their time, territory and customer base on their own, they resent being micro-managed. The autonomy and freedom to do things in

their own way motivates salespersons having this type of personality. Achievers make good managers and can be groomed by sales manager to take on leadership and managerial roles.

### 15.5.3  Ego-Driven

Plaques and perks do not motivate ego-driven personalities. These types of salespersons consider themselves as the best in the organization. They like to be given importance and opportunities for decision-making. They like to be idolized and therefore, make good coaches and mentors. Ego-driven people are super-performers in the job of selling. It boosts their morale when others approach them for advice. Hence, sales managers can exploit this trait in ego-driven salespersons and keep them motivated by making them a part of the advisory committee, including them in the decision-making process or by involving them in some committee.

### 15.5.4  Service-oriented

The greatest strength of service-oriented salespersons is their empathy and the ability to build relationships. Service-oriented salespersons may not be able to get big business for the sales organization but their ability to delight the customer helps the company maintain its territory irrespective of the competition. Unfortunately, when it comes to motivation, service-oriented salespersons are often neglected by sales managers. This may be because, by and large, companies do not measure service the way they measure sales quotas. Hence, quite often the service rendered by the salesperson just tends to get overlooked and ignored. Also, most sales managers find it more rewarding and easier to train highly aggressive and competitive salespersons on the customer skills rather than train service-oriented salespersons to be competitive.

However, taking into consideration the emphasis on the customer in organizations across the world, neglecting service-oriented salespersons can be the greatest mistake that any organization can afford to make. Every sales and marketing manager needs to realize how much more difficult it is to attract new customers than to retain existing ones. Hence, sales managers need to be careful in the way they treat their service-oriented salespersons and ensure that the customer service efforts do not go unrecognized. Sales managers can motivate service-oriented salespersons by publicizing their customer service efforts in the form of company-wide circulated memos and ensure that these people get recognition in the company. Also, these salespersons can be given perks in the form of higher car allowances, or larger sales expense accounts to help them look after their customers' needs properly. Further, the sales organization can also take steps to measure customer service offered by salespersons by surveying customers, collecting letters of praise and by measuring customer retention in the company.

**Activity 15.3**

Anil has been working as a salesman with Sony Electronics for two years. The sales manager is impressed with his excellent performance. To motivate Anil, the sales manager has to choose from one of the following three options: Give an 'all expenses paid' international holiday package for Anil and his family; Include Anil in a special task force for new strategic initiatives; Present him the "Star Performer of the Year" award in the annual sales conference. Suggest how Anil's sales manager should take a decision, keeping in mind the characteristics of different personality types.

**Answer:**

**Check Your Progress - 1**

1. Which of the following is not a part of the motivation process?

    a. Instigating goal-directed behavior in an individual.

    b. Dealing with the force within a person or acting on a person.

    c. Initiating desired behavior in a person.

    d. Increasing the need for supervision of salespersons.

    e. Linking desired behaviour with rewards.

2. Which of the following is not correct?

    a. Sales force productivity is affected by customer response and the market situation.

    b. Time factor is a constraint that affects accurate assessment of sales force productivity.

    c. Sales force productivity is identical to manufacturing productivity.

    d. Sales force productivity depends on the work environment.

    e. Sales force productivity depends on work methods and individual skills of the sales force.

3. Salespersons have different attitudes and responses to different incentives. In this context, which of the following explanations for personality types is not correct?

    a. Ego-driven-----Salespersons who feel they are the best.

    b. Competitor----- Salespersons who believe in win-lose theory.

    c. Achiever---- Salespersons who are self-motivated.

    d. Achiever ----Salespersons who work for targets.

    e. Service-oriented---- Salespersons who get along with customers.

**11**

4. Which of the following is not a typical feeling observed in a salesman who has reached career plateau?

   a. Salesman thinks he has reached the highest possible level in the company he is presently working.

   b. Salesman feels he is restricted to a particular role.

   c. Sales become a routine task for the salesman.

   d. Salesman no longer feels challenged or engaged by his work.

   e. Salesman is suffering from psychological problems.

5. Among the various factors that motivate and enhance a salesperson' performance, identify the factor that can be categorized as psychological factor.

   a. Age

   b. Gender

   c. Attitudes and values

   d. Job security

   e. Loyalty

6. Which of the following is not true of psychographic factors?

   a. *Psychographics* helps the policy makers understand, "why people do things" or what motivates people.

   b. Psychographics factors are attributes connecting to sales force personalities.

   c. Values, attitudes, interests and lifestyles are some psychographic attributes.

   d. Psychographic factors are rigid and easy to understand.

   e. Psychographics are also known as IAO (i.e., Interests, Activities and Opinions) factors.

7. Which of the following is not a suitable way to motivate service-oriented sales persons?

   a. Promote salespersons based on experience and sales performance.

   b. Recognition of the customer service efforts in the form of company-wide circulated memos.

   c. Perks in the form of higher car allowances, or larger sales expense accounts to help them look after their customers' needs.

   d. Surveying customers, collecting letters of praise and circulating it company-wide.

   e. Measuring customer retention in the company.

## 15.6 Motivating Sales Personnel at Different Stages of their Career

With the passage of time, several changes take place in an individual's perceptions and his/her attitude towards life, career, etc. Changes take place even in the working life of an individual over time. There may be a change in the individuals' goals and concerns as well as a change in his attitude and perceptions regarding his job.

Career stages refer to the various stages in one's career from the entry stage to the stage of retirement. The study of career stages is important in sales management because many people continue to remain in a sales position throughout their career, right from the entry-level till they reach the age of retirement. In sales management, a lot of research has focused on the changes taking place in a salesperson's perception and attitude toward his job over the span of his career. According to the career stage model, a salesperson's career passes through four stages. They are:

1. Exploration
2. Establishment
3. Maintenance
4. Disengagement.

At each stage in his career, a salesperson identifies specific career concerns and struggles to resolve his career concerns if they happen to clash with those identified during the earlier stages of his career. In the process, the salesperson may tend to disregard some of the career concerns which might have been important to him earlier and adopt a whole new set of career concerns. The career concerns of the salesperson at each stage of his work life form the basis of how he perceives, interprets and reacts to the environment at each stage.

Sales managers are increasingly concerned about the need to motivate salespersons as they move through various stages in their career. The primary concern of sales managers is to motivate salespersons in various stages of their career to direct them toward greater selling efforts and enhanced sales performance.

### 15.6.1 Exploration Stage

The exploration stage in one's career usually occurs between the ages of 20 and 30 years. In the exploration stage, an individual lacks work experience and is only concerned with finding the right occupation rather than worrying about life-long commitment to a particular occupation. This stage in one's career is rather stressful because the individual is not sure whether his abilities match the job requirements. The exploratory stage is marked by the individual's efforts to create a self-image. The individual accomplishes this by showing competence in his area of expertise and by gaining the acceptance of his peers in the organization. Also, stress during the exploratory stage of one's career is due to the wide variety of

career options available to the individual at this stage making it difficult for him to choose and plan his career path. Job hopping is a common feature during the exploratory stage and reflects the individual's attempts to find the occupation that best suits his abilities.

Usually, salespeople in the exploration stage tend to be dissatisfied with the job due to the uncertainty as to whether they are in the right occupation. The brief sales career of the salespeople and their lack of experience make them skeptical regarding the rewards associated with achieving high sales. Therefore, a sales manager faces a challenging task in motivating salespeople in the exploration stage to achieve high targets.

---

**Example: Strategy to Revenue Ltd.'s Motivation**

According to a Forbes article (2020), At Strategy to Revenue Ltd. (a UK based consultation company), they have a time productivity calculator that showed businesses how many sales productivity hours they would gain and how much this would be worth to the business if each salesperson was permitted to focus on core sales duties using three simple data points. A reminder regarding the value that salespeople might provide to the company if they weren't distracted by worry, whether because the salesman was unsure whether his talents fit the job requirements or for any other reason.

The above information showed how the company motivated the salespeople in exploration stage.

---

*Source: Mark Savinson (2020). How To Help Your Sales Team Members Hit Their Quota.*
*Forbes. Retrieved from*
*https://www.forbes.com/sites/forbescoachescouncil/2020/03/26/how-to-help-your-sales-team-members-hit-their-quota/?sh=692cfc8457af (accessed on June 14, 2022)*

### 15.6.2 Establishment Stage

The establishment stage usually occurs between the ages of 30 and 40 years in one's life. In this stage, individuals shift their focus from searching for the right occupation to settling down in a particular occupation and advancing in it. This tendency is influenced by expectations of others because by the time an individual reaches this stage of his life, his family, friends, and acquaintances expect him to settle down in his career. Nevertheless, the search for the right occupation may continue in some individuals. Thus, one cannot precisely say at how much experience and what age the exploration stage will end and the establishment stage will begin for an individual.

In the establishment stage of career, the pressure to succeed and advance in one's career replaces the pressure to find the right occupation. The achievement of professional success reigns supreme in the individual and this is often accompanied by a desire for promotion. Although the long hours put in by the individual in order to attain his objectives tend to increase his performance in the

job, it also places great demands on the individual in terms of family responsibilities and health concerns. Thus, in this stage, the individual tries to seek an effective balance between his work life and personal life.

Advancement in one's career in a sales organization also involves the question whether there are suitable positions in the organizations to which successful salespersons can be promoted. In most sales organizations, career enhancement of salespersons usually involves the salesperson getting promoted to a sales management position. However, not all salespersons are willing to take up a sales management position due to the entirely different set of skills required in the new position. Also, salespersons dealing in products that have reached the maturity stage of the product life cycle find very few opportunities for further growth in the organization. Hence, they switch their jobs during the establishment stage in order to enhance their career opportunities.

To avoid turnover in this stage, organizations create senior sales positions in the organization to motivate salespersons to aim for promotion to these positions. At the same time, sales managers make the salespersons aware of the requirements to get promoted. In organizations where there are limited opportunities for promotion, sales managers address the problem by suggesting dual career options to salespeople. This is especially true of organizations in which lean management is the trend. Market trends such as centralized buying and frequent new product introductions have created a need for specialized non-management positions. Examples of dual career positions include, key account sales positions and product group specialists. Salesmen, who are transferred to these specialized non-management positions as part of the dual career strategy of the management, often tend to perceive the transfer as a promotion and are satisfied that their promotion aspirations have been fulfilled.

### 15.6.3  Maintenance Stage

The maintenance stage in one's career usually starts around the age of 40 to 50 years. In the maintenance stage, the individual is under a lot of psychological strain due to growing awareness of physical aging, limited opportunities for career growth and increasing threat of technical obsolescence. In order to remain in his current position, an individual feels the need to be up-to-date with the latest developments in his field and to acquire new knowledge and skills in order to enhance his job performance. Thus, this stage, in an individual's career, is marked by a lot of changes which may be of a physiological, attitudinal, occupational or social nature. At this stage, the individual perceives the need to bring about a change in his self-image.

Unlike the earlier stages in his career where the individual makes efforts to succeed and achieve more in his career, the maintenance stage is characterized by the individual holding on to what he has already achieved and maintaining his position, status and performance level in the organization. The individual reaches

a stage in his career where he is satisfied with his level of performance and doesn't feel the need nor the interest in competing with his peers for career advancement. The individual adopts a mentoring approach toward his subordinates. Even status-wise, when an individual reaches the maintenance stage, he is most likely to be already at a position of fairly high status in the organization and therefore feels no desire to strive for a still higher status. For example, a salesperson may be in the position of a senior sales executive and is unlikely to expect to move up further in the organization.

Whatever the level of performance he might have achieved (whether as a top performer, average or below average performer), the salesperson is satisfied with his position in the organization and does not try to improve his position further by way of promotion or achievements. Even if the salesperson is dissatisfied, he does little to change the status quo and is unlikely to change his job at this stage of his life. The maintenance stage in an individual's career often coincides with the mid-life stage in the life of the individual.

There are various ways in which individuals try to cope with the emotional pressure that characterizes this stage of the career. Some may choose to take up a job in an entirely new occupation while others may learn to cope with the idea of limited career opportunities in their current occupation. It is difficult for sales managers to motivate salespersons who are in the maintenance stage of their career since promotion and rewards no longer motivate them after having achieved all these in the course of their career.

### 15.6.4  Disengagement Stage

The disengagement stage in the career stage model is characterized by an individual's attempts to withdraw or disengage himself from his career. In this stage, the individual is no longer interested in maintaining or enhancing his professional position and begins to anticipate and plan for retirement. There may be some individuals who retire early in the disengagement stage and involve themselves in activities that give personal satisfaction or help them gain public attention. Examples of such activities include: hobbies, religious, social and philanthropic activities. In the disengagement stage too, there is little that sales managers can do to motivate the salespersons and make them improve their job performance.

### 15.6.5  Selecting Effective Combination of Motivational tools

80:20 rule applies for motivation. It is said that 20% of the employees are self-motivated, while remaining 80% of the employees need motivation. To design an effective motivational mix; every manager should know his sales team members well. He should understand specific need of every team member. A successful combination of motivational tool is a mix of both. The third factor which is also creeping in motivational mix is customer satisfaction.

It's not just about the paycheck. Effective Incentive Compensation management is based on an understanding of basic human motivation – on the importance of trust, self-esteem, social recognition and improved chances to fulfill one's potential-------- Richard. J. Bakosh

Before considering the motivational factors company should also consider that (i) sales persons usually work alone, (ii) there are no 9 – 5 timings that applies for a sales person, (iii) at times sales people are bound to face harsh and hostile customers and conditions, (iv) at times sales people do not have much authority to give discounts for large sales and other such conditions. This at times leads to de-motivation of the employees.

## Motivation Mix

To motivate the sales force; it's not only the monetary factors that matter but at times non-monetary factors such as recognition, reward, citation, promotion respect also matters. So, the company has to come on a perfect motivational mix for every employee

In the current market situation Job security plays an important part. With pink slips being issued and market job situation not in a good state, if an employee gets job security from the company, he may not consider any other motivational factor. In India government employees have been working on a low salary package mainly because of job security and after retirement benefits.

## Motivational Package

Every sales person has his own characteristics, likes and dislikes. Thus, the company should create a motivational package for each and every employee. This package should appeal to different individual needs. For example, the new employees will look in more for incentives whereas older employees will be satisfied by promotion and recognition.

An effective motivational Package should have 3 major dimensions, they are–

i.   Intensity – the amount of mental or physical effort that a sales person has given or will give in the assigned tasks.

ii.  Persistence – how long the sales person will continue to put effort in the task.

iii. Direction – sales persons' choice of direction of effort in conducting the task.

There should be two other factors that should be considered while deciding the motivational package –

i.   Intrinsic Factor –to have a sense of belonging towards the company.

ii.  Extrinsic Factor –looking for more financial rewards. In this case, if the sales person does not get it from the company he is presently working he can switch the company.

**Challenges for Motivating Sales Force**

The challenges are –

i. Difference between "can't do" and "won't do" – when the sales targets are announced usually the sales person thinks that it is unachievable. Once this thought comes in the mind, the sales forces "don't" do it either. It is the task of the sales managers to motivate the sales force to take the "can't do" out of mind and get the target achieved, which leads to rewards.

ii. Inclusion of Individual needs – every individual has his own and specific needs. All these needs cannot be included into motivational package. Hence an effective mix of motivational package is required which satisfies both company and the sales force.

iii. Plateaued sale force – these sales people are the most difficult part of the sales force to be motivated. They have worked in the company for a long time. They understand both the company and market conditions very well. Therefore, they tend to work on the set pattern where they do sales on a set pattern. It is important to motivate this sales force. The company can expand their geographical area/work or assign them with some new projects so that they keep moving without fatigue.

**Current Trends of Employee Motivation**

i. Make sure employees make daily efforts to contribute towards the company's objectives.

ii. Keep employees energized and engaged.

iii. Have relevant reviews with meaningful feedback and relevant coaching.

### 15.6.6   Motivation and Performance

Employee motivation and employee performance are the two main factors for growth of any business. Task of motivators is to boost performance. Motivators boost employees to do their job well and, with enthusiasm. Motivated employee is a valuable asset to the company who delivers huge value to the organization and strengthens its business revenue and growth.

**Employee performance**

Employee performance is the result of activities performed by the employee against the set of given targets. It is a correlation between the activities performed by an employee and how well those activities have been performed. These performances are measured on quarterly, half yearly and annual basis. These performances also help review the employee's progress and identify areas of improvement.

In general, it is said that employee performance is –

**Employee Performance = Motivation X Ability X Situational Factors***

*Situational factors – Leadership, support, resources, peer, support etc.

Employee motivation is not a cakewalk. *Forbes* magazine in their March 2014 issue gave some valuable insights regarding the issue –

i.   86% of the business leaders do not have a decent leadership pipeline.

ii.  79% of the leaders believe that they have a significant retention and engagement problem.

iii. 77% of the leaders believe that they do not have the right skills to address the issue.

iv.  75% of the companies are struggling to attract and recruit the top management.

v.   17% feel that they have a fascinating and engaging employment brand.

**Stages of Employee Performance / Motivation**

Motivation improves employee performance. It takes time for the employee to perform in the flow.

Main stages are –

i.   Disapproval – Initially, employees do not favour any motivational programs initiated by a firm. They think that they are already motivated and that the need for such a program does not exist.

ii.  Recognition – With passage of time they realize that the company is not going to take back the program. Once they understand that the program would be implemented they begin to recognize the program.

iii. Defiance / rage – In the defiance stage, the motivation program is in progress and the reluctant employees participate in the program. However, there is certain anger against the program. Usually, the employees participate in the program but only physically. Mentally, they are not present in the program. They are not interested in learning from the program.

iv.  Continue – As time progresses, they start continuing with the program and somewhat, start listening to what is being said in the program. Once the sales force start paying attention on the program, they start yielding results from the learning.

v.   Exploration – Once they start yielding results from the learning, they also start exploring themselves. Exploring can be in terms of what more they can do to increase their own productivity as well as their team's productivity.

vi. Coming to terms with changes – Thus, the sales force comes to terms with the changes. They start understanding the program and start thinking about the desired outcome. They also start planning strategies to reach to the desired outcome.

vii. Acceptance of changes – Finally, the sales team starts enjoying the motivational sessions and accept the changes that are coming in the organization and people.

**Effects of Motivation on Employee Performance**

The effects are –

i. Satisfied employees have a high morale and they intend to give their best towards their company.

ii. Motivated employees are loyal. Motivation reduces absenteeism and in turn attrition.

iii. Motivation works as a driving force which makes people to put their best in the work they do.

iv. An acknowledgement or a simple 'thank you' from the authorities creates huge difference in employee performance.

v. Motivation with efficiency leads to job satisfaction.

---

**Activity 15.4**

Tandon is a 35-year old salesman working with Standard Chartered Bank's credit cards division for the past 10 years. He is trying to seek a balance between his personal and professional life. Which stage of his career is Tandon in? What are the measures that could be taken by his sales manager to motivate him at work?

**Answer:**

---

**Check Your Progress - 2**

8. Which of the following is not reckoned as an external factor for the purpose of marketing and selling audit?

    a. Field work of salespersons

    b. Market size

    c. Market environment

    d. Market demand

    e. Growth trends

9. Identify the correct sequence of the various stages of career concerns of a salesperson.

   a. Reassessing career with possible redirection, finding an appropriate occupation, establishing a successful career, completing one's career.

   b. Completing one's career, finding an appropriate occupation, establishing a successful career, reassessing career with possible redirection,

   c. Finding an appropriate occupation, establishing a successful career, reassessing career with possible redirection, completing one's career.

   d. Finding an appropriate occupation, establishing a successful career, reassessing career with possible redirection, completing one's career.

   e. Establishing a successful career, finding an appropriate occupation, completing one's career, reassessing career with possible redirection.

10. Akash has joined HSBC Credit Cards division as a sales executive. He has requested for a training program to develop his skill for selling credit cards. What characteristic in the career exploration stage relates closely to this step?

    a. Psychosocial needs

    b. Developmental tasks

    c. Career concerns

    d. Personal challenges

    e. Achievement and recognition need

## 15.7 Summary

- Motivation is the process that produces goal-directed behavior in an individual. It helps initiate desired behavior in an individual and direct it towards the attainment of organizational goals.

- Motivation consists of three elements – need, drive and goal. Satisfaction of the need in the individual cuts off the drive in him to work toward satisfaction of the need.

- The effectiveness of the sales force plays a crucial role in the success and growth of an organization.

- In order to attain the goals of the organization, it is essential that the sales force is highly motivated. Motivation in the sales function refers to the amount of effort a salesperson is willing to expend in the selling job. While some salespersons are self-motivated, there are others who need to be motivated to perform.

- Sales managers can motivate their team by following any of the theories of motivation, namely, Maslow's hierarchy of needs theory, Herzberg's two-factor theory, goal-setting theory, expectancy theory, and job design theories.

- A salesperson's motivation plays a crucial role in influencing his performance and thereby, his productivity. Salespersons having a high level of motivation tend to perform well in the selling job and have high productivity. On the other hand, salespersons, who lack motivation, tend to be poor performers and fail to achieve their sales targets.

- Sales managers can take various measures to motivate the sales force and boost its productivity. These measures can be in the form of sales quotas, sales contests, well-designed compensation plans and reward systems etc.

- The personality traits of the salesperson play a vital role in influencing his motivation. Salespersons can be divided into four types – competitor, achiever, ego-driven, and service-oriented.

- Sales managers are increasingly concerned about the need to motivate salespersons as they move through various stages in their career.

- The primary concern of sales managers is to motivate salespersons in various stages of their career to direct them toward greater selling efforts and enhanced sales performance.

- A salesperson's career passes through four stages – exploration, establishment, maintenance, and disengagement.

## 15.8 Glossary

**Customization:** Customization refers to modification according to a customer's individual requirements.

**MSCH-H:** Miner Sentence Completion form where H stands for Hierarchic. It is a form to measure motivation factors in the managers.

**Promotional Mix:** Promotional mix refers to four elements of promotion including advertising, personal selling, sales promotion, and public relations.

**Sales Force Audit:** Sales audit is a review of a company's entire sales process for a particular period of time. Sales audit evaluates the effectiveness of every aspect of the sales process. It helps company to determine whether the methods used by the company are cost-effective and beneficial in generating revenue or not. Sales auditors do audit on two factors – External Factor (Market size, market environment, and market demand and growth trends) and Internal Factor (Company culture, interaction of the sales team, relationship among the sales force and how the team works on field). This provides a base to the sales auditor to evaluate the sales performance of what the company desires versus what they are actually achieving.

## 15.9 Self-Assessment Test

1. What are the different theories of motivation? Explain each of them.

2. Explain the relation between motivation and productivity of the sales force.

3. According to analysts, same technique should not be used for motivating all sales personnel. In your opinion, how could personality traits of salespeople help a sales manager while motivating them?

4. What approach should a sales manager take to motivate sales personnel at different stages of their career?

## 15.10 Suggested Readings/Reference Materials

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

2. Nag A (2017). "Sales and Distribution Management," McGraw Hill Education.

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

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

5. Richard R. Still (2017). Sales and Distribution Management, Sixth Edition, Pearson Education.

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

7. Gupta S L (2018). "Sales and Distribution Management – Text and Cases an Indian Perspective," Laxmi Publications Pvt. Ltd.

## 15.11 Answers to Check Your Progress Questions

1. (d) **Increasing the need for supervision of salespersons**

    Motivation process includes, instigating goal directed behavior in an individual, dealing with the force within a person or acting on a person, and initiating desired behavior in a person. Increasing the need for supervision of salespersons is not a part of the motivation process.

2. (c) **Sales force productivity is identical to manufacturing productivity**

    Sales force productivity is identical to manufacturing productivity is not a correct statement. Unlike manufacturing, sales force productivity is influenced by various factors other than the inputs such as customer reaction and volatility of the market. Further, it may take days, weeks, months or even longer to convert a prospect into a real customer.

3. (d) **Ego-driven: Salespersons who work for targets**

    Ego driven means salespersons who feel that they are the best. Competitor means salespersons who only believe in win-lose theory. Achiever means salespersons who are self-motivated and are team players. Service-oriented means salesperson who get along with customers very well. Hence option 'd' is incorrect and is the answer.

4. **(e)    Salesperson is suffering from psychological problems**

A salesperson who has reached career plateau thinks he has reached the highest possible level in the company, he is presently working. He feels he is restricted to a particular role. Sales become a routine task for him. He no longer feels challenged or engaged by his work. The wrong option here is option 'e'.

5. **(c)    Attitudes and values**

Attitudes and values are psychological factors that can motivate salesmen.

Positive attitude and values can boost sales performance. Gender, age, job security and loyalty are demographic factors.

6. **(d)    Psychographic factors are rigid and easy to understand.**

All options relating to psychographic factors except option 'd' (Psychographic factors are rigid and easy to understand) is true.

7. **(a)    Promote salespersons based on experience and sales performance.**

Except option 'a', all other options state measures that recognize, reward or motivate the worthy efforts of customer-oriented salespersons.

8. **(a)    Field work of salespersons.**

Market size, market environment, and market demand and growth trends are factors which are external to the company. Hence, they are beyond the firm's control. Field work of salesmen can be controlled by the firm and is an internal factor that is well within the control of the sales department of the firm. Hence, option 'a', 'Fieldwork of salespersons' is an internal factor.

9. **(d)    Finding an appropriate occupation, establishing a successful career, reassessing career with possible redirection, completing one's career.**

The correct sequence of stages that occur as part of the career concerns of a salesperson are — finding an appropriate occupation, establishing a successful career, reassessing career with possible redirection, completing one's career.

10. **(b) Developmental tasks**

The given example refers to career exploration stage of developmental tasks.

# Unit 16

# Sales Force Expenses and Transportation

## Structure

*"Costs are always higher than expected, even when they are expected to fall. They require scrupulous scrutiny and constant containment."*

- Theodore Levitt

## 16.1    Introduction

Here, Theodore Levitt emphasises on the cost and expense management. The sales leaders should always keep in mind that the sales force expenses would always be higher than expected. They have to constantly optimize the cost.

Salesforce motivation has an impact of sales performance. The previous unit discussed salesforce motivation and the various theories of motivation. Efficient tracking of salesforce expenses is required to control costs. Travel and other related sales force expenses are major expenses for the sales organization. Poorly managed expenses on sales force and travel related can result in mismatch between sales person's productivity and expenses. This results in poor sales to expense ratio, and thereby, lesser or no profits for the organization.

Sales organizations are often in dilemma on maintaining good sales to expense ratio. While on one hand, the sales force expenses like daily allowances, expenses for lodging, boarding, entertainment and travel are mandatory, on the other hand,

it is uncertain whether all these expenses incurred will result into definite sales and profits for the company. Therefore, companies devise various methods like sales planning, customer coverage pattern, routing and scheduling for reducing the expenses on sales force.

A sales manager's primary task is to ensure how the sales force expenses and travelling expenses can be reduced. At the same time, his/her main job is to ensure better productivity for customer. The sales managers employs various tools like territory designing, permanent itinerary, expense statement audits and on-field observations for controlling the sales force expenses.

Organizations differ in their perspectives on sales force expenses. Many liberal sales organizations see it as an investment and want to give better facilities to their sales persons while many others see it as an expense and burden on the organization. Some sales persons see it as good facilities being provided by the organization for better working conditions while many others see it as a means for earning additional income.

## 16.2    Objectives

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

- Discuss the sales force expenses and strategic plans to optimize expenses

- Explain the methods of controlling selling and transportation expenses and ways through which supervisors can track and monitor these expenses

- Discuss the methods of travel planning and elaborate on the permanent itinerary and expense statements, which are used as control tools

- Discuss the expense statement audit

## 16.3    [1]Sales Force Expenses and Strategic Planning

Expense account policy is an important element in a firm's strategic marketing plan. New enterprises or startups are often unable to bear the fixed costs of their sales reps' selling expenses. These firms, generally, employ higher straight commissions on the total sales volume generated. All the selling expenses like travelling, lodging, boarding, entertainment are borne by the sales reps in return for a higher commission.

Sales persons who accept this type of deal expect that they will make more money than they could have made if the company paid their selling expenses. This type of deal generally results into reduced selling expenses on one hand and on the other hand company saves expenses of supervision on the sales persons. The only disadvantage with such type of offer by the company is that the sales representatives are not loyal to one particular company for business. They do not

---

[1]    Source: Paul Leinwand and Vinay Couto, "How to cut costs more strategically," Harvard Business Review, 10/03/2017

represent the company in a manner the company would want them to project. For example, almost all insurance companies offer this type of deals to its sales agents and many a time a sales agent has the agency of more than one insurance company. They sell the insurance products of different insurance companies as per the needs of the customer or as per the levels of the commissions offered by different insurance companies.

In contrast, many reputed companies use the sales expense account policy as a strategic tool for recruiting good sales persons. These companies pay handsome allowances and travelling expenses to their sales persons and then expect them to practise the established rule, norms and policies of the company. These companies want their reps to implement companies marketing plans and sales strategies effectively and generate sales. Apart from offering good allowances, boarding and lodging expenses and travelling by air-conditioned coaches and taxis, many companies now are also offering their sales persons with smartphones, laptops and iPads. These types of companies have high fixed cost of selling expenses on one hand, but on the other hand they have the advantage of generating higher productivity and ensuring greater loyalty of the sales persons as well as retaining and attracting better sales persons.

---

**Example: Design of Strategic Sales Force Compensation Plan at a Supply Company**

Bain & Company published a case study of a supply company where it went for a series of acquisitions, which made the company a large multiple category supplier with over 10 divisions, each with unique sales incentive structure and autonomous sales organization. The company was facing huge difficulties in designing sales force compensation plan. For assistance, it approached Bain & Company where it designed a new unified sales force compensation structure by aligning with the organization's profitability goals and holding commission costs constant. In pursuit of this, it gathered inputs on existing and potential compensation policy. It did modelling at an individual level to know granular impact and anticipate compensation changes for highly productive sales reps.

The information showed how Bain & Company designed sales force compensation aligned with strategic profitability goals.

---

*Source: Bain & Company (2021). Designing a Sales Compensation Plan Based on an Unusual Metric. Retrieved from*

*https://www.bain.com/client-results/designing-a-sales-compensation-plan-based-on-an-unusual-metric/ (accessed on July 6, 2022)*

## 16.4  Legitimate Travel and Business Expense

The legitimate travel and business expenses vary from company to company and from sector to sector, as the type of products, sales territories, coverage pattern, and customers are different for each company or sector. There is no unanimous

agreement on what constitutes a legitimate expense for reimbursement. A good general policy is that sales person should be reimbursed the following expenses-

a.   The expenses incurred in connection with the work.

b.   The travelling expenses - Actual fare by bus, rail, air or petrol expenses by personal vehicle, per km fare by auto or taxi.

c.   Expenses for lodging & boarding.

d.   Expenses for telephone, mobiles, e-mails, fax and other office expenses while on work.

e.   Miscellaneous expenses.

f.   Entertainment expenses or buying gifts or complimentary articles for the customers or for dealers.

g.   Any other expenses which is important for the business with due permission and sanctions for supervisors.

Management, therefore, should specify in writing the expenses for which the company will pay for. For example, management may reimburse only for the travel undertaken by the cheapest mode of travel by bus or rail and may not reimburse by taxi or the management may offer a fixed allowance or fixed travel cost. Therefore, all items relating to the travel and selling expenses should be clarified at the time of appointment of the sales person or at the time of promotion of sales person.

---

**Example: Expenses Reimbursement Policy of Private Infrastructure Development Group (PIDG)**

Private Infrastructure Development Group (PIDG), a UK-based infrastructure development firm, reimbursed all the legitimate expenses incurred by its employees and directors. The expenses like travelling expenses including air fare, fuel charges (in case of personal vehicle), telephone charges, hotel charges, business related food and drinks, car parking charges, etc. The company clearly mentioned that the complete information must be provided in every expense claim form to justify the expense, including the category of expense, date of expense when it was incurred, location where it was incurred, the reason(s) behind the expenses, justification for the category or class of travel, etc. The non-reimbursable expenses were toiletries, clothing, traffic challan, smoking, alcohol, etc. The company would give each expense claim a unique reference number for audit purpose.

The above information showed the reimbursement policy of PIDG.

---

*Source: PIDG. Travel and Expense Reimbursement Policy and Procedures 2018. Retrieved from https://www.pidg.org/wp-content/uploads/2018/11/20190101_Travel-and-Expense-Reimbursement-Policy-and-Procedures.pdf (accessed on July 6, 2022)*

---

**Activity 16.1**

Contact sales managers from five different companies from different sectors like FMCG, pharmaceuticals, consumer durables, engineering and telecom. Ask them to explain the expense reimbursement plans for their sales people. Analyze each plan and present the best plan for expense reimbursement.

**Answer:**

---

**Check Your Progress - 1**

1.  Which of the following is not a definite outcome of high sales force expenses?

    a.  It ensures sales.

    b.  It ensures proper coverage of the territory.

    c.  It ensures market development.

    d.  It ensures sales person's motivation to work.

    e.  It ensures profits.

2.  Which of the following is not a benefit of a fixed commission to the sale person?

    a.  It saves cost of employment.

    b.  It motivates salesmen to achieve more than their usual quota.

    c.  It saves cost of supervision.

    d.  It results into better sales.

    e.  It makes sales person more productive.

3.  Which of the following is not a legitimate sales expense?

    a.  The expenses incurred in connection with the work.

    b.  The travelling expenses.

    c.  Expenses for lodging & boarding.

    d.  Expenses for telephone, mobiles, e-mails, fax and other office expenses while on work.

    e.  Personal expenses on entertainment.

4. Which of the following is not a tool that a sales manager may employ to control the expenses of the sales person under him?

    a. Proper territory designing.

    b. Permanent itinerary.

    c. Expense statement audits.

    d. Field observations.

    e. Incentives for achieving target.

5. What is the name of the official document a company gives to its sales persons explaining the expenses reimbursement plan?

    a. Tour plan.

    b. Travel policy.

    c. Tour policy.

    d. Reimbursement plan.

    e. Travel plan.

## 16.5 Characteristics of a Sound Expense Plan

A sound expense plan has general characteristics. Some of the characteristics of a sound expense plan are:

### 16.5.1 No Net Gain or Loss for Representatives

The expense plan should be designed in such a way that the sales person neither benefits nor loses. The expense plan, therefore, should be right and just to meet the expenses incurred while on the field. Many companies generally pay expenses which are right and just, but some of the companies pay expenses on the slightly higher side to maintain their reputation and keep their sales personnel happy and loyal. Some companies also pay expenses on a higher side but they pay lesser fixed salary. This is done to reduce the tax liability of both company and sales persons.

---

**Example: Ykone Travel Expense Management**

Ykone, a renowned global influencer marketing firm, worked with the top brands of the world. It brought brands and influencers or content creators together in perfect pairings. For this, the company's internal team travelled extensively across various locations. Also, the company facilitated the travel to content creators or influencers to photo / video shoot sites around the world. For doing this, Ykone was booking hotels and flights on consumer websites, which was creating huge difficulty for the employees to keep track of every expense, maintaining and claiming invoices on each client or project.

*Contd….*

---

To address the issue, it took assistance from Travel Perk, a business travel management company, to develop a unified platform to manage all travel and trip expenses. After implementing the solution, Ykone employees were able to track all expenses in one invoice, and thereby neither incurring any loss nor getting extra gain.

The above information showed how Ykone implemented a solution that enabled no gain no loss expense policy for its employees.

*Source: Ykone case study (2022). TravelPark. Retrieved from*
*https://www.travelperk.com/case-studies/ykone/ (accessed on July 6, 2022)*

### 16.5.2 Equitable Treatment of Representatives

Sales representatives should be able to maintain approximately the same standard of living when on the field or tour as at home. They should not have to sacrifice comfort to stay within the expense limits. To ensure equitable treatment, sales managers should recognize differences in travel expenses among different territories. For example, the expense incurred by a sales representative in a metro or a big city is much higher than a sales person covering district places or countryside. Therefore, expense plan must include this aspect.

### 16.5.3 No Curtailment of Beneficial Activity

A good expense plan should not hamper the selling duties. And should not curtail activities beneficial to the company. An expense plan which attempts to set selling expenses as percentage to sales may discourage a sales representative from developing a new territory as a new territory requires lot of investments and expenses before the sales are generated in larger volumes.

### 16.5.4 Minimal Details and Administrative Procedures

A sound expense control plan should be simple and economical to administer. Cumbersome clerical and administrative procedures should be minimized. As sales personnel are not much inclined to involve themselves in cumbersome administrative procedures, expense reports or statements should be clear, simple to understand and less time consuming. With the advent of mobile technology, many of the sales organizations have now started online daily reports as well as expense statements.

### 16.5.5 Clarity

A good expense plan should be clear to prevent misunderstanding between management and sales force. Management must explain the plan in detail to the sales force and put it in writing before implementing the expense plan. The plan should be clear on the type of reimbursements, limits, the authorities, the timings and the periods of reimbursements. Company must pay promptly the expenses to the sales force so that their work is not hampered and they remain motivated.

### 16.5.6 Company Control Expenses and Elimination of Padding

A good expense plan controls expenses and curtails padding. However, control should not be synonymous with stinginess. A good expense plan should help sales manager to get all benefits of control without damaging sales force moral and motivation. Expense account padding or charging expenses much above the legitimate expenses is a major problem a sales manager faces one time or the other. Sales personnel has a general tendency to inflate the expenses and charge extra to the company which is many a time beyond the legitimate expenses. For example, many sales personnel mention extra kilometers travelled by a motorcycle or a taxi/auto in order to gain some extra money or some sales persons mention extra days stayed while on the tour and charge extra for lodging and boarding expenses while some mention travelled by train(AC)where actually they travel by bus etc. The sales manager should be vigilant on this aspect of padding of expenses and should verify the same by visiting the territories of the sales reps.

## 16.6 Methods of Controlling Expenses

Company should decide whether they will pay for the sales reps field selling costs or have the representatives pay their own expenses out of their earnings. Almost all firms pay travel and business expenses if salary is the element in the compensation plan. If the sales representatives pay all their own expenses, than they are compensated by straight commission methods.

### 16.6.1 Sales People pay own Expenses

Sales people, who are compensated by straight commission, usually pay their own selling expenses. Management usually figures this aspect into the commission structure for sales function. It offers the total amount to the sales representatives and says that what is left after the sales expenses is deducted. From the managements` standpoint this method is simple and no operation cost is involved. From the representatives 'standpoint, this type of plan gives them freedom to operate as they don't have to explain the expenses or submit an expense statement for approval or involve in cumbersome administrative procedures.

---

**Example: Avon Does Not Bear Selling Expenses of its Sales Agents**

Avon, a renowned cosmetic brand, had over 6 million selling agents across 100 countries. It paid commission on sales target achieved by the agent. It did not pay any expenses incurred by the agents in the course of selling Avon's products.

The information represented that Avon was making its sales agents to pay their own expenses.

---

*Source: Terms & Conditions of Avon Representatives. Retrieved from*

*https://qaf.avon.co.in/avon-in/terms-and-conditions-of-avon-representatives-form.html (accessed on July 6, 2022)*

### 16.6.2 Unlimited Payment Plan

The most widely used method of expense control is the unlimited-payment plan, in which the company reimburses sales people for all the legitimate business and travel cost while on job for company's business. There is no limit to total expenses or individual items, but sales people are required to submit itemized account for the expenses along with justification.

The main advantage of this method of expense control is its flexibility. Cost differentials between territories, jobs or products do not pose any problems for the management. The flexibility of the method makes it fairer for the sales people as well as for the company. In this method, the company has better control over the activities of the sales persons as all the activities are summarized in the expense statements as well as tour reports. Further, the method encourages the sales reps to explore new territories and new customers as expenses are not a deterrent factor.

However, an unlimited payment plan may not allow the management to accurately forecast its direct selling expenses. Expenses are variable and proper forecasting as well as sales to expense ratio cannot be determined accurately. This type of plan will encourage the sales reps to be extravagant in spending the company's money and at the same time may also encourage the sales representatives to pad with unjustifiable expenses and be dishonest in order to get some extra income. This type of situation will also lead to increase frictions between the management and the sales representatives as management may not permit some expenses as they may find them unjustifiable.

### 16.6.3 Limited-Payment Plans

A limited payment plan may take either of two forms. In one form, the plan places limit on the amount to be reimbursed for each expense item. For example, a company may pay Rs. 500/day for lodging, Rs.300/day for breakfast, lunch and dinner. In the other form, the company may give a lump sum amount for a day as Rs. 800/ day for all outstation expenses when the sales person is on tour. Management may set different limits for different territories such as cities, metros, and district places and interior towns.

Limited payment plans have certain advantages. These plans are especially suitable when the sales representative's activities are routine and travel plans are set and repetitive. By implementing this type of plan, the company can easily forecast expense and also arrive at accurate sales to expense ratio for each individual territory.

While implementing the limited payment plan, the only dilemma the sales manager's face is deciding on the limit of expenses from territory to territory as the expenses vary according to the type and category of towns.

### 16.6.4 Combination Plans

The advantages of both the unlimited and limited payment plans can be sometimes realized by developing an expense control method by combining the two methods. Management may set a limit on items such as food and lodging with no ceiling on the mode of transportation. Authority and flexibility of spending any other justifiable expenses (like an emergency expense or an unavoidable entertainment expense) within certain limit as per the discretion of the sales person can be given. This will give a better flexibility for the sales person as well as keep the check on the expenses.

Exhibit 16.2 illustrates the role of automation in cost cutting and boosting sales revenue.

---

**Exhibit 16.2: Sales Automation helps Reduce Cost and Boost Revenue**

Many companies are realizing that sales automation gives salesmen more time to meet customers by reducing the time salesmen spend on administrative work. Meeting more customers also leads to higher revenue. To make automation work favorably, companies must ensure that automation solutions and salesmen work hand in hand. Some of the benefits of sales automation are given below:

- Salesmen have more time to meet customers.

- Meeting customers results in greater customer satisfaction.

- Efficiency of salesmen improves at least by 10 to 15%.

- As a result of the above gains made, sales increase can be to the tune of 10%.

**More than a third of all tasks can be automated**:

In the modern global economy, most standard tasks can be automated. McKinsey Global Institute's research suggests that more than 30% of all sales tasks and operations can be automated using the available technology.

Given below are the tasks that have automation potential (as listed by MGI):

- **Sales Strategy and Planning**: This function includes a range of activities like resource allocation, talent management, channel strategy and forecasting.

- **Identification and Qualification of Leads**: This includes formulation of action plans for existing and new customers and also pipeline management.

- **Pricing and Quotation**: This function includes quota setting, negotiation and contracting.

*Contd….*

---

- **Order Management**: This function includes credit checking of customers, invoice and other order-related activities.

- **Post Sales Activities**: This function includes activities like follow-up and handling of other customer requests like spare parts, etc.

- **Structural Support**: This function includes a range of sales support activities like reporting, analytics and other administrative tasks.

The MGI research also points out that only one in four companies have automated partially or automated at least one sales process. The research only points to the tremendous scope for automation and the cost reduction, and revenue increase it can bring about.

*Source: Manu Bangia, Gui Cruz, Isabel Huber, Philipp Landauer, and Varun Sunku, "Sales Automation: The key to boosting revenue and reducing costs", McKinsey.com, 13/05/2020 (accessed on 19.07.2022)*

---

**Activity 16.2**

Design a Travel policy for sales representatives working in Metro towns and sales representatives working in upcountry markets. The travel policy must incorporate the characteristics of a sound travel policy and the methods of controlling the expenses (as described).

**Answer:**

---

Another combination method is an expense-quota plan. Under this system, management sets a limit on the total allowable expenses, but the ceiling is related to some other items on the operating statement, such as net sales. For example, a quota of Rs. 5000/ may be set for the month because monthly sales are expected to be Rs. 100.000/. Thus, expenses can be controlled by tying the expenses as percentage of sales to the monthly sales, say 5%. Further, extra bonuses can be announced for the representatives who are able to keep the expenses below the 5% limit. This method will not only help keep the expense under check but will also motivate the sales representatives to increase the sales as well as his/her earnings.

## 16.7 Control of Sales Force Transportation

The most significant selling expense is transportation as without transport it is difficult to cover the entire territory and the customers effectively. The mode of

transportation varies from territory to territory. For example, to cover Fort or Church gate areas in Mumbai, the sales person will have to use local trains or taxis, while in suburbs such as Bandra or Santa Cruz, the sales rep will have to use local trains as well as autos. Similarly, a representative stationed at Pune or Nagpur will have to use motorcycle, scooter, auto or a cycle rickshaw for covering the territory.

Further, a representative stationed at a district place like Chandrapur or Akola, will have to use motorcycle or bus/train/bi-cycle/ van for covering the territory. Thus, a situation and the type of territory largely dictate the transportation required. However, some aspects of transportation are open to managerial decisions and control.

Some companies would like their sales people to travel in first class and may provide the best transportation facility available, while others would compromise on the cost of transportation and offer most economical available means of transport. Many companies in India put the availability of own vehicle as a pre-condition for employment. Recently, some of the Indian companies are offering their sales persons leasing facilities for owing a car or a motorcycle for the official work. The company pays for the petrol and the maintenance of the vehicle, and the sales representative has to pay the company with regular installments for a particular period, after which the vehicle becomes the sale representative's own property.

---

**Example: Swift India – Travel & Expense Policy**

Swift India, a financial services company in India, followed certain guidelines in its travel and expense policy. Some of them are: before taking a business trip, employee must obtain the permission from senior authority giving the details like purpose of visit, budget, duration, location, etc. For air travels, bookings must be made at the earliest (should not be less than 14 days prior to departure) to get the benefit of lowest cost. Must use economy class in all cases except in defined cases by the company. In case of the use of private car, it was allowed if the cost was less than other means including a taxi, train, or plane.

The information showed how Swift India was controlling employees' transportation.

---

*Source: Swift India – Travel & Expense Policy (Wef 2018). Retrieved from*
*https://www.swiftindia.com/resource-centre (accessed on July 6, 2022)*

## 16.8  Other Methods of Expense Control

Management always tries to devise newer and newer methods for reducing the field selling expenses. Apart from the methods for controlling the field selling expenses and transportation expenses discussed above, there are some

additional methods for controlling field selling expenses. A few of them are discussed below.

### 16.8.1 Training and Enforcement

Managements should teach and train on how the company expects them to spend money. Any violation of the company's expense policy should be subjected to immediate reprimand, cutting of salary or other measures. Firms should make it clear in the beginning that expense account fraud will be a basis of dismissal from service. Many firms include criteria in their performance appraisal system on how wisely the rep has been spending companies' money and calculate sales to expense ratio as a criterion for performance appraisal.

---

**Example: Inculcate Patriotic Organizational Culture**

Forbes published an article on the reasons for the employees to deceive in their expenses claim. One of the reasons was the company culture where managers do cheat in their expenses claims. Anant Kale, CEO of AppZen, a leading AI platform for expense and finance management, said employees won't hesitate to cheat in their expense claim if they found their seniors doing the same. To overcome this, Anant said, the organizations have to inculcate employees to behave in good and honest behaviour and make them aware of the negative affect on the company and the employee as an individual in doing so.

The information represented how teaching and training on how the company expects them to spend money can solve the issues of deception claims.

---

*Source: Anant Kale (2019). Eight Reasons Employees Cheat On Their Expense Reports. Forbes. Retrieved from*

*https://www.forbes.com/sites/forbesfinancecouncil/2019/02/22/eight-reasons-employees-cheat-on-their-expense-reports/?sh=1f711484674e (accessed on July 6, 2022)*

### 16.8.2 Credit/Debit Cards

Many firms use credit or debit cards to control various expense items like air bookings, rail bookings, hotel expenses and entertainment expenses. Credit cards/debit cards are given to the sales people and the amount is debited from a designated company account. By this method, the company will ensure the money is spent appropriately and will know the expenses done by the sales person.

### 16.8.3 Expense Bank Account

Some companies open an account in the name of the representatives and deposit a certain amount in the account. The representative withdraws money from this account for his field expenses. Once the representative submits the expenses report or statement and upon approval by the supervisor, that much amount is again replenished in the account.

### 16.8.4  E-commerce, Internet Selling and Telemarketing

High field selling costs are one of the main reasons for growth and rapid expansion of e-commerce, Internet selling and telemarketing. Making a web-site and sending promotional messages through Internet and making telephone calls to the customers substantially reduces the firm's fields selling expenses. In many companies, sales people are pushing their customers to make purchases of many routine products through the company's web page because the transaction costs are lower. Similarly, a telephone call can substitute for a personal sales visit, thus, saving on the cost and time of the sales person.

---

### Check Your Progress - 2

6.  Which of the following is the most effective tool employed by sales managers for controlling expenses?

   a.  Proper territory designing.

   b.  Permanent itinerary.

   c.  Recruiting more salesmen.

   d.  Increase in supervision.

   e.  Random checks.

7.  Which of the following is a legitimate business expense with the permission of the supervisor?

   a.  The expenses incurred in connection with the work.

   b.  The travelling expenses and expenses for lodging & boarding.

   c.  Expenses for telephone, mobiles, e-mails, fax and other office expenses while on work.

   d.  Entertainment expenses of self.

   e.  Entertainment expenses and buying gifts for the customers.

8.  Which of the following is not characteristic of a good expense plan?

   a.  No net gain or loss for the rep.

   b.  Curtailment of the activities of the reps.

   c.  Equitable treatment of the reps.

   d.  Clarity.

   e.  Training employees on company rules and policies.

9.  Which of the following is not a method of controlling expenses?

   a.  Payment of self-expenses by sales persons.

   b.  Limited and unlimited payment plans.

   c.  Combination plans.

   d.  Training & enforcement.

   e.  Equitable treatment of all reps.

10. Which of the following about expenses of sales personnel is not true?

    a. Expenses of sales personnel is taxable.

    b. Permanent itinerary is a planning tool for a sales person and controlling tool for manager.

    c. Some organizations see expenses as an investment on salesmen.

    d. Expense statement is a report of expenses of salesmen.

    e. Transportation is a major expense of a company.

## 16.9 Summary

- Sales force expenses and transportation is a major expense for the sales organization. Poorly managed expenses on sales force and transportation can result in mismatch between sales person's productivity and expenses resulting into poor sales to expense ratio, and thereby, reduced profits for the organization.

- Organizations differ in their perspectives regarding the sales force expenses. Many liberal sales organizations see it as an investment and want to give better facilities to their sales persons. While others see it as an expense and burden on the organization. Therefore, expense account policy is an important element in a firm's strategic marketing plan.

- The legitimate travel and business expenses vary from company to company and from sector to sector, as the type of products, sales territories, coverage pattern, and customers are different for each company or sector.

- A well-conceived and well executed expense plan has general characteristics. There are various methods of controlling expenses like sales people pay own expenses, unlimited and limited payment plans or combination plans.

- Sales managers play an important role in controlling expenses on field's sales and transportation and they use controlling tools like permanent itinerary, expense statement audit etc. for controlling the expenses.

## 16.10 Glossary

**E-Commerce** - Selling is done by using internet without the representative visiting the customer.

**Expense Bank Account** - Companies open an account in the name of the representatives and deposit a certain amount in the account for meeting the expenses which is replenished.

**Expense Statemen**t - A report of the expenses done by the rep in a month or sales cycle.

**Fixed Allowance Plan** - An expense plan where the management gives fixed allowances.

**Flexible Allowance Plan** - An expense plan where management gives flexibility to the sales persons to spend company's money on legitimate expenses.

**Legitimate Expenses** - The expenses which are allowed by the company for selling process.

**Permanent Itinerary** - A planning tool for a sales person and controlling tool for the manager.

**Sales Force Expense** - Total legitimate field sales expenses of a sales person.

**Sales to Expense Ratio -** The ratio of sales achieved to the expense incurred in a sales territory.

**Transportation Expense** - The expenses incurred on travel of sales person.

## 16.11  Self-Assessment Test

1. Expense account policy is an important element in a firm's strategic marketing plan. Explain.

2. What are legitimate travel and business expenses?

3. What are the characteristics of sound expense plan?

4. What are the various methods of controlling expenses?

5. Explain the role of sales manager in controlling the field selling expenses and expenses on transportation of sales personnel.

6. Devise an expense and travel policy for a new startup company in FMCG sector.

## 16.12  Suggested Readings/Reference Materials

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

2. Nag A (2017). "Sales and Distribution Management," McGraw Hill Education.

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

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

5. Richard R. Still (2017). Sales and Distribution Management, Sixth Edition, Pearson Education.

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

7. Gupta S L (2018). "Sales and Distribution Management – Text and Cases an Indian Perspective," Laxmi Publications Pvt. Ltd.

## 16.13 Answers to Check Your Progress Questions

1. **(e) It ensures profits**

   Sales force expenses are a must for the organization because it ensures sales, ensures proper coverage of the territory, ensures market development and it also ensures sales person's motivation to work. However, high salesforce expenses may not always ensure profits.

2. **(b) It motivates salesmen to achieve more than their usual quota**

   A fixed commission to the sale person is beneficial to the company because it saves cost of employment, it saves cost of supervision, it results into better sales and it makes sales person more productive. The option which does not state a benefit is option 'b'. Fixed commission may not motivate a salesperson to travel the extra mile to achieve more than what he usually does.

3. **(e) Personal expenses on entertainment**

   Personal expenses on entertainment are not a legitimate sales expense. The legitimate expenses are-----a) The expenses incurred in connection with the work b) the travelling expense c) expenses for lodging & boarding d) expenses for telephone, mobiles, e-mails, fax and other office expenses while on work.

4. **(e) Incentives to achieve the target**

   The tools employed by a sales manager to control the expenses of the sales person under him are----a) Proper territory designing b) permanent itinerary c) expense statement audits d) field observations. Option 'e' is the correct answer. Incentives may help increase sales but may not control sales expenses.

5. **(b) Travel Policy**

   The official document which a company gives to its sales persons explaining the expenses reimbursement plan, is generally called Travel policy as it is policy decision of the management.

6. **(a) Proper territory designing**

   If the sales manager designs the territory well, he may not require other tools of control tools.

7. **(e) Entertainment expenses and buying gifts for the customers**

   It is generally allowed in majority of the companies only with the permission of the sales manager.

8. **(b) Curtailment of the activities of the reps**

   This is not a characteristic of a good plan because any curtailment of activities may negatively reflect on sales performance.

9.  **(e)  Equitable Treatment of all Reps**

The methods of controlling expenses are-

a)  Payment of self-expenses by sales persons

b)  Limited and unlimited payment plans

c)  Combination plans

d)  Training & enforcement, equitable treatment of all reps may not have an impact on expense.

Option 'e' is the answer because equitable treatment of all representatives is a good HR practice, which has no direct bearing on cost control.

10. **(a)  Expenses of sales personnel is taxable**

Expenses of sales personnel are not taxable as they are expenses shown in the books of accounts of a company. All other options are true.

# Unit 17

# Leading the Sales Force

## Structure

*"Stop looking for the best leads and start creating the best sales people."*

- Rob Liano (a popular sales strategist and business consultant)

## 17.1   Introduction

Great sales leaders always focus on creating the best sales people rather looking for best leads. This approach would lay down the foundation of success for the company.

In the previous unit, we discussed the theories of motivation and the relation between motivation and productivity of sales force. It also explains the effect of personal characteristics on motivation and motivation required at different stages in the career of a salesperson. The present unit is about how to lead a sales force.

In an organization, the leadership style of a sales manager plays a vital role in influencing the effectiveness, performance, motivation, and job satisfaction of the sales force. In recent times, when organizations are trying their best to meet the challenge of increasing the performance of the sales force and prevent turnover among sales personnel, the role of a sales manager in motivating and leading a sales force towards the attainment of organizational goals has become all the more significant. In an organization, all those who are in a position to lead, such as the vice-president of sales, director of sales, the regional sales managers, and field sales managers play a key role in determining the growth and development of the organization.

This unit will discuss various aspects of leadership behavior of a sales manager. The unit will provide an understanding of leadership by briefly covering various topics like leadership traits, leadership styles and sales leadership skills. Further, it would discuss the strategic planning (that sales leaders do) and the tools and techniques of leadership. Finally, it covers various problems and challenges faced in sales leadership.

## 17.2 Objectives

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

- Describe leadership by covering relevant topics like leadership traits, styles and skills

- Elaborate on the strategic planning that needs to be done by sales leaders

- Explain the tools and techniques of sales leadership

- Discuss the problems and challenges faced by a sales leader

## 17.3 Understanding Leadership

Leadership can be defined as the process by which one person influences others to accomplish a mission, task, or objective. To be effective as a leader, a sales manager should possess certain soft skills or people-focused skills. These include the skills of delegation, communication, team-building, administrative, and inter-personal skills.

The display of leadership traits by individuals in organizations helps in the attainment of organizational objectives and leads to the growth and development of organizations. The various attributes that help develop leadership qualities in an individual include: beliefs, values, character, knowledge, skills, and most important of all, the ethics of the individual.

In the words of Robert Galvin, former chairman of Motorola Inc., the most important aspect of leadership is the ability to take people to places they would fear to go on their own. It cannot be taught but can only be modelled or emulated.

Successful organizations thrive on successful leaders. A weak leader heading an organization tends to demotivate others in the organization, causing most of them to leave. Thus, effective leadership is not optional but a pre-requisite for the success of an organization. Therefore, many organizations take measures to develop leadership potential within the organization. Let us understand the various characteristics of a sales leader.

### 17.3.1 Characteristics of an Effective Leader

How do leaders differ from managers? Leaders energize and motivate their team (the salespersons) to accomplish seemingly impossible goals. They have a mission and a purpose. Leaders are innovative and risk taking by nature.

They set things moving and make things happen. Leaders motivate followers to make maximum use of their potential and make them perform at their best.

Managers, in contrast, merely manage. They make sure the process or system works. A sales manager, for example, makes sure that the call reports come in on time. The difference between leading and managing is the difference between winning and losing in a highly competitive business environment. Organizations run the risk of losing precious market share by hiring managers who are ineffective as leaders.

There are several characteristics that make a sales manager an effective leader. These include, the personal characteristics or traits of the sales manager, his needs and motives, the bases of his power as well as his past experience.

**Personal Characteristics of Manager**

Some of the traits that are necessary to make a sales manager an effective leader, are: clarity, consistency, urgency, assertiveness, ego drive, ego strength, risk taking ability, innovativeness, empathy, and an eye for talent.

---

**Example: Uassit.ME's Leader Characteristics**

According to a Forbes article (2021), as a team leader, Alfredo Atanacio, co-founder of the American firm Uassit.ME, ensures that he passionately and clearly conveys his vision to his team members so that they understand how their efforts will contribute to the achievement of the objectives.

The above information showed the characteristic of clarity in communication.

---

*Source: Alfredo Atanacio (2021). Top Skills of Effective leader. Forbes. Retrieved from*
*https://www.forbes.com/sites/theyec/2021/08/13/top-skills-of-an-effective-*
*leader/?sh=3d70032327d9  (accessed on June 14, 2022) (accessed on June 27, 2022)*

### 17.3.2  Needs and Motives

The needs and motives of a sales manager influence the development of leadership qualities in him. For example, a sales manager who has esteem needs strives to attain power and recognition by displaying leadership qualities. On the other hand, a sales manager whose needs are confined to physiological, safety and social needs fails to display leadership traits since he is yet to satisfy his basic needs. Moreover, not all managers make good leaders. This is probably because not all individuals have the same needs.

### 17.3.3  Bases of Power

Sales managers can exert an influence on their subordinates by means of the power they wield over them. They can have five types of power -- expert, referent, legitimate, reward, and coercive power.

---

**Activity 17.1**

Leaders energize and motivate their team members to achieve difficult goals. To enable such results, they usually have certain personal characteristics. Discuss the personality traits of effective leaders with a suitable example.

**Answer**:

---

**Check Your Progress - 1**

1. Which of the following statements about leadership is not true?
    a. Persons with good leadership skills can influence others to accomplish a mission.
    b. Leaders can always take their followers down a path of glory.
    c. Leaders can take people to places where they would fear to go on their own.
    d. A weak leader may de-motivate colleagues resulting in high attrition rate.
    e. Leaders can energize and motivate team members.

2. Which of the following is not an appropriate action of a sales leader?
    a. Leaders help their followers understand the current situation and help them identify gaps.
    b. Instruct salesmen to sell to all persons whether or not they belong to target group.
    c. Leaders present a vision of an improved situation for the future and convince their followers to believe that there is a path that will take them and the organization there.
    d. Leaders ensure that the followers have sufficient motivation to traverse the path to the desired future situation.
    e. Leaders provide salesforce with the right environment to perform to their fullest potential.

3. Identify the one option which has more of a managerial role and less of a leadership role.
    a. Energizes and motivates the team.
    b. Has mission and a purpose.
    c. Makes sure that the process or system works.
    d. Is innovative in providing solutions.
    e. Takes risks to make larger gains.

4. A sales manager uses expert power to exert influence on the sales team. Which of the following relates closely with this above statement?

   a. Sales manager influencing a salesperson due to feelings of shared identity.

   b. Sales manager influencing a salesperson by virtue of position in the organization.

   c. Sales manager influencing a salesperson due to knowledge, information or skills in a particular area.

   d. Sales manager influencing a salesperson due to authority that flows from the position he holds.

   e. Sales manager influences a salesperson by conferring rewards.

5. If a salesperson is trying to emulate the success of his/her sales manager, then which of the following power attributes (of a sales manager) would the salesperson cultivate?

   a. Referent power.

   b. Coercive power.

   c. Reward power.

   d. Expert power.

   e. Legitimate power.

## 17.4 Leadership Styles of Sales Managers

Most studies of leadership styles in sales management assume that all sales managers adopt the same style towards all subordinates and that every style brings out a characteristic response in the salesperson.

The leadership styles of sales managers can be studied from a traditional as well as a modern perspective.

---

**Example: Dakota Investments Sales Managers' Leadership Style**

According to a Forbes article (2020), the sales managers at Dakota Investments (a US based company) think there are several methods to operate and complete a task. They focus on conducting business in a way that they believe to be ethical. As a leadership group, they developed a sales pitch that outlines how to sell investment strategies to a professional investor. The sales process was described in great depth in order for everyone on their team to understand how it operates and how to follow it.

The above information showed the autocratic leadership style of sales managers of Dakota Investments.

---

*Source: Gui Costin (2020). The Key to a Performing Sales Team is Its Leadership. Forbes. Retrieved from*

*https://www.forbes.com/sites/forbesbooksauthors/2020/01/08/the-key-to-a-performing-sales-team-is-its-leadership/?sh=386a898e5aab (accessed on June 27, 2022)*

---

**Activity 17.2**

A2Z Ltd., a major player in the ice-cream segment, is planning to launch health drinks in Bangalore. Harsha Vardhan Rane, the regional sales manager, has put a new sales team in place by recruiting a mix of experienced and new salespersons. Which leadership style would best suit Rane and why?

**Answer:**

---

**Check Your Progress - 2**

6. What plays a vital role in influencing the effectiveness, performance, motivation and job satisfaction of a sales force?

   a. Ego strength of salesperson.

   b. Expectations of the organization.

   c. Managerial style of the marketing manager.

   d. Leadership style of the sales manager.

   e. Motivation level of the sales manager.

7. Which of the following is not a function to be performed by a sales manager?

   a. Ensuring that salespersons concentrate on the sales targets achieved by the entire team than on the individual effort.

   b. Sales force empowerment.

   c. Sales force re-engineering.

   d. Maintenance of customer relations.

   e. Promote individual performance.

8. Identify the particular personal characteristic of a sales manager, which helps him/her to be able to visualize and sense the feelings of others.

   a. Eye for talent.

   b. Ego drive.

   c. Assertiveness.

   d. Empathy.

   e. Risk taking.

9. Which of the following styles refers to the way a sales manager uses his/her position to display authority and enforce discipline and control over subordinates?

    a. Bureaucratic style.

    b. Consultative style.

    c. Democratic style.

    d. Autocratic style.

    e. Laissez faire.

10. Identify the option that is applicable to transformational leadership.

    a. Viewing interaction between sales managers and salespersons as an exchange process.

    b. Use of contingent rewards to lead the sales force.

    c. Application of the two dimensions of task and relationship behavior.

    d. Intellectual stimulation of the salesperson to think creatively.

    e. Use of authority to increase sales performance.

11. Select the correct statement from the following.

    a. Consultative style of leadership is also known as participative style of leadership.

    b. Autocratic style of leadership is usually suitable when salespersons are new.

    c. Democratic style of leadership is suitable when sales force is small.

    d. Bureaucratic style of leadership exists when the sales manager makes it mandatory to report in a particular manner.

    e. Transactional leadership is suitable for modern organizations.

12. Which model of leadership is defined on the basis of task behavior and relationship behavior?

    a. Modern leadership.

    b. Transactional leadership.

    c. Transformational leadership.

    d. Situational leadership.

    e. Laissez faire.

## 17.5    Leadership and Strategic Planning

Sales leadership can be defined as the ability to lead sales force for the achievement of the common goals of the organization. It also involves developing sales strategies, market segmentation and sales processes that complement and support the business strategy. Strategic planning refers to organizing, planning, implementing and controlling the sales activities and functions.

A majority of the sales managers get appointed to the managerial position because of their sales performance and their proven abilities in skillful selling. A sales leader's job, however, calls for other skills. A sales manager must learn to develop a holistic perspective and simultaneously learn to integrate his department's goals with that of the organization's goals and strategies. A true leader of a sales force must be a generalist who is able to comprehend the whole picture of the organization and set the agenda for his team. The following are the strategic functions of managers leading the sales force.

### 17.5.1 Carry out a Situation Analysis of the Sales and Marketing Scenario

It is important that as a leader, the sales manager develops an all-inclusive picture of the organization's sales and marketing landscape. An analysis of the market demand, level of competition and customers would give a complete picture. In this regard, the primary function of a leader is to estimate the market potential and the share of the market potential the organization expects to achieve through sales. A sales forecast is an estimate of the expected sales during a given time period in a particular marketing territory using a specific marketing plan. Enabling insights from the data, the leader must be able to scan for opportunities and threats. It is imperative that a leader has a clear picture of the issues and problems confronting the business.

---

**Example: Situation Analysis by Sales Leaders of Fast-Growing Companies**

McKinsey published findings of its research on 200 sales leaders. It mentioned that sales leaders of top performing companies consistently focus on the macro-environment for sales opportunities. These sales leaders are taking risks in advance to create the sales capacity long before the real sales. The sales leaders of 45% of fast-growing companies are investing over 6% of their sales budget on activities that support the goals.

The information showed how sales leaders of fast-growing companies carry out a situation analysis of the sales and marketing scenario.

---

*Source: Maria Valdivieso de Uster. The 7 Biggest Trends Upending Sales Today. Salesforce. Retrieved from*

*https://www.mckinsey.com/business-functions/growth-marketing-and-sales/our-insights/the-sales-secrets-of-high-growth-companies (accessed on June 27, 2022*

### 17.5.2 Setting Marketing Objectives and Target Outcomes

Integration is another key function of a leader. The sales objectives and outcomes need to be related and integrated with the marketing goals and the overall goals and objectives of the company.

### 17.5.3 Developing Sales Strategy and Tactics to Achieve the Selling Goals

Once the objectives and goals are set, the next step would involve the task of developing a strategy to achieve them. Leaders may have to take strategic decisions on whether to hire a sales force or outsource the entire selling job. The strategy to outsource may eliminate costs associated with hiring, training and monitoring of salesmen, giving an opportunity to focus and leverage on the established channels. An internal sales force provides better control over sales staff. Having a highly motivated sales team could be an asset to a company. Another strategic decision a leader needs to take would relate to whether highly experienced or fresh inexperienced persons need to be hired.

### 17.5.4 Develop and Formulate Customer Plans

Developing a successful sales strategy would entail understanding the key success factors. Based on the key success factors, a comprehensive, prioritized plan encompassing strategic elements needs to be prepared. The strategic plan must be translated into actionable tactical plans to win the right kind of businesses and achieve business targets. The strategic plans in addition to the products and services should consider the Unique Selling Proposition (USP) because it is the USP that differentiates the company's products from that of the competitors.

The leader of the sales force further must create a budget to decide how much money will be spent on personal selling and how that money will be allocated within the sales force.

Retaining customers is a key objective. Hence, the sales effort must be planned to deliver customer value proposition.

### 17.5.5 Initiate Control

The sales manager must initiate control measures to ensure that the sales and marketing effort proceed as per the plan. The leader needs to compare performance with targets fixed for individuals in terms of parameters like sales volume, expenses, customer satisfaction and cash flow and so on.

A sales manager, as a leader needs to be focused on profitability. Apart from sales figures, he must analyze expenses and initiate cost cutting initiatives.

It is a part of their work to evolve standardized processes that define how to approach and engage customers. Defining processes in great detail would leave no room for discretion and decision making. Here, the sales manager has to strike a balance.

Highly effective leaders allocate time to coach their subordinates. Mentoring and coaching subordinates increase team performance and also improves the morale of the salesmen. To be effective as a leader, a sales manager should provide timely feedback, motivate and reward top performers, minimize conflicts and reduce the stress level of the team.

## 17.6    Tools and Techniques of Leadership

Sales managers are better placed to encourage and empower sales personnel to scale greater heights in performance. Leadership techniques like coaching, mentoring and motivation can help salesmen perform well.

The following are basic aids, database support and tools that could enhance the efficiency of sales team. A sales manager can empower his sales force by providing the necessary support and tools to them.

- Standard documents such as call sheets, standard contracts and proposal form are a part of the document set that needs to be maintained.

- By providing effective customer service support, performance of sales force can be enhanced. In this regard, the roles of customer service and sales force personnel needs are to be clearly demarcated.

- Salesmen should be provided with all the promotional material like brochures, price lists, pamphlets etc.

- The most efficient sales person must be given new client accounts that bring revenue to the firm.

- Sales persons should also be provided with other supporting documents (especially in the case of industrial products and consumer durables) and also answers to FAQs (Frequently Asked Questions) to help them deal with queries posed by customers.

- Salespersons should be empowered with gadgets and equipment like mobile phones, laptops if necessary.

- Salesmen must have access to a good database. Seamless flow of information on customers and access to the same through mobile phones can enhance the performance of sales team.

A manager's primary role is to motivate, empower and enable the performance of his team. A manager's role as a coach assumes importance in this context. Just as the saying goes, "Great players don't make great coaches". Similarly, persons who are high performers as salesmen do not make great leaders of sales force. This assumes importance when top performing salesmen are promoted as sales managers.

It is important that the organization develops a coaching culture. The effectiveness of training in an organization is also dependent on how the knowledge and skills gained through training is imparted and reinforced through coaching.

---

**Example: Unbounce's Drift Application**

According to a Forbes article (2022), Unbounce's (a Canadian based software company) sales support teams use a cloud-based automated sales process application, to engage with new clients using an AI-powered chatbot. The application supports in segmenting clients, presenting tailored offers and ideas to website visitors in order to supply the organisation with more data and insight of issue areas. This data finds trends to help the firm's sales personnel close deals and develop new strategies.

The above information showed how Unbounce provides necessary support and tools to help its salespeople.

---

*Source: Forbes Panel (2022). 11 Key AI Areas Relevant to Today's Sales Leaders. Forbes. Retrieved from*

*https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2022/04/29/11-key-ai-areas-relevant-to-todays-sales-leaders/?sh=d47de57f8289 (accessed on June 27, 2022)*

## 17.7   Problems and Challenges Faced in Sales Leadership

Sales leaders would have faced a number of problems while in their job of motivating and driving team performance. Spotting the challenges and the possible solutions to overcome them is the key to success.

The following problems are the recurring problems most commonly faced by a majority of sales leaders.

- **Unreachable Goals:**

  Wrong sales forecasts could lead to mistakes in goal setting. Goals that are too ambitious can be frustrating to the sales team and to the sales leader. Setting objectives and goals that are reasonable to achieve could be a solution to this problem.

- **Insufficient Pipeline:**

  Not having enough prospects in the pipeline steals the hope of achieving goals and objectives. It could just be that the leads emanating from CRM systems are not being followed up.

- **Difficult Markets:**

  Markets are tough and clients have become more demanding than ever before. In this context, sales managers must try and understand the value proposition that they are offering to the customer.

- **Unresponsive and Difficult Customers:**

  Customers are not easy to please and are often indifferent and difficult to deal with. Here, again the sales leader must ask himself whether the profile of the target customer has been accurately defined.

- **Lengthy Sales Cycle:**

  The challenge of a lengthy and dragging sales cycle can be very frustrating to a sales manager. There are prospects who look promising and they are being engaged as well. However, closing of the deal appears to be elusive. When prospects in the pipeline dropout, it can be even more frustrating. A sales leader should review the core competencies and skills of the salesforce and be more forthcoming to lead from the front to clinch a deal. Exhibit 17.2 explains that all bands of salespersons have the potential to contribute to revenue. Hence, a sales manager needs to nurture and pay attention to all salesmen, irrespective of whether he is a top performer or underperformer.

- **Ineffective Sales Team:**

  Poor performance could be due to lack of skills in the sales personnel. This calls for changes in recruitment policy or imparting of training to the salesmen. A change in the incentive and compensation policy could also lead to better performance.

Exhibit 17.2 discusses the various ways of dealing with a salesman who is categorized as a poor performer.

---

**Exhibit 17.2: Invest in Underperformers, Improve Performance Across the Board**

A sales executive posed a query to Dan Whitfield, an official member of Forbes Sales Council, as to where she could maximize return on investment: Top, middle or underperforming salesmen. Dan Whitfield's reply was that rather than eliminating one tier, investment and efforts need to be devoted to all the three groups.

Bottom Tier: Most leaders may want to retain the best talent and fire under-performers. This approach is often not advisable because first of all, the cost of hiring is too high. Also firing employees for lack of performance could lead to low employee morale, and increase insecurity amongst employees.

It may be a mistake to write off underperformers as failures. The key is to put in efforts to nurture them and try and get them engaged in work. The first step is to speak to them and find out whether they are unhappy, and if so, study the reasons for the same. Such frank discussions might uncover genuine problems related to the work environment or other personal problems. Other reasons for poor performance could be skill related. Perhaps the person may need training. Re-assessing the potential of the employee and setting new goals or announcing new incentives could help.

*Contd….*

---

Middle Tier: The middle tier also is very important because it is not prudent to have more than 50% of salesforce mired in mediocrity. The key strategy here is to make small tweaks and move a part of this group to top tier. A leader needs to study every salesperson who falls in this group, identify what he does right. Further, by pointing out the gaps and offering suggestions for improvement, most of the middle tier salespersons could be moved to the top tier.

Top Tier: The expected response in the case of top tier salesforce is that these are employees who perform the best. Hence, they must be left alone. However, by investing on the best strategic resources, a company would be able to retain these resources and keep their morale high. Also, by studying how these employees perform the best of sales practices could be understood and these practices could be promoted across the organization. The top tier may provide clues, ideas or lessons on how to improve the performance of the bottom tier.

To sum up, all bands of salesforce have potential to increase sales revenue. Hence, they (salesmen) need attention, effort, investment and nurturing. A leader, hence, cannot afford to leave a single salesperson behind.

*Source: Dan Whitfield, "Leave no Salesperson Behind: How to Increase Performance across the Board," Forbes, 10/03/2020 (accessed on June 3, 2022)*

It is important that sales managers identify and understand the problems faced in territories and individual accounts to help solve them to achieve sales goals. Sometimes, the targets set may be too high and may require revision. Managers must also personally monitor weak links. They can use tracking systems to understand the sales people's difficulties and also to monitor their performance.

**Example: Challenges Faced by Sales Leaders**

Sales leaders face numerous challenges in managing sales team(s). Some of the key challenges are: to make them reach their targets and quotas – 43% of sales people do not reach their sales target or quota, to deal with their mental health while maintaining good performance - two in five sales persons face stress and burnout, etc.

The above information represents some of the challenges of sales leaders.

*Sources: Forbes Panel (2020). 13 Challenges Facing Business Development Leaders Today.*

*Forbes. Retrieved from*

*https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2020/03/23/13-challenges-facing-business-development-leaders-today/?sh=17d5389a6650*

*Allie Decker (2021) Seven Sales Leaders on the Challenges They Overcame in 2020 & Their 2021 Predictions. Hubspot. Retrieved from*

*https://blog.hubspot.com/sales/sales-leadership-challenges (accessed on June 27, 2022)*

**Activity 17.3**

Stephen Jones has recently been promoted as head of sales and marketing of a major mineral water group. What kinds of skills does he need to develop to perform his duties effectively and demonstrate himself as a good leader?

**Answer:**

## 17.8   Summary

- Leadership is a process wherein one person influences others to accomplish a mission, task, or an objective.

- A weak leader heading an organization tends to demotivate others in the organization. Effective leaders, on the other hand, enhance the morale of their subordinates and followers, and lead the organization towards success and growth. Thus, effective leadership is a pre-requisite for success of an organization.

- There are several characteristics that make a sales manager an effective leader of his sales team. These include: the personal characteristics or traits of the sales manager, his needs and motives, the bases of his power as well as his past experience.

- Past experience of the sales manager is also one of the characteristics that influence his leadership behavior and individualized consideration.

- To be effective as a leader, a sales manager should possess certain soft skills or people-focused skills. These include the skills of delegation, communication, team-building, administrative, and inter-personal skills.

## 17.9   Glossary

**Autocrat:** An autocrat is a person who has unlimited authority.

**Bureaucracy:** Bureaucracy is the policies, procedures, protocols, and set of rules and regulations in place to manage activity in an organization or government.

**CRM:** (Customer Relationship Management) is principally a system that focuses on collection of information about existing customers to facilitate customer retention and acquisition of new customers.

**Delegation:** Delegation refers to assigning the authority and responsibility to another person to carry out specific activities.

## 17.10    Self-Assessment Test

1.  The display of leadership traits by individuals in organizations helps in the attainment of organizational objectives and leads to the growth and development of the organizations. In this context, explain the characteristics of an efficient leader.

2.  Most studies of leadership styles in sales management assume that all sales managers adopt the same style towards all subordinates. That is every style brings out a characteristic response in the salesperson. What are the different leadership styles? Evaluate them in detail.

3.  What are the skills that a sales manager should possess to be effective as a leader?

## 17.11    Suggested Readings/Reference Materials

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

2.  Nag A (2017). "Sales and Distribution Management," McGraw Hill Education.

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

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

5.  Richard R. Still (2017). Sales and Distribution Management, Sixth Edition, Pearson Education.

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

7.  Gupta S L (2018). "Sales and Distribution Management – Text and Cases an Indian Perspective," Laxmi Publications Pvt. Ltd.

## 17.12    Answers to Check Your Progress Questions

1.  **(b)    Leaders can always take their followers down a path of glory**

    Options (a), (c), and (d) are true regarding leadership, while option (b) is false. Leaders can take their followers down a path of glory or of doom.

2.  **(b)    Instruct salesmen to sell to all persons whether or not they belong to target group**

    Leaders play a significant role in an organization. They help their followers understand the current situation and skillfully create a feeling of healthy dissatisfaction in them regarding this situation. They then

present a vision of an improved situation for the future and convince their followers to believe that there is a path that will take them and the organization there. They also ensure that the followers have sufficient motivation to traverse the path to the desired future situation by providing them with the right environment to do so. The inappropriate action here is stated in option 'b'. Salesmen must be instructed to approach qualified leads of the target group. Gone are the days when salesmen follow the dictum that you can sell ice to an Eskimo.

3. **(c)  Makes sure that the process or system works**

   A leader energizes and motivates the team, has mission and a purpose, and is innovative and takes risks. Managers, in contrast, merely manage. They ensure that the process or system works effectively. So, option 'c' states the role of a manager.

4. **(c)  Sales manager influencing a salesperson due to knowledge, information or skills in a particular area**

   Sales manager's knowledge, information and skills influence the salesperson to respect him as a leader and follow his instructions.

5. **(a)  Referent power**

   In a sales manager-salesperson relationship, a sales manager may have referent power over the salespersons in his/her team because of his/her super salesman image. The salespersons may want to emulate his success. Thus, yield to his/her referent power.

6. **(d)  Leadership style of the sales manager**

   Leadership style of the sales manager plays a vital role in influencing the effectiveness, performance, motivation and job satisfaction of a sales force.

7. **(a)  Ensuring that salespersons concentrate on the sales targets achieved by the entire team than on the individual effort**

   The functions to be performed by a sales manager include: sales force empowerment, sales force re-engineering, and maintenance of customer relations. At times, organizations may set team-based targets, and again divide these targets among the team members. During that time, few salespersons rely on those members who sell well. They believe that these salespersons will be able to successfully achieve the targets set for the team. They might not concentrate on achieving their individual sales targets for this reason. Therefore, the sales manager should make the salespersons concentrate on achieving individual sales targets than on the team targets.

8. **(d) Empathy**

   Empathy is the ability to sense the feelings of others.

9. **(d) Autocratic style**

   An autocratic sales manager uses his position in the organization to show his authority and enforce discipline and control over his subordinates.

10. **(d) Intellectual stimulation of the salesperson to think creatively**

    A transformational leader tries to intellectually stimulate his followers by encouraging them to think creatively.

11. **(c) Democratic style of leadership is suitable when sales force is small**

    A democratic leadership style is suitable when the sales force is small and concentrated at one location, and when the sales manager has plenty of time at his disposal to take a decision.

12. **(d) Situational Leadership**

    The situational leadership model describes the leadership style along two dimensions – task behavior and relationship behavior.

# Unit 18

# Evaluating Sales Force Performance

## Structure

*"If you can't measure it, you can't change it."*

- Peter F. Drucker

## 18.1    Introduction

Drucker is emphasizing on the importance of evaluating, measuring the efficiency, productivity, effectiveness, etc. of sales force in managing performance.

In the previous unit, topics such as the nature of leadership and characteristics of an effective leader, the leadership styles and leadership skills required to effectively lead the sales force were discussed. The present unit is about how to evaluate sales force performance.

Sales managers oversee activities like setting sales and profit targets, formulating sales related marketing policies, designing personal selling strategies, and integrating the sales organization with the company's other functions. In short, they design and develop the sales organization and oversee the implementation

of the sales program to get the desired results. However, in discharging these responsibilities, sales managers tend to spend a lot of time in trying to achieve the planned results and end up overlooking a significant function in the sales management process – that of measuring and evaluating the effectiveness of the sales force performance. Organizations have limited resources, and it is the sales manager's responsibility to utilize them in such a way so as to achieve a fair balance between costs and profits in order to reach the overall organizational goals. The sales force is one such resource that must be utilized effectively.

In this unit, we will discuss the concept of sales force performance and the factors that influence the performance. We will also discuss the purpose of, and sources, processes and methods used in the evaluation of the performance of sales personnel in an organization. Both sales force performance and evaluation are generally undertaken as a part of the sales audit, which in turn, is a component of the marketing audit process.

## 18.2 Objectives

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

- List the determinants of sales force performance

- Discuss the performance evaluation process

- Name the information sources for evaluation

- Analyze the criteria for the evaluation of sales force performance

- Explain different methods of sales force evaluation

## 18.3 Sales Force Performance

Faced with the changing global environment, varying customer needs, and increasing competition, organizations are seeking new ways to improve their performance. Since sales force performance has a direct bearing on the overall performance of organizations, organizations are relying more and more on the sales force to maintain their performance levels. No other factor has a greater impact on the bottom-line of organizations than the effective performance of their sales force. Clarifying the link between sales force behavior and the sales objectives has led to performance improvements in many organizations. Not surprisingly then, organizations are seeking ways to improve sales force performance. New methods of sales force training, human resource policies, and a greater awareness of the elements that influence their working environment have led to significant improvement and a better understanding of the concept of sales force performance. It is essential that sales managers be aware of the factors that influence the performance of the sales personnel. This awareness will have a great influence on the approach and process that they will adopt in evaluating the sales force.

---

**Example: Entold Pharmaceuticals' Sales Force Performance Evaluation Criteria**

Prior to Covid-19, Entold Pharmaceuticals, an India-based company was evaluating its salesforce performance based on the sales accomplishments, and targets, in-line with their bonus or salary increase. However, the pandemic changed the operating and evaluating styles of many firms. Taking into account challenges like pressure, stress, lockdowns, and others that rose from the pandemic, Entold Pharmaceuticals was evaluating its sales force performance by considering how much effort each person was putting in to meet the sales targets and goals.

The above information showed how Entold Pharmaceuticals International is evaluating sales force performance.

---

*Source: Aquilur Rahman (2021), "Technology and humane approach together evaluate performance of employees". Economic Times. retrieved from*

*https://hr.economictimes.indiatimes.com/news/workplace-4-0/performance-management/technology-and-humane-approach-together-evaluate-performance-of-employees/82289753 (accessed on June 28, 2022)*

## 18.4 Determinants of Sales Force Performance

The changing dynamics of the market place, increasing competition, the slowing down of the industry or segment growth, and declining profits have increased the pressure on the sales force to perform effectively and achieve the set objectives. Many studies have attempted to identify the factors that influence sales force performance. Yet, no conclusive evidence has been gathered to determine the different specific factors, their inter-relationships, and their effect on sales force performance. Awareness about the factors that determine sales force performance can help the sales manager and sales personnel adapt better to present business conditions.

### 18.4.1 Internal Factors

These factors are dependent on the individual salesperson. Sales performance is directly linked to the make-up of individuals, and so differs from person to person. Some of the internal factors that influence the performance of sales personnel are personal motivation, level of skills acquired, and personality characteristics.

**Motivation:** This is the most important internal factor that influences a salesperson's performance. An individual may have the required aptitude, knowledge, and skill to perform. Yet he may perform poorly due to lack of motivation. Performance measurement and evaluation methods have a strong bearing on the motivation levels and sales force morale. If a salesperson's personal goals are in alignment with the organizational goals, the chances of the individual being highly motivated are very high.

**Skill level:** The skill level of sales personnel has an impact on their performance in the organization. An individual's skill level is his proficiency in a particular area. Sales personnel are required to have a good skill-set, which includes public speaking, ability to establish relationships with customers, and effective communication and interpersonal skills. The skills-set required by a salesperson depends on factors like the industry he operates in, the products he sells, and other selling activities that he has to perform. For example, the ability to gather and analyze customer information and suggest products that fulfill those needs at the earliest is an essential skill for a salesperson involved in selling technology-based products.

**Job satisfaction:** When an employee is satisfied at work, his performance tends to improve. Compensation is one of the important factors that determine job satisfaction for all employees, including the sales force. Organizations that have a well-established compensation system, which is linked to performance, have satisfied employees. Interest in the particular job activity and its alignment with their career objectives also influences the extent of job satisfaction of sales personnel.

**Role perception:** The performance of the sales force is influenced by how the sales personnel perceive their role in the organization. The extent of their awareness about the activities and responsibilities of the job, the needs of customers, the types of products the company offers, and how it meets customers' requirements help to provide salespersons with a clear perception of their roles.

**Personal factors:** Personal factors include, all internal individual aspects related to sales force performance except those that come under aptitude, skill level, role perception and motivation. Thus, personal factors include those like age, sex, weight, height, appearance, marital status, education, and number of dependents. Studies conducted over the years have been unable to identify a direct relationship between sales force performance and some of these personal factors. But some definitive conclusions have been made concerning the influence of age and education on performance. Studies have shown that, at the beginning of their career, sales personnel prefer to sell high margin products and that, with age and experience, they tend to shift towards selling lower margin products in order to achieve sales targets. Sales performance also increases with age and experience, and usually tapers off after the salesperson has worked for more than 18 years.

**Ego drive:** Sales personnel who take the closing of each sale as a personal challenge and experience a sense of victory when they make a sale, have a high ego drive. They usually perform better than sales personnel with a lower ego drive. For those with a high ego drive, achieving sales targets becomes a personal affair in terms of self-worth or reputation and this pushes them towards improving their sales performance.

**Empathy:** The salesperson must be able to understand the way the buyer feels. Simply stated, empathy means stepping into the customer's shoes. A salesperson

who is more empathetic, has a better chance of identifying a customer's needs and developing a cordial long-term relationship with him. An aggressive salesperson, on the other hand, may be so pre-occupied with selling the product that he may be blind to the customer's needs. So, sales personnel with better empathy show better sales performance.

---

**Example: Sales Readiness Group's CEO's Point of View on Empathy, as an Internal Factor of Performance**

Ray Makela, CEO of Sales Readiness Group (SRG), a US-based sales training company, said that SRG was working with various sales teams across various geographies and industries to improve their performance. He said after working with thousands of sales professionals, the SRG team found that there is a huge role of quality of empathy in sales professionals for a successful sales conversation. It is the salesperson's ability to identify a customer's needs and develop a lasting relationship with him, which purely depends on how sympathetic he is.

The above information showed one of the internal factors i.e. empathy, on which the performance of salesperson was based.

---

*Source: Ray Makela (2021), "Is Empathy The Most Important Selling Skill?" Forbes. Retrieved from*
*https://www.forbes.com/sites/forbesbusinessdevelopmentcouncil/2021/06/16/is-empathy-the-most-important-selling-skill/?sh=638632fb1505 (accessed on June 28, 2022)*

### 18.4.2 External Factors

The external factors that influence sales force performance can be divided into environmental and organizational variables. The different functions in sales management also exert a strong influence on the performance of the sales personnel.

**Environmental factors:** The external environment factors like the terrain of the territory, economic and demographic factors can have a profound influence on sales force performance. It can influence their output, sales volumes, number of sales orders, number of calls made per day, and the expenses incurred during selling activities.

**Organizational factors:** The internal environment of the organization and its culture also influence sales force performance. Organizations that streamline communication and workflow processes to facilitate interaction between sales personnel, can improve sales force performance. Even the compensation system that a particular organization uses can influence the performance of the sales personnel and the sales manager. It has been observed that most employees usually underestimate their superior's pay and overestimate the pay of colleagues and subordinates. This attitude can have a negative impact on sales performance. Lack of awareness of the payment system is another factor that can have a negative impact on the performance and job satisfaction of the sales personnel.

Compensation plans must be transparent, so that sales personnel are aware of any changes made. The sales personnel should also be made aware of the compensation of superiors, colleagues, and subordinates. Internal organizational factors are easily measurable and can explain the variations in sales force performance better than personal factors.

**Sales management functions:** These include aspects like sales force planning, forecasting, territory management, compensation, and control. The organizational structure, job descriptions, and sales force structure also play a crucial role in influencing the performance of the sales force.

Sales managers must keep in mind that no single factor or combination of factors can clearly help in predicting the performance of sales personnel. Most factors, except aptitude and personal traits, can be substantially modified through training and effective company procedures and policies. Therefore, this gives credibility to the concept that a good salesperson is made, rather than born with the gift of selling.

Sales managers in most organizations determine the factors that affect sales force performances in their organization, depending on the job profiles of the sales personnel and their personal experience. So, there is no common set of factors that can be considered as having an equal influence over the performance of the sales force across different industries.

---

**Activity 18.1**

Mira Sahai is a 30-year-old sales executive with the Himalaya Group, selling baby products. What are the determinants that will influence her performance? Explain with reference to both internal and external factors.

**Answer:**

---

**Check Your Progress - 1**

1. Which of the following is not an internal factor that influences sales force performance?

    a. Job description.

    b. Job satisfaction.

    c. Skill level.

    d. Role perception.

    e. Motivation.

2. Name the external factor that influences the performance of a sales force.

    a. Empathy factor.

    b. Sales force compensation factor.

    c. Motivation factor.

    d. Ego drive factor.

    e. Personal Factor.

## 18.5 Performance Evaluation

Performance evaluation is an important process for supervisors and employees. It is a tool that can enhance the way in which an organization is managed. It allows employees to be recognized for good performance, and provides recommendations for further improvement. When done properly, it strengthens the relationship between the sales manager and sales personnel, increases the flow of communication between the sales force and management, highlights present expectations from the management, and appraises past performance. Increasing competition, costs of selling, and greater dependence on the sales force for maintaining profitability, have led to performance evaluation becoming a critical function for the sales manager. Simply stated, evaluation involves comparing the objectives given to the sales force with the actual results achieved at the end of a particular time-period. The method of evaluation varies from company to company. An effective performance evaluation helps in achieving the desired sales objectives and in controlling the excess costs incurred by inefficient selling practices.

Another important use of performance evaluation is to provide feedback to sales personnel and sales managers about any inherent weaknesses in the selling approach and process. If the performance evaluation system is not properly designed, it cannot correctly convey to the sales personnel what the management expects from them in terms of desired behavior and activities. This may also affect the morale of the sales force and give rise to role conflicts that may eventually lead to sales force attrition. But over the years, sales force evaluation has become more complicated due to the increasing emphasis on non-core activities such as relationship-building and customer satisfaction, which cannot easily be identified or measured using the existing evaluation methods.

The evaluation process involves several steps. The first step is to determine the factors that affect the performance of the sales force in the organization. The next step is to select the criteria which will be used to evaluate the performance. Step three involves establishing performance standards against which the sales force performance can be compared. Step four involves monitoring actual performance while the last step is reviewing and providing feedback to the sales personnel.

### 18.5.1 Purpose and Reasons

The purpose of evaluation is to monitor the performance of the sales personnel and ensure that it is in alignment with corporate goals and objectives. Evaluation also helps a manager to measure the efficiency of sales force activities and keep track of the progress made by the sale force towards the fulfillment of objectives. The results of performance evaluation influence decisions relating to compensation, promotion, and transfer of sales personnel. Organizations use performance evaluation results to rate the performance of sales personnel and reward those who perform well. In order to make an accurate assessment of the performance of sales personnel, the sales manager must have a clear understanding of their duties and job descriptions. Without relevant information, it is difficult for him to accurately measure their performance.

Performance evaluation helps fulfill certain objectives. It acts as a tool to help appreciate good performance. It also helps discuss shortcomings openly and establish methods for overcoming each shortcoming. It helps review or update job descriptions, clarify job expectations, and set standards of performance. A performance evaluation process must continually guide the sales manager and the sales force and help enhance the superior-subordinate relationship. Some of the reasons for performance evaluation are described below.

**To be aware of company objectives:** Organizational objectives have a profound influence on the performance of sales personnel. The sales manager should be aware of these objectives and of their relationship with daily sales activities. This will help him direct the sales force.

Some organizational objectives that have an influence on sales force performance, are:

1. Increasing the focus on new products, where the organization provides the necessary support to sales personnel to increase the product's market penetration and improve market share.

2. Reducing the time spent on non-selling activities. Here, the sales personnel have to focus attention and resources on primary selling activities and cut down on time spent on report preparation and paperwork formalities.

3. Retaining the existing customer base. The sales force must lay greater emphasis on building long-term relationships with existing customers.

4. Providing training facilities so that sales personnel become more competent within a shorter time period.

5. Providing focus on value-added activities and formulating compensation plans that ensure retention of talented sales personnel.

All these objectives influence the emphasis that the sales personnel lay on the different selling activities.

**To improve motivation and skills:** Performance evaluation can help in motivating sales personnel, thereby leading to an improvement in productivity. A performance evaluation system (that is fair, directed towards organizational objectives that lays down clear performance-based criteria, and provides proper feedback in terms of quantitative and qualitative factors) helps in improving the motivation levels of sales personnel.

**To appraise past performance:** Performance evaluation helps the sales manager appraise a salesperson's past performance. By comparing his present performance with performance standards, he can identify the difference in performance levels. The progress made by the sales personnel in various selling activities can also be monitored. This helps the sales manager identify training needs and areas in which the salesperson needs to develop more.

**To develop a sales plan to increase future sales:** Performance evaluation helps the sales manager evaluate the different selling and non-selling activities that a salesperson undertakes. This knowledge helps him in developing sales plans that will improve the performance of the salesperson. The sales manager can draw up training and development programs that will address any weaknesses of his salespeople. This will help them increase their sales volumes.

---

**Example: LaSalle's Purpose of Performance Evaluations**

In 2020, HBR published a case study wherein it mentioned what purpose LaSalle had for performance evaluations. Sirmara Campbell, CHRO at LaSalle (a US-based HR company) said that the goal of employees performance reviews had not changed but the way of doing it undoubtedly changed as a result of the pandemic. According to her, the goal of performance evaluation was to provide employees the opportunity to improve, which promote and support in the expansion of the business.

The above information showed the purpose of performance evaluations at LaSalle.

---

*Source: Rebecca Knight (2020), "How to Do Performance Reviews — Remotely". HBR. Retrieved from*
*https://hbr.org/2020/06/how-to-do-performance-reviews-remotely (accessed on June 28, 2022)*

### 18.5.2  Who Should Evaluate?

The effectiveness and accuracy of the evaluation process depends on the evaluator as well. In most organizations, it is the immediate supervisor or sales manager who usually evaluates sales personnel. The immediate supervisor is the best person to evaluate the sales personnel. His proximity to them and his own previous experience of selling, makes him more empathetic to the issues involved in selling. The sales manager usually undertakes the complete evaluation process, including giving recommendations for promotion and salary hikes. Sometimes, the territory manager and the regional manager also evaluate the sales personnel.

### 18.5.3 When to Evaluate

The timing of the performance evaluation plays a crucial role in keeping sales plans on course. Performance evaluation periods vary from organization to organization. It may be on a weekly, monthly, quarterly, half-yearly, or annual basis. However, the routine monitoring of selling activities cannot be considered as a performance appraisal procedure; only systematic and formal procedures aimed at measuring the performance of the employees come under an evaluation plan. The frequency of evaluation depends on the type of sales plan developed. For example, the period of evaluation is longer for complex sales plans. The variation in evaluation time may also be due to economic costs and the feasibility of conducting an appraisal. The variations in the period given to sales personnel to respond and take corrective steps (based on the previous evaluation) also influence the timing of evaluation. Despite these conditions, performance evaluation has to be conducted as frequently as possible to identify and communicate variations in performance to sales personnel at the earliest.

Performance evaluation must be conducted in a systematic manner and the duration must be based on the job profile of the salesperson. The time-period for the evaluation must be communicated well in advance to enable the sales personnel to organize and plan their activities.

### Check Your Progress - 2

3. Identify the statement that does not correspond to the performance evaluation of salespersons.

   a. It helps recognize employees for good performance.

   b. It provides feedback to the sales personnel about weakness in the selling process.

   c. It helps in maintaining distance between the sales manager and the sales force.

   d. It controls the excess costs incurred by inefficient selling practices.

   e. It helps identify reasons for good or bad performance.

4. The evaluation of sales force performance is carried out in a particular sequence. Which of the following is the first step of the process from the following four options?

   a. Performance review and feedback.

   b. Compare sales force performance.

   c. Determine factors that influence sales force performance.

   d. Establish performance standards.

   e. Select the criteria for sales force evaluation.

5.  Organizational objectives influence sales force performance. In this context, which of the following is not classified as an organizational objective?

    a.  Increasing focus on new products.

    b.  Planning for a new facility.

    c.  Retaining existing customer base.

    d.  Providing focus on value-added activities.

    e.  Targeting new customers.

6.  One of the following is not a correct step in timing of the performance evaluation program. Identify it.

    a.  Performance evaluation program should be properly timed on weekly, monthly, quarterly, half-yearly or annual basis.

    b.  Performance evaluation program should be a systematic and formal procedure.

    c.  Duration of performance evaluation should be same for all job profiles of salespersons.

    d.  The frequency of evaluation depends on the type of sales plan developed.

    e.  Employees should know when to expect performance evaluation.

## 18.6 Information Sources for Evaluation

The collection and analysis of relevant information play an important role in helping the sales manager understand the factors that influence performance. These factors can be used to develop the criteria to be used for performance evaluation. The source of information influences the criteria that the manager selects to measure sales force performance. If the sales manager is aware of the strengths and weaknesses of different sources of information, it will lead to a better development of criteria for evaluation and improve the efficiency and accuracy of the entire process. Organizations must formally establish proper process for the collection of information so that performance evaluation can be done efficiently and accurately. The major sources of information that a sales manager can use are:

**Company's records:** These are the main sources of data by which sales managers evaluate the sales personnel. Company records are used mainly as a source of information for developing quantitative output criteria, which are used to compare sales force performance. Sales invoices, accounting records, and customer orders are a part of the company records. With the advent of information systems, it has become easier for organizations to collect, analyze, and dissipate relevant information to sales managers with minimal effort. They also save on time and costs. Company's records help analyze quantitative factors like sales volumes, sales order to call ratio, profitability, selling expenses, and so on.

**Reports from salespersons:** Sales personnel send data in the form of daily, weekly, monthly, activity, expense, and call reports. These reports act as a source of information for the sales manager. The disadvantage with this source is that the accuracy and validity of the information depends on how punctual and ethical the salesperson is.

**Customers**: Customers are a valuable source of information for sales managers. They help make up the inadequacy associated with the reports of salespersons. A manager can get to know the results or impact of the overall sales efforts by sourcing the required information from customers through customer surveys or informal discussions with them. Though customers are the ideal source of information for sales force evaluation, they may sometimes favor those sales personnel who provide additional benefits to them. However, the benefits offered may not be favorable to the organization.

**Manager's field visit:** The sales manager usually spends time in the field directly supervising the sales personnel. Field supervision not only helps him gain a first-hand understanding of the activities of the sales personnel and give the required training and coaching, but also provides him with valuable information on qualitative aspects like their communication skills, inter-personal skills, technical product knowledge, and personality traits (adaptability, empathy, sociability, etc.)

**Manager's personal insights:** The personal insights of a sales manager are largely restricted by personal work experience. Training and development programs and discussions with peers and superiors also act as a valuable source of information.

**Other sources:** Sales managers also make use of other external sources of information like distributors, informal and formal personal contacts, published and electronic sources, and evaluation criteria and sources used in other organizations for evaluation purposes.

The above sources of information influence the sales managers while determining the quantitative and qualitative criteria for sales force performance. It has been observed that sales managers rely more on certain sources of information while determining the criteria. Company's records, field sales reports of sales personnel, and feedback from customers are the primary sources of information used to determine quantitative criteria. Personal observations of the sales manager during field visits and interactions with salespersons and customer feedback are the key sources of information in determining quantitative criteria. Earlier, information gathered from peers and subordinates was rarely preferred, but that is changing now. Many organizations have started making use of the comments given by peers, personnel from other management functions, and subordinates for performance evaluation. This method of gathering information is done through the 360-degree feedback.

---

**Example: Volvo Car India Uses People Data, a Cloud-Based Platform, for Evaluation of Employees**

According to The Economic Times article (2021), employees were evaluated using People Data, a component of Volvo Cars India's HRIS (human resources information system). The software has all of the relevant personnel information. The software successfully enabled the company's management to focus on and accurately analyse employee performance.

The above information showed that Volvo Car India used people data software to gather the information for evaluation of employees.

---

*Source: Chitrali Ghatak (2021), "Here's how performance evaluation is being done in automotive and hospitality sector". Economic Times. Retrieved from*

*https://hr.economictimes.indiatimes.com/news/workplace-4-0/performance-management/heres-how-performance-evaluation-is-being-done-in-automotive-and-hospitality-sectors/82177367 (accessed on June 28, 2022)*

## 18.7 Criteria for Evaluation of Sales Force Performance

The performance of the sales personnel can be considered and evaluated in terms of behavior and outcome-based components. The behavior component includes evaluating all the activities, plans, and strategies carried out by the sales personnel while fulfilling their job responsibilities in terms of selling activities. Here, the focus is on what the sales personnel do and not on the results they achieve. It is also called the qualitative criteria for sales force evaluation. Sales planning, technical knowledge, adaptiveness, sales support, sales presentations, teamwork, territory management, and personal traits are all qualitative criteria for evaluation. The results obtained as a consequence of sales force efforts and skills come under the outcome-based or quantitative component of sales force evaluation. Sales volume, market share, customer retention, sales orders, gross profit from new customers and number of calls per day are some of the criteria that come under the quantitative component. Both these components have a significant influence on the performance of the sales personnel and form the basis on which the sales manager can evaluate them. Significant differences have been observed between the qualitative and quantitative components of highly effective and less effective sales organizations. The criteria for measuring sales force performance should be derived from and closely related to the job description of the sales personnel.

### 18.7.1 Qualitative

As mentioned earlier, qualitative measures include the personal competencies and skills of sales personnel.  It includes distinct aspects like planning skills, teamwork, aptitude and attitude, product knowledge, ethical behavior, time management, communication skills, report preparation, and technical skills. These qualitative measures are usually obtained after the evaluator/sales manager fills up a rating scale. Qualitative measures of performance are usually used as a support for quantitative measures, due to their subjective nature. Lack of a distinct

measurability may lead to ambiguity in understanding for the sales personnel and the possibility of personal bias during evaluation on the part of the sales manager. There is also a possibility of a conflict arising between the sales personnel and sales manager due to a difference of opinion about a factor like motivation or aptitude. In spite of these limitations, many organizations nowadays prefer to use qualitative factors while conducting sales force performance evaluation. Their preferences regarding the measures to be used keep changing over the years. The preference for planning skills, knowledge of company policies, and time management has reduced whereas the preference for communication skills, ethical behavior, and team orientation has increased in most organizations.

**Sales skills:** Sales skills are one of the most important factors that have an influence on sales force performance. Selling skills relate to the extent to which the salesperson has learned the tasks that are needed for a particular sales job. The sales skills of a salesperson can be divided into three sections -- technical skills, inter-personal skills and salesmanship skills. Technical skills involve skills to operate an engineering product, knowledge of the company, awareness of competitors' products and operations, and so on. Inter-personal skills include the ability to cope in a particular selling situation, to persuade customers, or to be empathetic. They also include verbal and non-verbal skills. Salesmanship skills include, the ability to identify and select prospects, the skill to make sales presentations, service prospects, and develop long-term relationships with customers.

The ability of a salesperson to adapt to a particular selling situation helps in improving his sales performance. The level and combination of skills required for a particular sales job can be decided based on the sales manager's personal experience and an analysis of the job description and profile. The skills required vary with the type of products sold, the region of operation, the strategy adopted as part of the sales plan, and so on.

**Territory management:** This factor can also be used as a criterion for performance evaluation. It carries more weight for geographically based sales personnel. The sales manager can consider several aspects in evaluating sales personnel using this criterion. It may include the number of prospects, total customer base being serviced, level of competition, the routing and scheduling plan of the salesperson, territory terrain, total time spent on making sales calls, and knowledge of key decision-makers in major accounts. The sales manager can consider all these factors under the criteria for territory management when evaluating the sales force performance.

**Personality traits:** The sales manager has to list the ideal traits that are needed for a particular type of sales job. Only after this is done, can the sales force be evaluated. Most of the personality traits are psychological in origin and it is difficult for a sales manager to evaluate the sales force by administering and evaluating psychological tests. However, personality traits for motivation,

competitiveness, role ambiguity, and conflict can be identified. For example, a salesperson's degree of instrumentality influences motivation levels. Instrumentality signifies the extent to which a person is individualistic in performing the selling activities. Sales personnel with a high level of instrumentality are more aggressive, independent, and have a greater tendency to complete the assigned tasks than those who have a low level of instrumentality. The sales manager must be able to identify the required level of instrumentality needed for a particular job in order to effectively evaluate the sales force. The level of competitiveness is another individual factor that describes the inherent desire of an individual to win over others. Adaptability, locus of control, ego drive etc., are some of the other important traits that influence sales force performance.

---

**Example: Cloud Analytics' Qualitative Analysis of its Best Salespersons**

In 2022, HBR published a case study of Cloud Analytics, a leading global B2B tech company, where the growing numbers in its sales team in Asia Pacific region, was effectively selling into existing accounts, but very less sales representatives were making headway with new clients. The company's regional general manager, Emily, assisted those sales reps who were not giving best in selling to new customers, by evaluating the sales skills and practices of the best sales reps who were selling to new customers.

The above information showed that the sales people were evaluated based on their sales skills.

---

*Source: Ian Gross and James Piacentino (2022), "Is Your Sales Strategy Worth Scaling?" HBR. Retrieved from*
*https://hbr.org/2022/04/is-your-sales-strategy-worth-scaling (accessed on June 28, 2022)*

### 18.7.2  Quantitative

Quantitative criteria, being objective in nature, are used most widely in measuring sales force performance. These measures of performance are easier to implement than qualitative criteria. And they can be standardized. Quantitative measures can be further segregated in terms of input and output measures. Input measures include aspects like the average number of sales calls made per day, ratio of sales cost to sales and the number of reports submitted by the salespersons. Output measures include aspects like sales volume, sales orders, and number of new accounts. Evaluating the salespersons' efforts in terms of the process of selling (input measures) will show what they did during selling. Evaluating the output measures will show how they achieved the results. A sales manager can also combine the input and output measures for sales force evaluation. He can determine the reasons for a particular output of salespersons by taking into account their input measures. Consumer goods marketers are more likely to use output measures like sales volumes and number of advertising displays in supermarkets and retail outlets than industrial marketers.

**Sales volume:** Sales volume is the most widely used measure in organizations to evaluate sales force performance. Sales volume is not restricted to just measuring the total sales of the sales personnel in terms of money. There are many other variations as well. This measure may include sales volume in rupees/dollars, sales volume by customer, sales volume per order, sales volume to previous year's sales, sales volume per product or product line, sales volume per call, sales volume by quota, or sales volume in units. Use of sales volume by quota and sales volume by units has reduced, and the use of output measures like sales volume per customer have gained predominance.

**Average calls per day:** This is another quantitative measure that can be used to evaluate sales force performance. The sales manager monitors this aspect through the daily reports sent by the sales personnel. However, this measure is not preferred nowadays because of the lack of both accuracy and the means of determining the credibility of the daily reports. Sales personnel may fake the total number of calls to get a good performance result.

**Sales orders:** Number of sales orders is also used as a measure for sales force performance. There are many variations in this measure too. Sales managers may use the sales order per call ratio (commonly termed batting average), net sales orders per repeat order, the average size of a sales order, or the number of sales orders gained or canceled to measure sales force performance.

**Ratio of selling costs to sales:** Sales managers use this measure to control the costs in terms of the selling expenses incurred for a particular sales volume. This measure has gained importance due to the emphasis by the top management on corporate profitability. Reducing selling costs can help in the achievement of this objective. The selling cost to sales ratio varies for sales personnel due to differences in territory potential, customer distribution, and territory size. The sales manager must establish different expense ratios for the sales personnel based on the prevalent factors. Otherwise, the possibility of inequity in performance evaluation is possible. Industrial organizations give more preference to this measure in sales force evaluation than consumer product companies.

**Gross profit obtained from new customers:** This measure is usually linked to the profit quotas set by sales managers. It helps in gauging profit as a percentage of sales. Gross profit is obtained by reducing the cost price of the products from the total sales volume obtained by a salesperson. This measure is useful when an organization launches a new product or enters new territories to increase the customer base.

The emphasis given to qualitative and quantitative factors by various organizations differs depending on their size, operating industry, etc. Sales managers must try to establish criteria that reflect the entire range of the salesperson's selling activities.

### 18.7.3   Setting and Achieving Targets to serve as Evaluation Criteria

One of the primary responsibilities of a sales manager is to set goals for the sales force and plan, budget and formulate programs to achieve the goals. The list of responsibilities of the sales manager towards achievement of goals remains incomplete without control and evaluation. Quotas and targets are set on sales units, expenses, profit margins, activities and customer satisfaction to serve as benchmarks for performance. Sales quotas are set for sales units such as regions, territories and individual sales men. Quotas and targets serve purposes with the characteristics as follows.

- Quotas are tactical in nature and are expected performance objectives. Efforts and resources flow to the areas where quotas are set and it gives a sense of direction to the sales force.

- Quotas are dynamic. They are revised periodically. Even when set for a time period, they can be revised when environmental conditions warrant such revisions.

- They serve as benchmarks. Actual performance is compared with quotas/targets and evaluated for the purpose of controlling activities.

- They serve as the basis for evaluation and compensation.

- Quotas may provide change of direction. Depending on the changes in the environment, an organization may choose to focus more on certain product lines as compared to certain other product lines.

- Quotas are motivational. When quotas are set and rewards are given for achievement of the same, it becomes a tool for motivation for sales force.

Organizations set quotas on sales volume, profit margin, expenses and activities.

**Sales Volume Quota**

All organizations have sales volume quotas for sales units like geographic regions, territories, product lines and individual salesmen. These quotas that are set for a specific period of time can be in terms of number of units sold or in terms of revenue expressed in monetary value. The total sales volume quota is set for a year which is then broken down for shorter time periods like month, week etc.

**Profit Quota**

While the sales force may generate sales, it is equally important that the sales generated must be profitable. In order to underline the importance of profitable sales, organizations set profit quotas for regions, territories, product lines and individual sales men.

**Expense Quotas**

In order to control expenses and cost of selling, companies fix expense quotas on sales units. A sales unit will receive an expense budget and the expenses have to be managed within the stipulated amount. Expenses can be related to sales volume or compensation plan.

**Activity Quotas**

Activities have the potential to generate sales. Hence, there are quotas for activities. Tele calls, call on clients, customer meets and dealer meets are the various activities that have the potential to generate sales.

**Customer Satisfaction**

Customer satisfaction is important because loyal customers bring referrals and generate word of mouth publicity for the company. Organizations develop a customer satisfaction index to measure this parameter.

Most organizations use a combination of the quotas described above, because all the parameters listed, based on which quotas are computed, have an impact on the profitability of the company.

### 18.7.4 Customer Relationship Management (CRM) Analysis

In sales management, CRM (Customer Relationship Management) is used as a tool to manage a company's interactions with customers and sales prospects. CRM organizes, automates and synchronizes various customer related activities and processes. The key applications of CRM in selling relate to the following areas.

- The sales force is evaluated based on volume they sell. CRM as a tool helps sales force by providing information about leads and prospects.

- CRM integrates the information relating to consumers from various sources including social media and makes it accessible at one point. Salesmen can access this information from their laptops or mobile phones, even while travelling.

- Sales force automation helps streamline all phases of the sales process. This saves time for the sales force.

- CRM provides 360° information about customers to salesmen. This information helps salesmen to be more effective in front of customers.

- CRM facilitates solution selling. This means that with the information available about an individual customer, the salesman is able to give a solution to his or her problems.

- CRM is customer focused and hence works to enhance the customer experience at all the touch points. Thus, when a salesman meets a customer who has favorable opinion about the company, his job of generating sales becomes easier.

- CRM improves the quality of customer experiences, reduces costs, improves the processes and increases the profits.

### 18.7.5 Customer Expectation/Experience Analysis

Measuring customer experience is a challenge. In many organizations, CRM tool is designed to track, measure and analyze customer experience. Customer

experiences have future implications. Consumers may decide whether or not they would like to continue to buy the company's products based on the experience. Only if the consumer's expectations are met and they are delighted with the experience, they would give word of mouth publicity or refer other acquaintances.

A customer experience measurement model must include parameters that measure customer experiences. However, a company might be interested to make use of this information to create memorable customer experiences in future. A company can get this information by using a more sophisticated CRM that maps and connects all touch points (moments of truth). Customer experience analysis needs to measure,

a. The quality of experience

b. From revenue perspective, it needs to measure the following: 1. Is the customer willing to pay a premium price for the product? 2. Are consumers willing to spend more (share of the wallet) on the company's products? 3. How long will they continue to patronize the company's products (Relationship duration)? 4. Will they refer other customers (referrals)?

### 18.7.6 Customer Service Satisfaction Analysis

Companies are also aware that it is more expensive to acquire a new customer than to retain an existing customer. Hence, companies cannot afford to lose customers. The customer is the king. It is important to know how satisfied they (customers) are. The most common way to measure customer satisfaction is through the survey method. Surveys have disadvantages such as limited sample size, respondent error and interviewer error. In addition, surveys will not give details like what is causing or which sales man or which process is causing dissatisfaction.

Companies use CRM tools that employ speech analytics to identify the calls that expressed sentiments of dissatisfaction. By building searches with words such as 'unhappy', 'complain', 'speak to the manager', 'frustrated', etc., calls that express dissatisfaction are identified. This leads to the next step where the dissatisfaction causing behavior (like transfer of call, putting on hold, etc.) is identified.

### 18.7.7 Overall Customers' Feedback

Companies use CRM analytics to analyze the huge volumes of unstructured data about consumers from different sources. Modern CRM systems can track data from multiple sources like customers, vendors, partners, market research (survey) and social media and synchronize them to provide feedback to employees and top management. Insights on consumer feedback help companies in the following ways.

- Consumer feedback can help companies to understand the shortcomings in the systems and processes, and accordingly, make changes.

- Companies can comprehend future scenarios and make modifications in business decisions and strategies.

- Companies can reduce customer defection.
- Companies can increase customer loyalty and profitability.
- CRM analytics makes data available at the point of decision making, and therefore, it can be a strategic tool to drive competitive advantage.

With the help of overall customer feedback, companies can reduce costs, avoid expenses and optimize business processes. Customer satisfaction feedback would also provide insights on ways to enhance customer experiences. The overall impact of this could be more loyal and satisfied customers who bring in more revenue to the company.

### Batting Average

The number of orders and the average size of the order is a key factor that is considered in evaluation of the performance of salesmen. In this context, batting average is an important parameter that reflects on a salesman's selling skills and efficiency level. Batting average is calculated by dividing the number of orders a salesman gets by the number of calls made. Batting average can also reflect the differences in the difficulties faced in selling between various industries or sales territories. However, a comparison of the batting average of two salesmen can indicate the efficiency level of the respective salesmen. Low batting averages can indicate lack of training and lack of experience.

### Routing Efficiency

Routing efficiency can be calculated by dividing the number of miles travelled by number of sales calls made. A salesman is expected to know the geographic territory allotted to him. Low routing efficiency can reflect poor planning and poor knowledge of routes and direction. These days salesmen have access to Google maps and other online resources. Hence, low routing efficiency could reflect only lack of planning.

---

### Check Your Progress - 3

7. Sales force performance can be evaluated based on quantitative or qualitative criteria. From the following options, select which is a not a quantitative criterion of evaluation.

    a. Technical skills.

    b. Sales volume.

    c. Average calls per day.

    d. Gross profit obtained from new customers.

    e. Number of orders got divided by the number of calls made.

8. Which of the following is not a qualitative criterion for evaluation of sales force performance?

   a. Level of instrumentality.

   b. Number of advertising displays in supermarkets.

   c. Locus of control.

   d. Awareness of competitors' product.

   e. Communication skills.

## 18.8    Establishing Performance Standards

After establishing the criteria based on which the sales force will be evaluated, the sales manager has to formulate standards with which the performance of the sales personnel can be compared. Comparison with performance standards enables the manager to know how the sales personnel are doing vis-à-vis their job description and expected activities. They act as a benchmark to evaluate sales force activities and also as a guide for sales personnel to plan their activities. Performance standards also help sales personnel know the level of performance they are expected to achieve, and how to achieve it. Performance standards that are specific and easily measurable help in easily determining whether established objectives are being achieved.

Establishing performance standards is one of the most difficult steps in the performance evaluation process. The performance standards can be prepared by the sales managers single handedly or in consultation with sales personnel who have a similar job profile. A standard list that is generally prepared for every job description may also be used. The most important issue in this regard is the number of standards that are to be used to measure sales force performance. Sales managers in most organizations frequently depend on sales quotas as the single-most important performance standard. But it must be remembered that the sales force performance is dependent on a number of internal and external factors, as discussed earlier. This dependency makes it necessary for sales managers to adopt multiple standards for performance measurement. The difficulty in this approach though, is the complexity in giving appropriate weights to each parameter to enable comparison. The selection of the standards is also influenced by the sources of information the sales manager uses. Another difficulty in using a common set of performance standards arises because of the variations in the sales territory potential, product portfolio, account sizes, competitive conditions, and types of customers. Companies that have a large sales force have to use a common set of performance standards because it is difficult to develop performance measures tailored to individual salespersons.

The sales manager must keep in mind the relationship between the input and output measures while setting performance standards. Combined standards like sales volume/expenses, gross margin/order, and orders/calls can improve the ability and accuracy of performance evaluation by reducing the discrepancy in comparing sales force results with standards.

Performance standards can be classified into four major areas. Organizations can use all the four types of performance standards or any combination of these.

They are: quantity standards, quality standards, time-based standards, and cost-based standards.

**Quantity standards:** These standards include, all aspects that can be measured directly without any complex calculations. They include the number of sales calls per day, the number of orders, the number of sales presentations, and number of lunches hosted for a customer. Quantity standards are the easiest to set and the most convenient to compare with the results of the sales force.

**Quality standards:** These standards are subjective in nature and are measured by interpretation. They include aspects like teamwork, adaptability, ethical behavior, ability to gather information, and so on. For example, a sales manager can measure the information gathering ability of a salesperson by comparing the number of his sales calls that yielded information for preparing a sales proposal to the number of sales calls that did not yield any information.

**Time-based standards:** All aspects involved in the selling activity that can be measured relative to the factor of time, can be considered under time-based standards. The time taken between identifying the customer need and preparing a sales proposal, the time between a customer inquiry and the sales call, the time between a customer's complaint and solving the problem, the time between getting the order and collecting the sales amount, etc., are some aspects that can be measured with the help of time-based standards.

**Cost-based standards:** All the selling activities that are linked to organizational expenses and profitability can be measured under cost-based standards. These include: the ratio of selling costs to sales, gross profit margin obtained from new customers, expenses incurred per order, and the number of gifts or entertainment expenses.

Most organizations prefer to use multiple measures or performance standards to evaluate sales force performance. The most widely used quantitative performance standards are: sales volume based on quota, sales volume in comparison to previous year's sales, and net profits. The global environment and competition have led to cost-based standards assuming importance in many organizations. This is because of the difficulty organizations have in maintaining profitability. Time-based standards are preferred in the service industry and by organizations that focus on customer satisfaction and customer relationship management.

---

**Example: Spoton Logistics Establishing Performance Standards**

According to The Economic Times article (2021), the yearly employee performance evaluations at Spoton (a Logistics company) were based on the KPIs (Key Performance Indicators) set at the beginning of the financial year, according to Jothi Menon, Director of HR, Spoton Logistics. These evaluations assessed the methods used to accomplish the KPIs. The incentives payments were linked to the KPIs while bonus payments were linked with the performance ratings.

The aforementioned data demonstrated that a company establishes performance criteria and bases its judgement of employee performance on those requirements.

---

*Source: Chitrali Ghatak (2021), "Technology is facilitating performance evaluation in the Logistics sector". ETHR World. Retrieved from*

*https://hr.economictimes.indiatimes.com/news/workplace-4-0/performance-management/technology-is-facilitating-performance-evaluation-in-the-logistics-sector/81985329 (accessed on June 28, 2022)*

## 18.9 Methods of Sales Force Evaluation

Several methods of performance evaluation have been developed based on research studies conducted over the years. However, no single method has been accepted as the most accurate for evaluating the sales force. Cotham and Cravens, in 1969, suggested using the standard deviation to minimize the variations caused by measuring sales performance using multiple measures. This method helped compare performances of sales personnel operating in different selling situations. In 1972, Cravens, Woodruff, and Stamper developed an evaluation model that helped predict the performance of sales personnel in a given territory and evaluate them on the basis of total sales volumes, in terms of the number of units sold. Jackson and Aldag propounded the Management by Objectives (MBO) method for evaluating the sales force in 1974. Cocanaugher and Ivancevich developed a Behaviorally Anchored Rating Scale (BARS) system of evaluation in 1978, for the sales force. In 1982, Behrman and Perrault developed a self-report performance scale as a method to evaluate the sales force.

Most methods of performance evaluation are based on either personality traits or are behavior-based and results-based. In the personality trait method, the observable aspects of salesperson behavior like adaptability, dependability, or sociability are used to measure performance. This method is not accurate since it considers only the personal characteristics and not the factors that influence sales force productivity. In the behavior-based method, the sales manager observes certain key work behaviors and measures them against the possible outcomes in terms of a seven-point scale. Sales force behavior is rated in degrees from least desirable to most desirable. Results-based methods of measuring sales force

performance have gained popularity due to the use of objectives that are easily measurable. Management by objectives is the most widely used performance evaluation method under the result-based method.

We will study some of the methods of evaluating the sales force in detail.

### 18.9.1 Essays

This is the simplest of all the methods of sales force evaluation. In this method, the sales manager describes the performance of the salesperson in a few paragraphs. He mentions details like individual potential, strengths, weaknesses, and other relevant matters in the essay. The basis for using this method is the assumption that a written or word-of-mouth statement is as reliable as any other formal evaluation method. Organizations make use of essay appraisal from former employers or colleagues while recruiting sales personnel. The problem with this method is that there is no standardized pattern for the essay. Different managers use different approaches to writing their evaluation and a different way of interpreting and rating the characteristics required for a particular job. Due to this difference, each essay may highlight only certain characteristics of a salesperson. This creates a difficulty in comparing the profiles during the evaluation process, especially during the time of promotion. In addition, there is a possibility of bias due to the absence of concrete factors of evaluation.

### 18.9.2 Rating Scales

In this method of performance evaluation, which is the most widely used, the sales manager identifies certain specific criteria for a particular type of job. The criteria may be based on personality traits, and behavioral factors, or they may be performance related. The sales personnel are evaluated based on the extent to which they exhibit the desired behavior or the extent to which they meet the desired performance criteria. The advantage of this method is that it helps identify areas where the salesperson has to improve or maintain the desired levels of performance. The disadvantage of this method is that the most recent behavior of the sales force is considered without looking at the salesperson's behavior for a period of time (say, on a quarterly or annual basis). Another disadvantage is the difficulty that arises in preparing behavioral charts that are reliable enough to measure the salesperson's performance. There is also the possibility of the evaluator not understanding what the performance criteria or ratings mean.

---

**Example: 3M's Three-Point Rating Scale**

According to The Economic Times article (2022), for employee evaluation, 3M shifted away from numerical indications on a five-point scale towards performance descriptions at three levels only. The three descriptors ensured that the procedure was fair, clear, and unambiguous.

*Contd….*

---

They are 'Exceptional Performance,' 'Effective Performance,' and 'Not Performing to Expectations.'

The above information showed that the 3M company had three-point rating scale for evaluation of employees' performance.

### 18.9.3 Forced Choice Method

Forced-choice rating is a method of rating that helps in comparing sales personnel by creating standards for measuring sales force performance. In this method, the sales manager is asked to go through groups of statements and select those that best explain the individual. Usually, within a group, both or all statements are either positive or negative. The rater is forced to choose what describes the salesperson best from a group of all positive or all negative statements. Each statement is given weights that the evaluator is not aware of. The form is evaluated by the personnel department and the salesperson with the maximum score is rated the highest. The advantage of this method is that it helps remove rater bias. The disadvantage is that it is not useful during the performance appraisal interview. It is not easy to prepare standard forms because of the variations in the job profiles of the sales personnel. Also the costs of preparation are very high.

Another method of performance evaluation is the Behavior Observation Scale (BOS), which overcomes most of the disadvantages associated with rating scales.

### 18.9.4 Ranking

This method of performance evaluation is useful when the sales personnel in the entire sales force working in different areas have to be compared. All the sales personnel are placed in order, beginning with the top performer. This is useful where essays, rating scales, or appraisal forms are not. Ranking is preferred when sales personnel from different operating areas have to be evaluated for promotion or for increase in compensation. In such conditions, a subjective approach rather than an objective one based on numbers is needed to evaluate sales force performance. Alternation ranking and paired comparison ranking are the most commonly used ranking methods.

In alternation ranking, the sales personnel are listed randomly on the left-hand side of the evaluation sheet. The names are selected based on the criteria chosen for ranking. For example, the sales manager chooses the best salesperson from the list (if the ranking is done to increase the compensation) and writes the name on the top-right hand corner. The name of the least valued salesperson is placed on the bottom right-hand corner. Now, the sales manager alternatively keeps

writing the names until the list is complete. The new list is the ranking profile of the sales personnel for increase in compensation. In paired comparison ranking, the list of sales personnel is written on the left-hand side of the appraisal sheet. Now, based on the criteria selected, each salesperson is compared with the rest in the list. For each comparison, a tally is given. The salesperson with the highest tally is ranked number one and the salesperson with the lowest is ranked last. Another method of ranking is the multiple ranking method where the list of sales personnel is ranked by more than a single individual and the average is taken. Alternation Ranking and Paired Comparison ranking are preferred when ranking sales personnel for salary increases.

The disadvantage of ranking is the difficulty in deciding the criteria based on which the sales personnel are to be ranked. Another disadvantage is the possibility of overemphasis on a particular criterion like behavior or personality traits to rank the sales personnel.

Rankings are widely used to evaluate the sales force. At GE, supervisors identify the top 20 percent and the bottom 10 percent of the sales force by ranking them. The top 20% are well rewarded while the bottom 10% are usually fired. However, rankings have created problems for organizations also. For instance, in Ford Corporation, some employees sued the company stating that the A, B, and C grade rankings given by the superiors discriminated against older employees and that the criteria for differentiating between B and C grades were not objective and lacked clarity. Microsoft also faced similar lawsuits from its employees.

### 18.9.5  New Methods of Evaluation

Organizations have been trying to develop new methods for evaluating sales force performance in order to overcome the limitations associated with the traditional methods. Some of the newer methods of sales force evaluation include, critical incident appraisal, management by objectives, work standards approach and assessment centers. The 360-degree performance evaluation is also one of the new methods of evaluation. Certain methods of evaluation use historical personnel and accounting data to advocate a long-run approach to evaluating the sales force, while other methods like multivariate analysis and multiple regression analysis make use of quantitative methods. Methods of evaluations are as follows:

- **Critical Incident Appraisal:** In a critical incident appraisal, the sales manager keeps note of the positive and negative behaviors of the sales personnel. During the time of performance evaluation, he discusses the actual behaviors with the salesperson instead of debating on the personal traits and their interpretations. The disadvantage of this method is that the sales manager has to maintain a record of the salesperson's behavior constantly, and this takes up a lot of time. The costs in spending so much time in monitoring the sales personnel are also not feasible.

- **Work-Standards Method:** This method is used primarily to improve the productivity of the sales personnel. The sales manager prepares a comprehensive list of all the activities and job duties that the salesperson must perform. The manager then monitors and evaluates the salesperson on the basis of this list. Since the activities may vary from salesperson to salesperson, it is difficult to compare and evaluate them on a common base.

- **Management by Objectives (MBO):** This method is different from the traditional methods because it is tied to results and not based on the personality or behavior traits of the sales force. MBO has been widely used by organizations due to its focus on end results. In this method, sales personnel are evaluated on the basis of how well they attain the given objectives. These objectives, which are specific and measurable, are generally prepared at the time of sales planning.

  The sales manager formulates them based on the corporate and strategic marketing plan after discussions with the sales personnel. The objectives are set with mutual consent for a fixed period of time. Usually, the objectives and acceptance are put in writing in the form of a statement. After the objectives are set, the salesperson chalks out strategies and plans to achieve each of them. The sales manager regularly monitors the implementation of the action plans and programs. Periodic review is done to study the progress made and to identify any deviations from the original plan. At the end of the stipulated time, the sales personnel are evaluated based on the extent to which the fixed objectives have been attained. Rewards are generally attached to fulfillment of the objectives. The above process is repeated once the sales force is evaluated and new objectives are set.

  The disadvantage of this method of evaluation is the lack of a logical framework to decide on the standard of objectives and the criteria to be used to measure them. This method also overlooks the factors that influence the achievement of the objectives. With increasing changes in customer tastes and demands, companies have begun to focus on factors other than selling, like customer satisfaction and relationship. To measure these aspects, it is necessary to get to know the means of achieving these objectives. This has led to MBO losing its importance in performance evaluation systems in many organizations.

> **Activity 18.2**
>
> Sona Koyo Steering Systems Limited (Sona Koyo) got the Deming Prize for quality from the Union of Japanese Scientists and Engineers. As part of its process improvement, Sona Koyo had implemented 'management by objectives'. Enumerate the process of implementing this method. Also, discuss the possible setbacks of this method.

| Answer: |
|---|
|  |
|  |
|  |

- **Behaviorally Anchored Rating Scale (BARS):** This is one of the recent approaches in performance evaluation. BARS is a combination of a critical incident method and a graphical rating scale which helps in increasing the accuracy of sales force evaluation by emphasizing objective measures rather than subjective ones. In this method, the most suitable behavior needed in carrying out a particular type of job is identified and anchored on a rating scale. The sales manager has to select a behavior that is most similar to the behavior profile on the rating scale.

  Developing BARS involves: a) putting together a list of the most appropriate behaviors needed to be successful in a particular job b) grouping similar behaviors into 5-10 behavioral sets or dimensions by those aware of the job, like sales managers. For example, all the behaviors contributing to customer satisfaction are grouped under a single behavior dimension c) giving the list of appropriate behaviors or critical incidents to experts who regroup them. Only those dimensions that are similar to the grouping made in the earlier step by sales managers are retained d) asking the expert group to scale the dimensions on the basis of their degree of influence on the success of the job e) preparing the final rating scale by selecting some of the most relevant behaviors under each dimension.

  The advantages of BARS are: it is very objective and accurate in measurement. BARS helps develop clear standards; it gives proper feedback to sales personnel about inconsistent behavior; it gives the feedback in clearer terms than traditional evaluation methods.

  The disadvantages are: its higher cost and the greater extent of time taken. Sometimes it is difficult for the sales manager to identify behaviors that are most similar to those given in the list of dimensions.

- **Family of Measures (FOM) as a method of sales force performance evaluation:** FOM is a new tool developed to track employee performance in an organization. It differs from the traditional evaluation methods, in that, it helps measure the progress made by a salesperson or group individually, and not by giving ratings. The method is useful to measure individual as well as group performance. FOM does not compare the results obtained with those for other members of the sales force; it compares the results with the previous results over a time period. The method is a continuous evaluation process and the results are not linked to the sales force pay. FOM is flexible in approach because it allows sales personnel to assign weights to each area based on the difficulty of work and the experience of the salesperson.

This method evaluates sales personnel on a monthly basis in five major areas. It gives the performance to-date for the month as well as for earlier periods. These areas are quality aspects, quantity aspects, timely service, actual time spent in selling activities, and customer satisfaction achieved. The quantity aspects include the number of transactions done. Quality aspects include: measuring performance based on communication, accuracy, and product knowledge. Customer satisfaction is measured through the results of a customer survey.

Family of Measures is used to develop the performance of the sales personnel on a continuous basis by identifying weak areas and improving on them with the help of special training and coaching given by sales managers. The company gives special recognition to those employees who have shown significant improvement in their performance.

A performance evaluation method must be able to facilitate rewarding the best performer appropriately, identifying the individuals eligible for promotion or those whose services have to be terminated, identifying the training needs and help needed in human resource planning, and providing appropriate feedback. The appraisal must be able to create a set of preferable dimensions for different job types so that new people can be easily hired whenever a need arises by comparing profiles with the fixed dimensions.

No single method of performance appraisal can act as an accurate base for sales force evaluation and fulfill the above requirements. Each method has its own advantages and disadvantages. So, sales managers have to use a combination of these methods to evaluate the sales force. For example, sales personnel engaged in missionary selling can be evaluated by using BOS and the Forced Choice Rating method. Irrespective of the costs, time, and incompleteness of the different methods of sales force performance, the activity is very important and cannot be ignored.

---

**Activity 18.3**

ICICI Prudential Life Insurance Company Limited (ICICI Prudential), follows a performance appraisal method that measures individual as well as group performance. These appraisals are designed to develop the skills and performance of the sales force. Which method of performance evaluation identifies closely with ICICI Prudential. What are its features?

**Answer**:

---

| |
|---|
| |
| |
| |

---

---

<u>**Check Your Progress - 3**</u>

9. BARS is one of the newer methods of evaluating sales force performance. Expand BARS.

   a. Behaviorally anchored rating scale.

   b. Balanced achievement rating scale.

   c. Behaviorally adapted rating scale.

   d. Balanced aptitude rating scale.

   e. Behaviorally advanced rating scale.

10. ABC Limited uses a performance evaluation method where it compares the individual performance with previous results instead of comparing it with other members of the sales team. Name the method.

    a. Critical incident appraisal.

    b. Family of measures (FOM).

    c. Management by objectives (MBO).

    d. Work-standards method.

    e. Management by exception.

11. Choose the correct statement associated with work-standards method used for evaluating sales force performance.

    a. Sales personnel are evaluated based on how well they attain their objectives.

    b. It is widely used because of its focus on end results.

    c. It is used primarily to improve the productivity of sales personnel.

    d. The sales manager notes down the positive attributes of sales personnel.

    e. The sales manager also notes down the negative attributes of sales personnel.

---

## 18.10 Monitoring and Reviewing of Sales Force Performance

The performance of sales personnel has to be monitored at regular intervals to ensure that they are not deviating from their assigned duties and responsibilities. Monitoring also helps sales managers keep track of the progress made by the sales force toward established objectives. The sales force performance can be monitored with the help of sales reports, invoices, order forms, accounting records, and direct interaction. Continuous monitoring helps the sales manager to easily make the necessary adjustments from time to time without undertaking a major reorganization of the organizational structure, processes, and policies. Input-based measures require considerable monitoring and directing than

output-based measures. Sales automation products and web-based technologies have made performance monitoring less cumbersome by making the relevant information available on time at significantly lower costs.

The final step in the performance evaluation process, after monitoring sales force performance, is to review the performance of the sales personnel by conducting an evaluation interview. This helps the sales manager communicate to the sales personnel the differences between their actual performance and the performance standards. A one-to-one review helps provide feedback and allows sales personnel to discuss aspects for improvement, clarify doubts, and help in the overall development of the individual. Most organizations conduct performance review once a year. This is not sufficient in the present competitive scenario where the review must be conducted at regular intervals without any bias towards any salesperson. At PepsiCo, the review process is linked to corporate strategy. The company makes use of a time-table to integrate the corporate strategy with the performance appraisal. The corporate plan for the coming year is prepared in November and December of the previous year and the appraisal takes place in January/February. Performance evaluation is done keeping in view the requirements of the future based on the corporate plan. Sales managers and sales personnel in organizations face several problems in the implementation of successful performance appraisal programs.

### 18.10.1 Difficulties Involved in Evaluating Performance

Employee evaluation must be thorough, foolproof, transparent and fair, because promotions and fixing of compensation are based on this.

The following are the challenges faced in evaluation of performance.

1. Evaluator bias:

   - The evaluator may not like the employee, and hence, may not evaluate him or her favorably.

   - There is a possibility that the evaluator may be influenced by recent happenings and events.

   - The evaluator may use a single criterion to judge the salesman. For instance, if only batting average is considered, a person who has put in more hard work will not be rated fairly.

   - Evaluators may have a tendency to rate high or rate low (positive or negative leniency) depending on the outlook of the evaluator.

   - Halo effect or stereotyping effect: One criterion or one negative or positive incident dominates in the overall evaluation.

   - Evaluator may give special consideration when he detects similar qualities or traits in the salesman.

2. The salesman works alone in the field. Hence, the call sheets can be false.

3. The salesman may have other responsibilities which should be taken into consideration.

4. The territory potentials may be different, and therefore, two salesmen with same level of skills and hard work could show different levels of performance.

5. For a fair evaluation, it is important that salesmen should have received timely feedback from superiors. Giving feedback at the time of evaluation is unfair. Similarly, if salesmen are not empowered and given sales support, low performance of salesmen may actually reflect the failures of the sales manager.

Thus, evaluation of sales performance is a difficult task to perform. Evaluators can avoid bias by using multiple criteria for evaluation. Similarly, by cross-checking the activities of a salesman, sales managers can verify the veracity of call sheets and reports. When performance standards are set, comparative performance assessments are made, then other shortcomings in evaluation can be minimized.

---

**Example: Performance Evaluation by Self-Organizing Teams at Haier**

Haier, a Chinese multinational consumer electronics and home appliances company followed agile organizational management. It made structures based on self-organizing teams, and small organizational units that have full accountability and autonomy for the results. This system had no traditional boss-employee performance system and thereby removed the evaluator biasness in performance evaluation. Colleagues rate and give feedback to team members on their performance and behaviour on regular basis.

The above information showed that the company introduced a new fairness review stage in its performance evaluation of employees to overcome the bias challenges faced by the employees in evaluation.

---

*Source: Alessandro Di Fiore and Marcio Souza (2021), "Are Peer Reviews the Future of Performance Evaluations?". HBR retrieved from*

*https://hbr.org/2021/01/are-peer-reviews-the-future-of-performance-evaluations (accessed on June 28, 2022)*

## 18.11    Summary

- One of the most important responsibilities of sales managers is to evaluate the performance of the sales personnel.

- The factors affecting sales peoples' performance are many. Some of these are beyond the control of the individual, while some can be modified.

- Aspects like motivation, skillset, job satisfaction, role perception, personal factors like age, sex, height, etc.; the ego drive, and empathy towards the customers are inherent in the individual salesperson.

- Environmental and organizational factors, along with the different functions of sales management come under external factors. It is difficult for the sales manager to predict the influence of the external factors on the performance of the sales force.

- To measure performance, it is necessary for the sales manager to put in place a performance evaluation procedure.

- A proper evaluation process ensures that the organization is well managed. It also provides the sales personnel with information on their performance and gives recommendations for further improvement.

- Performance evaluation can also help in improving the relationships between the sales force and superiors by minimizing suspicion and improving interaction.

- The performance evaluation process generally involves five steps – (a) determine the factors that affect the performance of the sales force, (b) select criteria that will be used to evaluate the performance (c) establish performance standards that can be used as a basis to compare the performance of the sales force (d) monitor actual performance and (e) review and provide feedback to the sales personnel.

- The purpose of conducting performance evaluation is to crosscheck whether the sales force activities are in alignment with organizational objectives. It also helps monitor the sales force activities and provide remedial action, if required.

- Performance evaluation helps prepare a future action plan for the sales personnel and fulfill the organizational objectives. It exerts an influence on the mode of compensation, fixing of sales quotas, and decisions on the transfer or removal of the salesperson from the organization.

- In most organizations, it is the immediate superior or the sales manager who conducts the performance appraisal. Sometimes, a team of people including the personnel manager and the department head, along with the sales manager, appraise the sales personnel.

- The timing of appraisal also varies for different organizations. It depends on the complexity of the sales plan, the costs involved, and the current objectives of the organization.

- Periodic performance appraisal is necessary to identify any discrepancies in the overall sales plan and correct them.

- The sales manager or the concerned person involved in appraising the sales force can take the help of quantitative or qualitative criteria. These are also termed the behavior and outcome components.

- Qualitative criteria include sales skills, territory management skills, personality traits, etc. The quantitative factors include the sales volume, average calls per day, sales orders, etc.

- Quantitative criteria are those aspects that measure the sales performance in terms of the end results whereas qualitative criteria involve all those activities that the sale person does to achieve the end results.

- The sales manager must ensure that the performance standards are set to compare and evaluate the actual performance of the sales force. The standards vary from industry to industry and are different for different job profiles.

- Performance standards come under quantitative standards, qualitative standards, time-based standards, or cost-based standards. All the sales force activities can be segregated into one of these four categories and compared with the base standard.

- Many methods of performance evaluation have been developed over the years. Yet, there is no single method that can be considered ideal for all organizations. Some of the commonly used methods are: essays, rating scales, rankings, management by objectives and behaviorally-anchored rating scales.

- Several modern methods like critical incident appraisal, work-standards method, family of measures, etc., have been developed to suit variations and other requirements.

- Regular monitoring and review of the sales force activities is also necessary to ensure that the organizational activities are aligned to the sales plan.

## 18.12    Glossary

**360-degree Feedback:** 360-degree feedback refers to feedback that is provided not only by supervisors but also by subordinates and peers. Sometimes, feedback from external sources such as customers and suppliers or other interested stakeholders, are also taken into consideration.

**Sales Audit:** A sales audit is an examination of the entire sales process.

**Sales Order:** Sales order refers to an order issued by a company to a customer.

**Sales Volume:** Sales volume refers to quantity or number of goods sold or services rendered in the normal operations of a firm in a specified period.

**Supervisor:** Supervisor is responsible for the productivity and actions of a small group of employees.

## 18.13    Self-Assessment Test

1.  Sales force performance has a direct bearing on the overall performance of organizations. What are the determinants of sales force performance? Which are the sources of the relevant information for evaluation of sales force performance?

2.  The source of information influences the criteria that the manager selects to measure sales force performance. Discuss the various information sources for evaluating sales force performance.

3.  The performance of sales personnel can be considered and evaluated in terms of behavior and outcome-based components. In this context, discuss the criteria for the evaluation of sales force performance.

4.  The sales manager has to formulate standards with which the performance of the sales personnel can be compared. Explain the process of establishing performance standards.

5.  There are several methods of performance evaluation that have been developed over the years. What are the different methods of sales force evaluation? Explain the process of monitoring and reviewing sales force performance.

6.  What do you understand by batting average and routing efficiency? Explain.

7.  Explain the importance of customer service satisfaction analysis in sales force performance review.

## 18.14    Suggested Readings/Reference Materials

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

2.  Nag A (2017). "Sales and Distribution Management," McGraw Hill Education.

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

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

5.  Richard R. Still (2017). Sales and Distribution Management, Sixth Edition, Pearson Education.

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

7.  Gupta S L (2018). "Sales and Distribution Management – Text and Cases an Indian Perspective," Laxmi Publications Pvt. Ltd.

## 18.15    Answers to Check Your Progress Questions

1. **(a)  Job description**

   Internal factors include: motivation, skill level, job satisfaction, role perception, personal factors, ego drive, and empathy. Job description is not an internal factor that influences sales force performance.

2. **(b)  Sales force compensation factor**

   Sales force compensation factor is the external factor that influences the performance of sales force.

3. **(c)  It helps in maintaining distance between the sales manager and the sales force**

   When done properly, performance evaluation of salespersons strengthens the relationship between the sales manager and sales personnel, increases the flow of communication between the sales force and management, highlights present expectations from the management, and appraises past performance.

4. **(c)  Determine factors that influence sales force performance**

   The correct sequence for the evaluation of sales force performance is – determine factors that influence sales force performance – select the criteria for sales force evaluation – establish performance standards – compare sales force performance – performance review and feedback. So, option 'c' is the first step.

5. **(b)  Planning for a new facility**

   The organizational objectives that have an influence on sales force performance are --- increasing the focus on new products; reducing the time spent on non-selling activities; retaining the existing customer base; providing training facilities; providing focus on value-added activities; and formulating compensation plans. Planning for a new facility is not an organizational objective for improving sales force performance.

6. **(c)  Duration of performance evaluation should be same for all job profiles of salespersons**

   Performance evaluation must be conducted in a systematic manner and the duration must be based on the job profile of the salesperson.

7. **(a)  Technical skills**

   Sales volume, market share, customer retention, sales orders, gross profit from new customers, and number of calls per day are some of the criteria that come under the quantitative component. Technical skills is a not a quantitative criterion of evaluation.

8.  (b)  **Number of advertising displays in supermarkets**

The qualitative criteria for evaluation of sales force performance include: sales skill, territory management, and personality traits. Number of advertising displays in supermarkets is not a qualitative criterion for evaluation of sales force performance.

9.  (a)  **Behaviorally Anchored Rating Scale**

BARS stands for Behaviorally Anchored Rating Scale, a method used to evaluate sales performance. In this method, the most suitable behavior needed in carrying out a particular type of job is identified and anchored on a rating scale. The sales manager has to select a behavior that is most similar to the behavior profile on the rating scale.

10. (b)  **Family of Measures (FOM)**

FOM does not compare the results obtained with those for other members of the sales force. It compares the results with the previous results over a time period.

11. (c)  **It is used primarily to improve the productivity of sales personnel**

Work-standards method is used primarily to improve the productivity of the sales personnel.

# Unit 19

# Ethical and Legal Responsibilities of a Sales Manager

## Structure

*"Honesty is the first chapter in the book of wisdom."*

- Thomas Jefferson

## 19.1 Introduction

Sales leaders or managers must act honestly in their responsibilities. Be it an ethical or legal, if one acts with honesty everything will get set accordingly.

In the previous unit, 'Evaluating Sales Force Performance', we discussed the concept of sales force performance and the factors influencing them. Further, it covered in detail the purpose of evaluation of performance and the processes and methods used in evaluation.

In the present unit, we will cover all legal and ethical aspects of selling. Ethics is the study of the moral principles or values that reign over a person and shapes his or her conduct towards an individual or a group. Ethics can also be considered as benchmark behavior based on which a person's conduct is judged. Certain actions that may be legal are not always ethical and vice-versa. The origin of the word 'ethics' can be traced to the Latin word 'Ethicus' and the Greek word 'Ethikos', meaning character or manners. To sum up, Ethics can be understood as the science of morality, moral principles and widely accepted rules of conduct.

A sales person may meet his sales quota by selling a costly television to a person for whom the product has no utility or to someone who cannot pay the installments. However, all such situations in sales are not controlled by rules. Sales persons are often faced with decisions regarding the appropriateness of their actions which are based on the ethical considerations rather than what are within the law or industry guidelines. There is a considerable overlap between what may be considered as ethical issues in sales. Certain actions may be within law but still unethical. A salesperson needs to be honest with his customers. The organizational culture of a firm should reiterate ethical values and the marketing policies, procedures and behavior guidelines must ensure that any deviant behavior is checked and corrected.

## 19.2    Objectives

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

• Discuss the concept of business ethics

• Relate public regulations with the duties and responsibilities of a sales manager

• Discuss the legal and ethical dilemmas faced by the sales manager

• Explain the pressure to compromise personal ethics

• Identify ethical situations faced by sales personnel

• Discuss the ethical guidelines for the sales personnel

## 19.3    Business Ethics

People in modern societies engage in production and distribution of goods and services and all activities that enable these economic activities must pass the litmus test of ethics. Businesses, therefore, must use their discretion and judgment and ensure that all business activities are ethical. Most businesses face overt and covert ethical issues while discharging business activities. Unethical activities such as bribery, theft, dishonesty, collusion etc. are clear and culpable. Hence, they are referred to as overt problems. The unethical issues in certain business activities like corporate acquisitions, selling, advertising, etc. may not be apparent. A firm must be committed to ethics and find solutions to both overt and covert problems.

### 19.3.1   Need for Business Ethics

All businesses operate within society. Hence, they must demonstrate concern and contribute to welfare of society. A firm must earn the goodwill of customers to survive in the market in the long run. To gain a loyal set of customers, its commitment and responsibility towards society's welfare and needs must be of a

high order. According to George A Steiner, the managers of a company know that as the company's business increases, the public takes more interest in the company, because the company has greater impact on the community. Therefore, the focus of managers is tuned to public opinion, and they react to it. Marketing managers must ensure that they enjoy the goodwill of the public. This leads to greater ethical responsibilities on the part of the company as well as its managers.

All firms must operate on ethical grounds and carry out their social obligations to survive and flourish in the long-run. Milton Friedman viewed that the sole objective of an economic entity is to earn profits by utilizing the resources of the economy. Friedman stressed that firms only need to ensure that they engage in open and free competition, without dishonesty or fraud. Another philosopher Theodore Levitt viewed that businesses that are concerned with ethics would be dominated by social values rather than by business values. The impact of unethical behavior on market system are coercion, deceptive information, theft and bribery. For a business to operate smoothly, it should maintain healthy relations with all its stakeholders. Healthy relationships are developed through trust. In a business arrangement, trust is the confidence that the other party has that you will not exploit its vulnerabilities. Sales persons must be ethical in doing business with its stake holders and develop trust among its stakeholders. Organization to be called ethical should possess "ethical behavior". Research found that when top management develops a strong ethical culture, there is a reduced pressure to perform unethical acts by the sales people.

### 19.3.2  Public Regulations and Sales Manager's Dilemma

Public regulations or government rules and laws at all levels- (be it central, state or local) directly impacts the company's marketing department. The various regulatory measures that affect areas of marketing are- the product or products of the company, the pricing strategy, the advertising and sales promotion strategies, personal selling and distribution strategies. These are the ones that will have a major impact on the behavior.

**Product** - Product is defined as a bundle of attributes which satisfies the need of a consumer and from which he can derive value for the price he pays. Products also embody the ethical decisions made at the corporate level. Companies that produce products like cigarettes and infant milk supplement are governed by rules and regulations. There are several laws which govern the manufacturing of products and maintenance of quality standards of the products. For example, in the manufacturing of pharmaceutical or food products, companies have to adhere to several rules and regulations of Food and Drugs & Cosmetics Act (FDA). The sales manager or the sales persons should be aware about these rules and regulations.

**Price** - Price is not always an important criterion for all buyers while making their purchase decision. The ethical marketing decision involved in price is not always visible. It means that the price of a product may vary depending upon the demand for the product. For example, food considered healthy and nutritious which consumers prefer can be priced higher than its normal price. Sales people affected by government regulations on price are, price discrimination, unfair price competition and unfair trade practices.

With the advent of the e-commerce business, the prices offered by the e-commerce companies such as Flipkart and Amazon.Com are lower than the market price or sometimes less than the basic manufacturing cost, which has violated the laws and companies like Future Group have filed complaint for price discrimination against the e-commerce companies. Therefore, the sales manager and his sales persons must be aware of the laws governing the pricing and the companies should design their pricing strategies as per the government norms.

**Advertising and sales promotion strategies -** Advertising and sales promotion strategies of any company are highly visible and any lapse in ethical standards can often be risky. Consumer protection groups and other social activists question the companies selling alcoholic beverages or tobacco products. Advertisers such as Mankind and L'Oreal have been criticized for using sex appeal showing women as sex objects in their advertisements. Using sex appeal/ nudity simply to gain consumers attention is highly unethical and objectionable. The primary criticism of advertising is that it is misleading and deceives consumers. There are people who are inclined to believe everything they see or hear in the advertisement. Deceptions can also occur as a result of how consumers perceive the advertisement and its impact on their opinions and beliefs.

In India, 'The Advertising Standards Council of India' (ASCI) enforces the ethical code for advertisers. The council is a non-profit organization set up by 43 founder members. It has developed a code for self-regulation. The ASCI code is similar to the Advertising Standards Authority (ASA) code of UK and it seeks to achieve the acceptance of fair advertising and sales promotion practices in the best interest of the consumers. It is an authority that protects the honesty, legality and fairness of the advertisements. It has the authority to withdraw advertisements that are considered offensive, misleading and not in accordance with the law.

**Personal selling -** The two most important areas where sales persons are governed by public regulation are giving misleading information to the customers and giving bribes.

It is illegal to make false, deceptive, or misleading claims about a product or about the services that the company offers. If a sales person makes exaggerated claims about a product and those claims lead to misuse of the product, the seller may also be sued for any damage or personal injury arising out of a customer's misuse of the product.

For instance, many drugs are not recommended during the first trimester of pregnancy, but if a sales person of a pharmaceutical company makes exaggerated claims and says it is safe to administer the drug, then the seller will be liable for any damage caused to the customer.

**Using Bribes** - The payment of money or gifts to gain a sale or retain a customer is illegal. Using bribes to gain information about a competitor is also illegal. Bribery in selling is an unpleasant fact of life that has existed from time immemorial. Customers are blatantly bribed by way of money, gifts, free travel and kickbacks by the sales persons by almost all the organizations to get the orders. Undoubtedly bribery will continue to put sales managers and sales persons to ethical tests. Sales persons must realize that "everyone else is doing it" is not a valid excuse.

In India, all the sales people are governed by the Sales promotion Employees Act, (1976). The Act states has laid down the conditions of service to regulate the services of the people employed as sales persons in any organization. The Act specifies the minimum wages for sales persons. The Act also specifies the grievance and dispute redressal procedure in case of any grievances or disputes.

**Distribution strategies -** By 'Distribution', marketers refer to the sum of locations by which the product moves from the supplier to the consumer. 'Distribution' is the point at which customer is able to access the information about a particular product or service and get the final product. Unethical practices arise in 'Distribution' when there is hoarding of essential commodities to deliberately create artificial scarcity to profit from a future price hike. Rising prices and making profits during times of hardship like natural calamities etc. could be cited as another example. On 4th June 2017, when London faced a terror attack, people were running helter-skelter and many of them were looking for a cab in the immediate aftermath of the deadly shooting by terrorists. The surge pricing policy of Uber and Lyft charged customers five times the normal price. These companies were widely criticized for their predatory and unethical pricing policies.

Ethical problems and public regulations result in dilemmas for managers because they usually represent a conflict between an organization's economic performance and its social performance. For an organization, social performance implies various obligations such as meeting the legal and regulatory obligations, protecting employment, and meeting Corporate Social Responsibilities. Since considerable expenses may be involved in discharging these obligations, organizations often find it convenient to ignore them and this puts the sales manager in further complicated situation as he is the one who has to encounter the day-to-day issues with authorities and the customers.

---

**Example: HUL Changed its Product Name Due to Ethical Norms of Society**

According to a Mint article (2020), Hindustan Unilever Ltd. (HUL) was receiving huge criticism from the people that it was fostering racial stereotyping by advocating fair skin tone over others through its product ranges like Fair & Lovely, Fair & Handsome, etc. To address this, HUL replaced the term 'fair' with 'glow' from its best-selling products like Fair & Lovely, a popular skin-lightening cream which becomes Glow & Lovely, Fair & Handsome becomes Glow & Handsome.

The above information showed that the company changed its product name due to public criticism over brand name.

---

*Source: Suneera Tandon (2020), "HUL's 'Fair & Lovely' is now 'Glow & Lovely' " Retrieved from*

*https://www.livemint.com/industry/retail/hul-s-fair-lovely-is-now-glow-lovely-11593735336828.html (Accessed on June 29th 2022)*

---

**Check Your Progress - 1**

1. Which of the following is not a parameter that refers to Ethics?

   a. Moral principles only.

   b. Cultural values.

   c. Standard of behavior by which a conduct is judged.

   d. Recognized rules of conduct.

   e. Sales Performance.

2. From which of the following languages is the word 'ethics' derived?

   a. Greek & English.

   b. Latin & Greek.

   c. Latin & Mandarin.

   d. Greek & German.

   e. Latin & French.

3. Which of the following is a suitable ethical approach that a business firm should ideally put in place to create an ethical environment?

   a. Fix stiff quotas and sales targets for salesmen.

   b. Outsourcing sales function to external agencies.

   c. Highlighting competitor's weaknesses to gain a sale.

   d. Instructing salesmen to be honest with the customers.

   e. Firing a salesman, who is a non-achiever.

4.  What are the elements of trust?

    a.  Being good, honest and helpful.

    b.  Dependability, predictability and faith.

    c.  Being moral, true and faithful to others.

    d.  Valued, kindness and dependable.

    e.  Ethical, moral and faithful.

5.  Which of the following are the two most important areas where sales persons are governed by public regulation?

    a.  Giving misleading information to the customers and giving bribes.

    b.  Selling products not required by the customers.

    c.  Selling products at higher cost

    d.  Giving information about the competitors.

    e.  Selling at a lower price to the customers.

## 19.4 The Legal Ethical Confusion

We often read in the newspapers or hear on the news channels on matters such as price discrimination, bribes, kickbacks, insider trading or conflict of interest. These practices are considered evidences of management's deficient ethical code.

These practices may be unethical, but more importantly they are illegal. It is illegal to take or give bribe. It is illegal to participate in insider trading in the stock market. It is even illegal to pad an expense account, this is called as embezzlement. In practice, a large portion of the so-called ethical issues raised by the critics of the business are not really ethical problems, but they are law enforcement problems. However, most people understand that the law cannot possibly cover and regulate all aspects of life, nor should it attempt to do so. There is a need for a personal code of ethics beyond what is covered by law.

Apart from the self-regulation code, there are various committees which were formed to direct the ethical code of conduct for companies operating in India. Some of the prominent committee's reports which are implemented include-Kumara Mangalam Birla Committee report, Confederation of Indian Industries (CII) Committee Report, Cadbury Committee Report.

The line between ethics and law is foggy. For example, many laws governing business practices are seldom enforced. One can easily violate them for getting some advantage. One business practice that is unfair and illegal is to knowingly lie to the customer about the competitor's situation or about the market situation. Many practices which were illegal are now legal with changing trends and certainly the trend is towards more ethical business standards.

---

**Example: Airbus's Corruption Case**

In 2020, Airbus SE, a global military and civilian aircraft supplier, was caught in a foreign bribery case. Airbus was engaged from long years in a massive scheme of third-party business partners that corruptly increase its business interests by giving bribes in US, China and many other countries. Under the act of International Traffic in Arms Regulation, the US court charged global penalty and Airbus agreed to pay $3.9 billion to resolve the case.

The information showed how Airbus was involved in corruption case, which represents management's deficient ethical code.

---

*Source: Department of Justice, US, (2020). Airbus Agrees to Pay over $3.9 Billion in Global Penalties to Resolve Foreign Bribery and ITAR Case. Retrieved from*

*https://www.justice.gov/opa/pr/airbus-agrees-pay-over-39-billion-global-penalties-resolve-foreign-bribery-and-itar-case (Accessed on June 29th 2022)*

## 19.5 The Pressure to Compromise Personal Ethics

Most of us have our own personal code of ethics, what we will do and what we will not do. What is right and what is wrong. Often, we prefer not to do certain things because we are not groomed in a particular culture and have certain values. But, if we are pressurized to certain extent our ethical code may bend. A person's true ethical code surfaces when he or she is tested under difficult situations. It is easy to be ethical when no hardship is involved and things are conducive. The test comes when things are not going well. In selling situations, when the business environment is not conducive or there is an increased competition, it becomes difficult to meet the targets which may lead to unethical behavior.

Some sales managers believe that in order to advance in an organization, a person must do something which he or she should not do. In a recent survey, 90% of the sales managers and their representatives have given gifts, sponsored foreign tours and gave money to gain favors from the current or potential customers. In another survey, large numbers of sales persons have admitted to have taken part in some illegal or unethical activity such as deceiving customers as a result of increased sales pressure.

---

**Example: Wells Fargo Employees Pressurizing Rank-and-File Bank Employees**

According to a Forbes article (2020), Wells Fargo (a US based financial services based company) executives put pressure on rank-and-file bank employees to aggressively cross-sell products in order to increase sales and revenue in order to meet certain quotas, and then Wells Fargo employees compromised their conscious and opened millions of savings and checking accounts for customers without their knowledge or approval.

---

*Source: Jack Kelly (2020), "Wells Fargo Forced To Pay $3 Billion For The Bank's Fake Account Scandal". Forbes. Retrieved from*

*https://www.forbes.com/sites/jackkelly/2020/02/24/wells-fargo-forced-to-pay-3-billion-for-the-banks-fake-account-scandal/?sh=6559830442d2 (Accessed on June 29th 2022)*

---

**Activity 19.1**

Speak to some sales managers and sales representatives about the ethical issues they faced in their job. Categorize the issues as those faced with the company and those faced while dealing with customers. Ask them how they dealt with the problem. And while doing so, whether they compromised on their personal ethics. Would you have handled the situation differently?

**Answer:**

| |
|---|
| |
| |
| |

---

## 19.6    Ethical Situations Facing Sales Personnel

Ethical questions are involved in many of the relationships that sales managers have with their representatives, companies and their customers.

A few of these situations are discussed here.

### 19.6.1   Relation with the Sales Force

A major portion of sales managers' ethical problems relate to their dealings with the sales force. Ethical questions often arise in connection with situations like giving promotions to a sales person who is not capable, as the sales manager has excellent relationship with him, or reducing the territory of the sales representative when he is performing well and is earning higher commission or incentives. Ethical situation for a sales manager also arises in situations like giving some extra allowances or benefits to a certain sales representative as compared to other sales representatives in the team or terminating a sales representative even though he/she is performing well, because he/she does not maintain a cordial relationship with the sales manager. There are various other situations where the sales manager faces ethical questions like expense statement verification, preparation of permanent itinerary or designing a sales territory while dealing with the representative.

---

**Example: Poor Relationship of Sales Reps and Sales Managers at BYJU's**

In 2021, a former sales executive of BYJU's shared his work experience at BYJU's. He said that sales managers were very pathetic. He said his sales managers were very unprofessional in their behaviour who sometimes use abusive language and threaten of termination to sales reps, if they missed to achieve the assigned targets.

---

They always tried to find out small mistakes and let down in front of the entire team. If one is disliked by the manager, he would give false accusations, even though one didn't make any mistake. At last, he suggested the company to have a respectful work environment.

The above information showed an example of relation with sales force and its negative impact on the employee and organization as a whole.

*Source: Glassdoor (2021), BYJU'S Sales Executive Reviews. Retrieved from https://www.glassdoor.co.in/Reviews/BYJU-S-Sales-Executive-Reviews-EI_IE690021.0,6_KO7,22_IP3.htm?filter.jobTitleFTS=Sales+Executive&filter.iso3Language=eng (Accessed on June 29th 2022)*

### 19.6.2  Relation with the Company

A sales manager has a major role of upward communication with the management, and while doing so, he has to maintain good relations with the top management. Ethical problems arise for the sales manager while dealing with the company, when the sales manager tries to interpret the expense policy in his own way and is involved in padding the expenses in collusion with the sales representative. For example, if the sales representative can travel by bus to a particular territory, and the sales manager sanctions him taxi for the same coverage, because it is convenient for him to travel by taxi as compared to bus when he visits the territory. In other instance, a sales manager changes job and joins another company, and he takes along with him the important customers' information and convinces the good performers to change sides along with him in the new company.

### 19.6.3  Relation with the Customers

The most critical set of ethical questions facing the sales manager is associated with customer relationship. Some of the ethical situations faced by the sales manager while dealing with the customers are discussed below.

**Information -** It is important that the sales people give detailed and appropriate information to the customers to make an informed decision. But due to sales pressure, many a time the sales persons recommend products or overemphasize the usage of the product to the customer which is not in the best interest of the customer. Often, sales people sell products that customers do not need or products which are unaffordable. Sometimes sales persons pressurize customers to buy expensive products which have cheaper alternatives or substitutes. These practices are very common amongst sales persons but are unethical.

Another example is, an insurance sales person selling a product to the customer (because he gets higher commissions) without considering the needs of the customers.

**Gifts and entertainment** - Giving gifts or entertaining customers has been a part of the sales process for a long time. In the past, the gifts given by the companies

were of a reasonable cost and companies had a reasonable budget for the same. The gifts which were offered earlier were generally utility goods with minimal cost. With the advent of competition, the value of the gifts as well as the form of entertainment for the customers has seen a change. Now, the gifts are of high value ranging from a car to jewelry and entertainment to sponsoring the customers for tours at exotic locations. They are general practices adopted by the firms but are unethical.

**Bribes -** Other situations of ethics arise when the sales manager take bribes or other benefits from the dealers or middlemen for doing some extra favor like supplying them products with higher sales volume as compared to other dealers or taking money for the appointment of dealers or middlemen.

---

**Activity 19.2**

The products of our company are no different from 20 odd competitors in the market, it has same price, same quality and service. The buyer does not bother as which companies' product he buys. So, the only way we can get an edge over competitors is through aggressive entertainment and gift program, because of which the customers enjoy doing business with us and the sales zoom. Do you see any ethical problem involved here? Discuss.

**Answer:**

---

## 19.7    Setting Ethical Guidelines

Framing ethical guidelines is generally the job of top management. In recent practices, the ethical guidelines are mentioned in the mission and vision statements of the companies. The sales manager has to follow the same ethical guidelines and also train his sales representatives to follow the same. The sales manager has to display the same in front of his sales representatives and he or she has to lead by examples. The following steps can be taken by company to have a standard ethical behavior of its sales persons.

**Take a long-term view** - It is generally said that "Short cuts will cut short your life." The same is true when it comes to business. If you cheat the customer for getting a sale, you cannot continue to cheat him for long time. Therefore, the sales people should not be short-sighted and must see the possible repercussions in the long run.

**Put guidelines in writing -** Many companies have developed code of ethics for its employees which are ethical guidelines to be followed by the employees. Putting the ethical code in writing binds the sales people to it and they follow the same.

**Provide a role model** - Top managers must serve as ethical role models for the employees. They must not only endorse ethical behavior but also practise it. Sales people are not going to follow the ethical behavior if they see their immediate boss or the higher management not following it.

**Provide ethical training -** Another means of reducing the occurrence of unethical behavior is for the company to provide ethical training to its employees. Training on ethical behavior will help the sales persons to be aware of the ethical standards and also the repercussions of behaving unethically.

---

**Example: McDonald's Setting Ethical Standards for Itself**

According to a Forbes article (2021), Kempczinski, CEO of McDonald's, said in a statement to McDonald's franchisees, suppliers, and employees worldwide that he instructed members of his senior team to evaluate McDonald's present rules and initiatives involving workplace safety across the global system. They plan to learn about existing best practises, collect feedback from franchisees and staff, and develop a set of global brand standards.

The above information showed how McDonald's is setting ethical guidelines for itself.

---

*Source: Edward Segal (2021), "McDonald's Faces Challenges In Addressing Harassment Allegations And Issues". Forbes. Retrieved from*
*https://www.forbes.com/sites/edwardsegal/2021/03/02/mcdonalds-faces-challenges-in-addressing-harassment-allegations-and-issues/?sh=50f145715a92 (Accessed on June 30th 2022)*

---

**Check Your Progress - 2**

6.  What is code of ethics?

    a.  Generally self-regulatory rules for guiding conduct or behavior.

    b.  Rules and regulations for guiding the company's policies.

    c.  Guiding principles for doing business.

    d.  Rules for dealing with the customers and competitors.

    e.  Guiding principles for treating the employees.

7.  For setting ethical guidelines, which of the following should not be adopted by the organization?

    a.  A long-term point of view.

    b.  Putting guidelines in writing.

    c.  Providing a role model.

    d.  Providing ethical training.

    e.  Advisory to view potential transactions as potential customers.

8. Which of the following relating to the ethical behavior of salespersons does not hold good?

    a. A salesperson can sometimes put competitor's product in poor light to get a contract.

    b. A salesperson must foster trust and credibility in his customers.

    c. A salesperson must be accountable for his actions.

    d. A salesperson must always be truthful to his customers.

    e. A salesperson must address problems head on and give the complete picture to customers.

9. Keeping in mind the present business environment, which of the following is a great challenge to a salesman to develop ethical character and professional integrity?

    a. Many sales managers focus only on sales, the end result.

    b. Most salesmen are morally corrupt.

    c. The present education system does not give importance to ethics.

    d. Salesmen compete with peers for promotion.

    e. Customers are also sometimes corrupt.

10. Which of the following is an ethical situation for a sales manager while dealing with sales people of his/her team?

    a. Giving promotion to a sales representative who is not capable.

    b. Giving undue advantage to a sales representative over others.

    c. Allowing extra allowances to a particular sales representative.

    d. Giving promotion to an achiever and capable sales representative.

    e. Terminating a good performer.

## 19.8    Summary

- Ethics are the moral principles or values that generally govern the conduct of an individual or a group.

- Business ethics are the moral principles that define the right and wrong behavior in the business world.

- Business ethics refers to the application of ethical judgments to business activities. Most businesses encounter two types of ethical problems known as overt and covert ethical problems.

- Business ethics are needed as all businesses exist and operate within society. Therefore, they should contribute to welfare of society.

- To survive in the market, companies should gain loyal customers and perform social responsibility.

- The impact of unethical behavior on market system are coercion, deceptive information, theft and bribery.

- The various regulatory measures that affect areas of marketing are- The product or products of the company, the pricing strategy, the advertising and sales promotion strategies, personal selling and distribution strategies.

- Most people understand that the law cannot possibly cover and regulate all aspects of life, nor should it attempt to do so. They understand the need for a personal code of ethics beyond law.

- A person's true ethical code surfaces when he or she is tested under difficult situations. For sales managers, who ignore the unethical activities of their representatives, the consequences are serious and may get them involved in law suits, fines and ruined careers.

- The sales manager should follow the ethical guidelines and also train his sales representatives to follow the same.

## 19.9    Glossary

**Business Ethics -** Refers to the application of ethical judgments to business activities.

**CII** - Confederation of Indian Industries

**Code of Ethics -** Codes are generally self-regulatory rules for guiding conduct or behavior of the employees of a company in different business situations. These codes of ethics are issued by organizations or professional bodies or industry associations. For example: "Code of Ethics and Professional Conduct" issued by CII for industry or Advertising Standards Council of India (ASCI) enforces the ethical code for advertisers.

**Covert Ethical Problems** - They occur in corporate acquisitions, marketing, selling, personnel policies etc. They are clear and have skillful ethical solutions.

**Ethical Behavior** - It is an outcome of the company's ideal policies, statements and guidelines as well as a person's values and culture.

**Ethics** - The word ''ethics' is derived from Latin word 'Ethicus' and the Greek word 'Ethikos', meaning character or manners. Ethics is thus said to be the science of moral, moral principle and recognized rules of conduct of a person in the society.

**Morals** – They are the rules people develop as a result of cultural values and norms. Morals are usually characterized as 'good or bad'.

**Overt Ethical Problems -** They deal with bribery, theft, dishonesty, collusion etc. They are clear and culpable.

**Puffery -** It is an advertising that praises the product or services to be sold with subjective opinions, exaggerations or superlatives without stating any facts or figures.

**Trust** - It is the confidence that the other party has that you will not exploit its vulnerabilities. Trust comprises three elements: dependability, predictability and faith.

## 19.10    Self-Assessment Test

1. What is business ethics? Explain the need for business ethics.

2. Discuss the various areas where sales persons are affected by public regulations.

3. What is code of ethics? What are the benefits of self-regulation for a company?

4. Discuss the various ethical situations facing sales personnel.

5. What is the importance of setting ethical guidelines for a company?

## 19.11    Suggested Readings/Reference Materials

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

2. Nag A (2017). "Sales and Distribution Management," McGraw Hill Education.

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

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

5. Richard R. Still (2017). Sales and Distribution Management, Sixth Edition, Pearson Education.

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

7. Gupta S L (2018). "Sales and Distribution Management – Text and Cases an Indian Perspective," Laxmi Publications Pvt. Ltd.

## 19.12    Answers to Check Your Progress Questions

1. **(e)   Sales Performance**

   Ethics refers to the moral principles or values that generally govern the conduct of an individual or a group. Ethics can also be viewed as standard of behavior by which a conduct is judged. Ethics is thus said to be the science of moral, moral principle and recognized rules of conduct.

Option 'e' (Sales Performance) does not refer to ethics. Sales performance is an outcome of the effort or hard work put in by the salesman. The methods used to achieve the sales may or may not be ethical.

2. **(b) Latin & Greek**

    The word 'ethics' is derived from Latin word 'Ethicus' and the Greek word 'Ethikos', meaning character or manners.

3. **(d) Instructing salesmen to be honest with the customers**

    Business ethics refers to the application of ethical judgments to business activities that includes moral principles as well as application of good business practices to business and being honest with the customers. Only option 'd' instructing salesmen to be honest with customers would promote ethical culture in an organization. The other statements are either contrary to ethical principles or do not have a direct bearing on the ethical conduct of salespersons.

4. **(b) Dependability, Predictability and Faith**

    Trust comprises three elements: Dependability, Predictability and Faith. For a person to have trust on others, he/she should be dependable at all times, predictable with his/her behavior and should be faithful.

5. **(a) Giving misleading information to the customers and giving bribes**

    The two most important areas where sales persons are governed by public regulation are giving misleading information to the customers and offering bribes.

6. **(a) Generally self-regulatory rules for guiding conduct or behaviour**

    Codes are generally self-regulatory rules for guiding conduct or behaviour of all the people of the organization.

7. **(e) Advisory to view potential transactions as potential customers**

    For setting ethical standards an organization must take a long-term point of view, put guidelines in writing, provide a role model, and provide Ethical Training to the employees. Option 'e' is not an appropriate guideline. Regardless of whether a customer plans to purchase in the immediate future, salespersons must be advised to treat all leads, enquiries and customers with utmost respect and lend them a helping hand.

8. **(a) A salesperson can sometimes put competitor's product in poor light to get a contract**

    All other statements relating to the ethical behavior of salesmen are correct, except option 'a'. A salesman under no circumstances should

make unfair comparisons and put the competitor's product in poor light. Such behavior is unethical and directly puts the credibility of the salesman in question.

9. **(a)** **Many sales managers focus only on sales, the end result**

Most sales managers are under great pressure to show sales performance and hence they ruthlessly pass on the pressure to salesmen. More often sales managers also reward salesmen who are achievers disregarding the unethical behavior behind the achievement. In some companies, sales persons who do not achieve targets face the risk of losing their jobs. Facing pressure from different fronts, salespersons resort to unethical means to achieve sales performance. This is perhaps the greatest challenge that salesmen face in developing ethical behavior and professional integrity.

10. **(d)** **Giving promotion to an achiever and capable sales representative**

The various statements given in the options except for statement given in option 'd' are unethical options. Statement 'd' is ethical because a capable salesman who has achievements to his credit is deserving and hence it is appropriate that he gets promotion.

# Sales & Distribution Management

## Course Structure

| Block 1: The Sales Perspective | |
|---|---|
| Unit 1 | Introduction to Sales Management |
| Unit 2 | The Sales Organization |
| Unit 3 | Sales Functions and Policies |
| Unit 4 | Personal Selling |
| **Block 2: Planning the Sales Effort** | |
| Unit 5 | Sales Planning |
| Unit 6 | Sales Territories |
| Unit 7 | Sales Budget |
| Unit 8 | Estimating Market Potential and Forecasting Sales |
| Unit 9 | Sales Quotas |
| Unit 10 | Sales and Cost Analysis |
| **Block 3: Organizing the Sales Efforts** | |
| Unit 11 | Profiling and Recruiting Sales Personnel |
| Unit 12 | Developing, Delivering and Reinforcing a Sales Training Program |
| Unit 13 | Time and Territory Management |
| Unit 14 | Compensating Sales Personnel |
| **Block 4: Directing the Sales Efforts** | |
| Unit 15 | Motivating the Sales Force |
| Unit 16 | Sales Force Expenses and Transportation |
| Unit 17 | Leading the Sales Force |
| Unit 18 | Evaluating Sales Force Performance |
| Unit 19 | Ethical and Legal Responsibilities of a Sales Manager |
| **Block 5: Distribution Management** | |
| Unit 20 | Marketing Logistics & C&F Agents |
| Unit 21 | Marketing Channels |
| Unit 22 | Channel Integration |
| Unit 23 | Channel Management |
| **Block 6: Channel Control and Institutions** | |
| Unit 24 | Evaluating Channel Performance |
| Unit 25 | Managing Channel Conflicts |
| Unit 26 | Channel Information Systems |
| Unit 27 | Wholesaling |
| Unit 28 | Retailing and E-Retailing |