Unit – I

Selling and Marketing concept – theories of selling. Classification of sales people – Characteristics of sales people. Personal selling - Selling Process. Prospecting: Steps – Pre approach: Objectives, Sources – The Approach: objectives, methods. The presentation: strategies, developing, situational selling. Handling objections: Attitude, strategy, Methods, Types of objections, Specific situations. Closing – tactics, methods, follow up.

Theories of selling

Theories of selling refer to the principles and concepts that guide the sales process and help salespeople understand and improve their selling techniques. Over the years, various theories and models have been developed to explain the selling process and provide a framework for effective sales strategies. Here are some prominent theories of selling:

AIDA Model: AIDA stands for Attention, Interest, Desire, and Action. This theory suggests that successful selling involves grabbing the prospect's attention, generating interest in the product or service, creating a desire for the benefits it offers, and finally, motivating the prospect to take action and make a purchase.

SPIN Selling: SPIN stands for Situation, Problem, Implication, and Need-Payoff. This method, introduced by Neil Rackham in his book "SPIN Selling," focuses on asking the right questions to uncover the prospect's situation, identify problems they may have, understand the implications of those problems, and present solutions to meet their needs effectively.

Solution Selling: This theory revolves around identifying the customer's pain points and providing customized solutions to address those issues. It emphasizes understanding the prospect's specific problems and demonstrating how your product or service can solve them.

Consultative Selling: Similar to solution selling, consultative selling prioritizes understanding the customer's needs and becoming a trusted advisor. It involves active listening, asking probing questions, and tailoring the sales process based on the customer's unique requirements.

Relationship Selling: Relationship selling focuses on building strong, long-term relationships with customers. It emphasizes trust, open communication, and understanding the customer's preferences and needs. The idea is that satisfied customers are more likely to become repeat buyers and refer others.

The Challenger Sale: This theory, based on the book "The Challenger Sale" by Matthew Dixon and Brent Adamson, suggests that successful salespeople challenge the customer's status quo and provide valuable insights, rather than just reacting to their needs. They aim to educate and lead customers, bringing new perspectives and ideas to the table.

Emotional Selling: This theory emphasizes appealing to the prospect's emotions and feelings during the sales process. It recognizes that people often make buying decisions based on emotions, and salespeople should use storytelling and empathy to connect with customers on a deeper level.

Transactional Selling: Transactional selling is more straightforward and involves a quick, one-time sale without much emphasis on building relationships. It's often used for low-cost, everyday consumer goods.

Social Selling: This theory involves using social media platforms and online networking to identify and engage with potential customers. Salespeople leverage social media to establish relationships, share valuable content, and position themselves as experts in their industry.

Personal Selling Theory: This is a broader framework that encompasses various selling theories. It includes understanding customer behavior, communication skills, persuasion techniques, and the salesperson's role in the overall marketing process.

There has been a lot of research by behavioural scientists and marketing scholars to examine whether selling is an art or science and various theories have been developed to explain the buyer-seller buying process. The process of influencing others to buy may be viewed from four different angles on the basis of different theories: thus there are four theories of selling viz.

1. AIDAS theory of personal selling
2. "Right Set of Circumstances" theory of selling
3. "Buying Formula" theory of selling
4. "Behavioral Equation" theory

The first two of the four above-mentioned theories, are seller oriented and the third one is buyer's oriented. The fourth one emphasizes the buyer's decision process but also takes the salesperson's influence process into account.

AIDAS Theory of Selling:

This theory, popularly known as AIDAS theory (attention, interest, desire, action and satisfaction), is based on experimental knowledge. This theory is very common.

According to this theory potential buyer's mind passes through the following stages:

1. Attention Getting:

It is the crucial step in the AIDAS process. The objective is to put the prospect into the right state of mind to continue the sales talk. The salesperson has to convince the prospect for participating in the face-to-face interview. A good beginning of conversation may set the stage for a full sales presentation. The salesperson must apply his social and psychological skills to draw the attention of the prospect to his sales presentation.

2. Interest Creating:

The second step is to intensify the prospect's attention so that it involves into strong interest. To achieve this, the salesperson has to be enthusiastic about the product. Another method is to hand over the product to the prospect and let him handle it. Brochures and other visual aids serve the same purpose. Throughout the interest phase, the hope is to search out the selling appeal that is most likely to be effective.

3. Desire Stimulating:

After the attention getting and creating interest, the prospect must be kindled to develop a strong desire for the product. This is a ready-to-buy point. Objection from the prospect will have to be carefully handled at this stage. Time is saved and the chances of making a sale improved if objections are anticipated and answered before the prospect raises them.

4. Action Inducing:

If the presentation has been perfect, the prospect is ready to act, that is, to buy. Very often there may be some hesitation on the part of the prospect at this stage. The salesperson should very carefully handle this stage and try to close the deal effectively. Once the buyer has asked the seller to pack the product, then it is the responsibility of the seller to reassure the customer that the decision was correct.

5. Satisfaction:

The customer should be left with the impression that the salesperson merely helped in deciding. After the sale has been made, the salesperson should ensure that the customer is satisfied with the product. The salesperson should sense the prospect's mind and brief his talks.

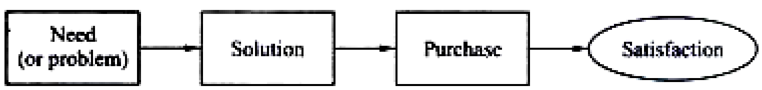
"Right set of circumstances" Theory of Selling:

It is also called the "situation-response" theory. It has its psychological origin in experiments with animals. The major emphasis of the theory is that a particular circumstance prevailing in a given selling situation will cause the prospect to respond in a predictable way. The set of circumstances can be both internal and external to the prospect. This is essentially a seller-oriented theory and it stresses that the salesman must control the situation in such a way as to produce a sale ultimately.

"Buying Formula" Theory of Selling:

The buyer's needs or problems receive major attention, and the salesperson's role is to help the buyer to find solutions. This theory purports to answer the question: What thinking process goes on in the prospects's mind that causes the decision to buy or not to buy? The name "buying formula" was given to this theory by strong.

The theory is based on the fact that there is a need or a problem for which a solution must be found which would lead to purchase decision, as shown below:

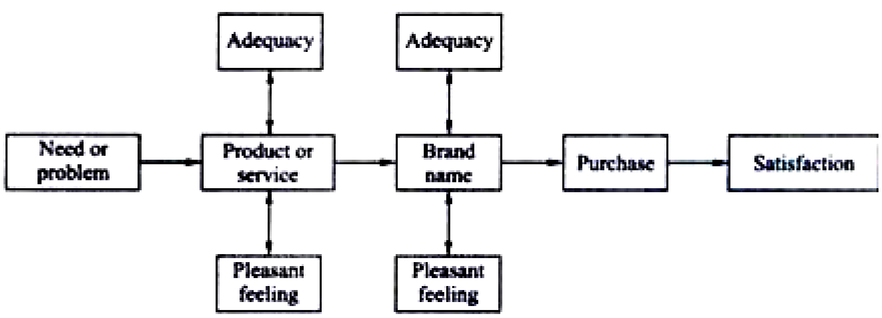


Whenever an individual feels a need, he is said to be conscious of a deficiency of satisfaction. The solution will always be a product or service or both and they may belong to a producer or seller. The buyer develops interest in buying a solution.

In purchasing, the "solution" involves two parts:

1. Product or service or both,
2. The brand name, manufacturer or the salesperson of the particular brand name:

The product or service (Brand name) must be considered adequate to satisfy the need and the buyer must experience a pleasant feeling or anticipated satisfaction. This ensure the purchase.



Behaviour Equation Theory of Selling:

This theory is a sophisticated version of the “right set of circumstances” and this theory was proposed by Howard, using a stimulus response model and using large number of findings from behavioural research. This theory explains buying behaviour in terms of purchasing decision process, viewed as a phase of the learning process, four essential elements of learning processes included in the stimulus response model are drive, cues, response and reinforcement, which are given below, in brief:

1. Drive is a strong internal stimuli that impel buyers’ response. Innate drives stem from psychological needs and learned drives such as striving for status or social approval.
2. Cues are weak stimuli that determine when the buyer will respond. Triggering cues activate the decision process whereas new triggering cues influence the decision process.
3. Response is what the buyer does.
4. A reinforcement is any event that strengthens the buyers’ tendency to make a particular response.

Howard believed that selling effort and buying action variables are multiplicative rather than additive.

Therefore, Howard incorporated these four elements into a behavioural equation that is:

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

P = Response or internal response tendency, i.e. the act of purchasing a brand or a particular supplier.

D = Present drive or motivation level

K = “Incentive potential” that is, the value of product or brand or its perceived potential value to the buyer.

V = Intensity of all cues: triggering, product or informational.

Classification of sales people – Characteristics of sales people.

Salespeople can be classified based on various criteria, such as their level of experience, sales approach, selling style, or the nature of the products they sell. Here are some common classifications of salespeople:

Based on Experience:

Novice Salespeople: Those who are new to sales and may still be learning the ropes.

Intermediate Salespeople: Salespeople with some experience and a moderate level of expertise.

Seasoned Salespeople: Experienced professionals with a deep understanding of the sales process and industry.

Based on Sales Approach:

1. Aggressive Salespeople: Sales reps who are assertive, persistent, and push for the sale aggressively.
2. Consultative Salespeople: Sales reps who take a more advisory approach, understanding the customer's needs and providing tailored solutions.
3. Relationship-Oriented Salespeople: Salespeople who prioritize building and maintaining long-term relationships with customers.

Based on Selling Style:

1. Direct Salespeople: Those who sell directly to end-users or consumers.
2. Indirect Salespeople: Sales reps who work through intermediaries or channels, such as distributors or resellers.
3. Inside Salespeople: Sales reps who primarily conduct sales over the phone, email, or virtual meetings, without in-person visits.

Based on Products Sold:

1. Consumer Goods Salespeople: Those who sell products directly to individual consumers.
2. Business-to-Business (B2B) Salespeople: Sales reps who sell products or services to other businesses.
3. Technical Salespeople: Salespeople with expertise in technical products or industries.

Based on Sales Method:

1. Field Salespeople: Sales reps who spend significant time in the field, meeting clients face-to-face.
2. Inside Salespeople: Sales reps who primarily work from an office and handle sales remotely.
3. Telemarketers: Salespeople who make sales calls over the phone.

Characteristics of Salespeople:

1. **Communication Skills:** Effective salespeople have excellent verbal and written communication skills. They can articulate their product's benefits and value proposition clearly and persuasively.
2. **Empathy**: Understanding the customer's needs and emotions is crucial for successful selling. Empathetic salespeople can relate to customers and build rapport.
3. **Resilience**: Sales can be challenging, with rejections and obstacles. Resilient salespeople bounce back from setbacks and maintain a positive attitude.
4. **Product Knowledge:** Salespeople must thoroughly understand their products or services to address customer questions and concerns effectively.
5. **Listening Skills**: Active listening enables salespeople to comprehend the customer's needs and tailor their pitch accordingly.
6. **Adaptability**: Every customer is different, and successful salespeople can adapt their approach to each unique situation.
7. **Confidence**: Confidence instills trust in the customer and convinces them of the product's value.
8. **Time Management**: Effective salespeople prioritize their tasks, managing their time efficiently to focus on high-priority prospects and opportunities.
9. **Goal-Oriented**: Salespeople set clear goals and work diligently to achieve them.
10. **Integrity**: Trust is essential in sales, and salespeople with integrity build strong, lasting relationships with customers.
11. **Continuous Learners**: Successful salespeople stay updated on industry trends, new products, and selling techniques.

It's important to note that while certain characteristics may be more prominent in certain types of salespeople, a successful salesperson often possesses a combination of these qualities to excel in their role.

Handling Objections in Sales: Definition and How to Overcome Them

How to handle objections in sales: The 5-step method that you need to know

STEP 1: Choose the right method
STEP 2: Accept objections with kindness
STEP 3: Learn more about the prospect's remarks
STEP 4: Provide an appropriate response to objections
STEP 5: Make sure objections are raised

Handling objections in sales: Examples

Handling objections in sales is something that frightens many salespeople. "Your product is too expensive!", "I don't really need your services!" or "I heard bad news about your company"… There is indeed something to be unsettled about.

We don't live in an ideal world, so the objection is **an integral part of the sales process**. If you don't perceive it negatively, why not welcome it in a positive way? Or even make it an asset to show that you know **how to listen to your prospects**, an essential quality for any good salesperson?

But to be successful, you have to use the **right method**. Good news, we detail in this article, **5 steps to handle the common objections** and **some examples**. In front of objections, it isn't the time to be afraid, it's time to deal with it and promote your product!

What is handling objections in sales?

Dealing with objections is **a natural step** in business negotiation. It consists in considering and then **removing the obstacles** that the prospect puts forward in a way that changes their mind or alleviates their concerns.

The common mistake that lots of salespeople make is that they try to pressure the customer to back down and force them to accept the wrong. Unfortunately, this could have a reverse effect. No one likes to be unreasonable and the customer ends up being angry and losing trust in your company.

In this case, instead of convincing your customer that they're wrong, it's better to find another way to **change their concerns into positivity** and **reassure** them by giving them the right arguments.

Why is handling objections in sales so important for your business?

Handling objections in sales is not totally bad. It shows that customers have some concerns that need to be addressed and explained. They won't do that if they aren't interested in your product or service. Otherwise, it's a chance for your team to turn the "No" into a **sales opportunity.**

Handling objections is also a professional skill that every salesperson needs to master. The reasons why handling objections in sales is so important:

- You can **learn more about customer behavior, their needs, problems, and purchase motivation.**
- It's a chance to **reassure long-term customer relationships**: If you succeed in dealing with sales objections, you can increase customer trust and make them believe in your service.
- **Opportunity to boost sales**: Objections mean that customers aren't ready to buy your product. So dealing with objections is an important step if you want to make sales.

What are the types of common sales objections?
Here are some **common objections** that you probably face in the selling process. Once you know what types of objections, you can first imagine how to reply to them.

Price
"Your product is too expensive" or "I found another product that is cheaper than yours"
This is the most common objection. It could be a **lack of money** or the customers might think that **your product is not good enough to justify the price**.
The key to deal with this objection is to convince the customer **what they can receive with the cost**. Make sure that you focus on **demonstrating the value**. It could be the after-sales service or the product assurance for example.

Fear of change
"We already use this product" or "I'm happy with my current purchase"
This objection could be difficult for many salespersons. It is related to the **contentedness objection**. The customers seem to be happy with their product and don't want to take a risk. In this case, it is better to **demonstrate how the industry has changed** and the innovation could have a **positive effect.**

Lack of trust
"How do I know that your product is good?" or "I don't believe about the quality"
Customers don't truly believe in you, your product, or your company. This is not totally bad because in this case, customers **may have a need** and **want to buy the product**. The problem is that they are not sure if you can reassure them and hold the promise.
So how to handle this situation? You can provide them with **demonstrations**, **other clients' feedback**, or **references** that will erase all the doubts and make the client trust in your product.

Time-related
"I don't have time" or "I'm too busy now. Call me back"
This is also one of the most common objections that you could face in the selling process. Of course, everyone is busy these days. Try to **find out what makes the buyers busy** and the **real objection** behind it. Explain that you're not looking for a long conversation, just a quick discussion about how this experience will be worth it and how your service can make their life easier.

Competitor comparison
"I'm happy with another company" or "Your competitor is better than you"
What makes your prospect **happy**? Which competitor's service makes your customer content? You can apply the same strategy but also find out why they believe their relationship with your competitor is beneficial, and identify at **which point your product could do better.**
Basically, we can categorize this common type of objection into **4 types**:

- **Real and founded objections:** Your offer is indeed not suited to the profile and needs of your prospect. It will then be difficult to convince him.
- **Real and unfounded objections:** Your interviewer turns out to be the right target, but they still raise objections. This can be due to many factors: misunderstanding your offer, bad past experiences with your company, or similar companies, etc.
- **Unfounded objections and pretexts**: In this case, the prospect immediately shows his indifference... whatever your proposal. This is usually a defense mechanism, a consequence of over-commercialization.
- **Tactical objection**: This type of objection is mostly encountered in BtoB, with prospects who often enter the commercial negotiation phase.

Ways to Improve Objection Handling Skills
Here's how to handle objections in sales calls,
1. Make a note of the typical sales objections you come across while meeting prospects.
2. Devise a plan to overcome the objections.
3. Get a closer look at the opportunities you lost previously and shortlist them.
4. Find out why you could not overcome the object previously and how you have to handle it the next time.
5. Create a script that any of your sales team can use to overcome objections consistently.

Unit – II

Sales organization: Types sales potential – Determining the sales force profile. Product market analysis – Determining the sales force size. Territory management: Accounts and sales potential salesperson workload, designing territories, reasons and procedures and assigning to sales persons, routing, time management.

Sales potential is the estimated market share which the organisation's owner expects to earn in a specified time after the company enters the market. Depending on the evaluated profitability from sales potential, a company needs to determine whether to enter a market or not. That is why the results of sales potential are so important for an organisation.

Meaning of Sales Potential

Sales potential says how much one product can be sold. It means that instead of all the particular product category's brands, we consider a total quantity of only one specific brand. It is a process by which a company tries to predict the future market demand. In this process, all of the direct costs are included so that it is easy to estimate profits. There are few assumptions that need to be considered before sales potential forecasting the sales. Those are – growing or shrinking by certain percentage market share, location advantages, need of increasing sales force, increase in product's prices, competition, changes in technology and government regulations. Sales potential forecast may be long term as well as short term.

Importance of Sales Potential

Sales potential generally means how much one product could be sold. It means total quantity of a particular brand that could be sold in a market instead of all the brands of a particular product category. It is actually a process by which a business / company predict the future market demand.

This includes all the direct costs so that it will be easy to estimate profits. Before sales potential forecasting the sales, there are certain assumptions that need to be considered. Those are – either market share will grow or shrink by certain percentage, need of increasing sales force, location advantages, and increase in product's prices, change in technology, competition, and government regulations. It forecast can be short term as well as long term.

Sales Potential and Market Potential

Sales and Market Potential consider both the demands and needs of the customers. Market Potential is the total amount of all brands in the same category of product that could be sold. Market Potential is different from Sales potential which considers only the quantity of an exact brand instead of all that could be sold in the market [1].

Sales Potential's advantages

There are some advantages of sales potential:

1. Sales Potential helps in determining the expected income out of the business.
2. It helps to produce at the right time the right quantity of product which is useful in reducing the company's losses.
3. The process gives a good start to the business and solves problems of decision making.
4. Also it determines an approximate amount of required both raw materials and labor force.
5. Sales Potential can improve the process of proper planning to achieve desirable targets.
6. Sales Potential’s disadvantages

The most important disadvantages of sales potential are:

1. The forecast of sales potential may give inexact results. It happens because of coming up of new trends and technological disruptions.
2. Because there are many alternatives which are available in the market, the buying behaviors of the consumers are irregular and can't be predictable.

Example of Sales Potential

The forecast of Coca-Cola's sales potential is a combination of social and economic parameters, historical data, seasonal variations and occasions[2]. To control monthly forecasts they have weekly reviews. They analyze submarket and regional supply and demand and before forecasting, they consider macroeconomic conditions. Mostly, the forecast is fragmented into cities, towns, and villages. They make their decisions to minimize risks and to maximize returns. Thanks to estimating sales potential Coca-Cola is able to satisfy the population's demands and get a big market share [3].

Other approaches related to Sales potential

Below is the list of approaches related to sales potential:

- Market analysis – This approach helps to evaluate the size and growth of the target market, its characteristics, the competitors, the trends and the potential for success.
- Customer segmentation – This approach helps to acquire knowledge about different types of customers, their preferences, and their needs.
- Market research – This approach helps to identify customer needs, evaluate market opportunities, and develop strategies to ensure that the product or service will meet customers’ expectations.
- Competitor analysis – This approach helps to assess the competitive environment and the strategies adopted by the competitors.
- Pricing strategy – This approach helps to determine the pricing strategy and the pricing model that will be most beneficial for the company.

Overall, assessing sales potential is a complex process which requires a deep understanding of the market and the customers. Other approaches such as market analysis, customer segmentation, market research, competitor analysis, and pricing strategy can help to assess the potential for success in a new market.

Importance of Sales Potential

Sales potential generally means how much one product could be sold. It means total quantity of a particular brand that could be sold in a market instead of all the brands of a particular product category. It is actually a process by which a business / company predict the future market demand.

This includes all the direct costs so that it will be easy to estimate profits. Before sales potential forecasting the sales, there are certain assumptions that need to be considered. Those are – either market share will grow or shrink by certain percentage, need of increasing sales force, location advantages, and increase in product’s prices, change in technology, competition, and government regulations. It forecast can be short term as well as long term.

Advantages of Sales Potential

Sales Potential has several advantages, some of which are written below:

1. It helps in producing right quantity at the right time which in turn helps company in reducing losses.
2. Helps the management to determine the expected revenue out of the business.
3. Also helps in determining an approximate quantity of raw materials and labor force required.
4. It gives a good driving start to the business in terms of decision making.
5. Helps in proper planning to achieve required targets.

Disadvantages of Sales Potential

Some disadvantages are:

1. Consumer's buying behavior can't be predictable and are irregular as there are many alternatives available in the market.
2. Sales potential forecast may sometimes give inaccurate results because of technological disruptions and coming up of mega trends.

Difference Between Market Potential Vs Sales Potential

While defining market and sales potential, both of the concepts takes into consideration both the needs and demands of the customer. Market Potential is the total quantity of all brands of a same product category that could be sold. It differs from Market potential as it only considers the total quantity of a particular brand instead of all the brands that could be sold in the market.

For example, if there are two brands - Brand X and Brand Y. Customers who are very much loyal to Brand X would be market potential estimate for Brand Y but would not be their sales potential estimate and vice versa. So, there is no guarantee that sales estimates will be equal to market estimates. Mostly sales potential estimates are calculated from market potential estimates. So in order to calculate sales potential estimates, one needs to know market potential estimate.

Examples of Sales Potential

Coca Cola sales potential forecast is combination of various factors like historical data, social and economic parameters, seasonal variations, occasions, festivals and ceremonies. They do have weekly reviews so as to adjust monthly forecasts. Ion Mostly the forecast is done region-wise and are further fragmented into cities, towns and villages. They analyze regional and submarket demand and supply and take into consideration macroeconomic conditions before forecasting. They build their decisions in order to maximize returns and minimize risks. Hence, estimating sales potential helps coca cola in getting a huge market share and the company is able to cater to the demands of a huge population.

Product market analysis – Determining the sales force size

Product Market Analysis is a process that helps businesses understand the market demand for their products or services. It involves gathering and analyzing data to assess factors such as market size, growth potential, competition, customer needs, and buying behavior.

When determining the sales force size, the following steps can be taken:

Define Sales Objectives: Start by clarifying the sales objectives and goals you want to achieve. This could be sales revenue targets, market share goals, or expansion into new territories.

Understand the Market Potential: Conduct a thorough product market analysis to determine the size of the target market and the potential demand for your product. Look at the total addressable market (TAM) and the serviceable addressable market (SAM) to identify the portion of the market you can realistically target.

Evaluate the Sales Process: Analyze your sales process and identify the various stages involved, from prospecting to closing deals. Understanding your sales cycle and conversion rates at each stage will help determine how many salespeople are needed to reach your sales objectives.

Assess Sales Force Productivity: Review the historical performance of your sales team to understand their productivity and sales per salesperson. This will provide insights into the average performance and set a benchmark for new hires.

Workload Analysis: Calculate the workload per salesperson based on the market potential and sales objectives. Consider factors such as the average sales volume per customer, the frequency of customer interactions, and the time required to manage existing accounts.

Geographical Coverage: If your target market is spread across different regions, consider the geographical coverage required to serve those areas effectively. Determine the number of salespeople needed in each region based on market size and potential.

Account for Turnover and Training: Take into account employee turnover rates and the time required for new sales hires to ramp up their productivity. Account for recruitment and training time in your sales force size calculation.

Consider Sales Support: Assess the level of sales support provided to the sales team, such as marketing, customer service, and administrative assistance. The availability of support may influence the number of salespeople required.
Use Sales Analytics and CRM: Leverage data from sales analytics and Customer Relationship Management (CRM) systems to track performance, identify bottlenecks, and optimize sales team efficiency.

Flexibility for Growth: Consider future growth projections and allow some flexibility in the sales force size to accommodate business expansion.

Budget Constraints: While determining the ideal sales force size, consider the budget limitations and balance it with the desired market coverage and sales objectives.

By following these steps and considering various factors, businesses can arrive at an optimal sales force size that aligns with their sales goals, market potential, and resource constraints. Regularly reviewing and adjusting the sales force size based on market changes and business needs is essential for maintaining a competitive edge in the market.

Methods of Determining Sales Force Size (With Illustration)

There are some methods to decide on sales force size.

1. Equalized Workload Method:

For this method, the workload means the calls the salesmen have to make. The method depends on total workload (i.e., calls). Here, salesmen's duties, functions, or activities are said as 'calls.' A call may include a number functions like pre-approach, approach, and sales presentation, abjection handling, and closing sales. However, a call can be defined by the company as per its requirements or expectations.

The method can be applied only if a company is in position to decide on:

(1) Different groups of customers based on size of purchase,
(2) Number of calls required by the different groups of customers, and
(3) Average number of calls a salesman can make in a year.

Equalized workload method involves following steps:

i. **Classification of Customers:**
Customers are classified into several groups on the basis of their average annual consumption.

ii. **Deciding Desirable Call Frequency:**
Number of calls for each of the groups of customers is determined.

iii. **Calculating Total Workload:**
To calculate total workload, different customer groups are multiplied by corresponding call frequency.

iv. **Determining Average Number of Calls:**
Average number of calls a salesman can make in year is determined.

v. **Determining Sales Force Size:**
Sales force size (number of salesmen) is determined by dividing total workload (calls) by average number of calls a salesman can make in a year.

Illustration:

Let's take an example to understand the method.

ABC Ltd provides following information:

The company has three groups of buyers, such as:

i. Class A – Heavy Users:

There are 500 heavy users and desired call frequency is 10 calls a year.

ii. Class B – Medium Users:

There are 2000 medium users and desired call frequency is 6 calls a year.

iii. Class C – Light Users:

There are 5500 light users and desired call frequency is 4 calls a year.

Based on experience and study, a company has concluded that in an industry an average salesmen can make 1000 calls in a year.

Let us calculate sales force size for ABC Ltd,

Table 2: Table Showing Calculation of Total Workload

Types of customers customers	Number of each class	Desired Call Frequency (Number of Calls)	Total Workload (calls)
Class A Heavy Users	500	10	500 x 10 = 5000
Class B Medium Users	2000	6	2000 x 6 = 12000
Class C Light Users	5500	4	5500 x 4 = 22000
Total	8000		39000

Sales force size can be calculated as:

Sales force size = Total workload + Average number of calls per salesman
= 39000 + 1000
= 39

Company's sales force size is 39 salesmen. It needs 39 salesmen to meet its workload.

2. Incremental Productivity Method:

In this method, additional (incremental) cost of salesman is compared to additional (incremental) sales revenue. Thus, additional contribution of additional salesman is calculated. First of all, a company can appoint any number of salesmen (normally minimum number).

Then, it will continue adding more salesmen as long as the additional sales revenues are greater than additional selling costs. This method is not much useful as it requires a lot of calculations and it is based on the notion that increase in sales revenue is due to additional salesmen, which is always not true.

3. Experts' Opinion Methods:

Here, experts are asked to suggest the right number of salesmen a firm requires. Experts may be internal such as general managers, marketing manager, sales managers, senior salesmen, marketing research officer, etc., or external like marketing consultants, advertising agencies, and marketing research firms.

The experts are provided with needed details about company's objectives, market share, profitability, financial condition, competition, and other relevant aspects. On the basis of their experience and research, they suggest specific number of salesmen a company should appoint. This is not scientific methods as their opinions depend on their perception. There is possibility of bias. Company must follow experts' opinion carefully considering its own situations.

4. Affordable Methods:

In real sense, this is not a method. The number of salesmen depends on a company's financial capacity to spend. Obviously, a company with sound financial position appoints more salesmen and vice versa. Its actual needs are not taken into account.

The fact is, a company's financial position depends on sales and profits; sales and profits depend on selling efforts. Ironically, a company with poor financial position needs more salesmen, instead of less, to increase sales and profits!

5. Arbitrary Fixation Method:

Here, sales force size is determined arbitrarily or randomly. A sales manager doesn't relate sales efforts to any other aspects, neither takes opinion of experts. He can determine any number of salesmen that seems appropriate according to his views. His experience, assumptions, and calculation play important role.

TERRITORY MANAGEMENT

A sales territory consists of a group of consumers or a geographical area assigned to a particular salesperson. The area allocated to the salesperson contains the present and the potential consumers of the organization.

After the allocation of sales territory, the sales manager can be in a position to contest between sales efforts and sales opportunities. It would be very difficult for the sales manager to monitor the total market as it is too large and unmanageable by one person. Hence it is divided as per territories to manage effectively and efficiently and control the sales force.

The salesperson does not only pay attention to the area but also the consumer prospects. Thus, a sales territory can be known as the grouping of customers and prospects, which is assigned to an individual salesperson.
Sales territory is for the big companies having huge market share. Small and medium scale companies do not use geographically defined territories. The market share is not so high to divide into territories.

DEFINITIONS

"A sales territory comprises a number of presents and potential customers, located within a given geographical area and assigned to a salesperson, branch or intermediary." ***– Sapiro, Stanton & Rich (2011)***

A sales territory is usually a specific geographic area that contains present and potential customers and is assigned to a particular salesperson. ***– Hair, Anderson, Mehta, & Anderson, (2009)***

Reasons for Establishing Territories

The main motive of establishing sales territories is to simplify the planning and controlling of the selling function.

Following are some reasons for establishing sales territories −

1. **To obtain thorough coverage of the market**
   According to the division of sales territory, the activities are assigned to salesperson. This helps in market coverage, rather than the salesperson selling the product according to his ambition. It helps the sales manager to monitor and take updates accordingly from different sales managers.
2. **To establish the salesperson's job and responsibilities**
   It's very important to establish jobs and responsibilities for salespersons. Sales territories help in doing so because the task is assigned to the salesperson and he is responsible and answerable for the same.
   Once the task is assigned, frequent checks are done to monitor the calls; it helps to determine the work of each salesperson. If the sales manager finds the workload for a particular person is more, the work is divided and reassigned equally. This creates motivation and interest to work.
3. **To evaluate sales performance**
   In an organization, the sales territory is compared from the previous years to current to find out the difference, i.e., the increase or decrease in sales volumes. It helps to work on the difference accordingly. This is done with the help of sales territory as the activities are assigned in a proper manner and gathering of data and evaluation becomes easy.

The comparison to evaluate sales performance is done on the following basis −

- Individual to District
- District to Regional
- Regional to Entire Sales Force

By this comparison, we can evaluate and determine where the sales force is contributing for high volume of sales.

4. **To improve customer relations**
   As we know, salespersons have to spend most of their time on road to sell the products but if the sales territory is designed in a proper way, the salesperson can spend more time with the customers (present and potential). This helps in building rapport and understanding the needs better.
   Sales of a company can increase when a customer receives regular calls and the salesman has to visit the customers on the basis of calls. The salesman and the customer get time to understand each other and resolve their issues regarding demand and supply. This also helps in increasing the brand value of the company.

5. **To reduce sales expenses**
   Once the geographical areas are decided, the company gets a proper picture as to the areas that can be assigned to the salespersons. He/she needs to cover that area so that there is no duplication of work by sending two salespersons in the same area.
   The selling cost of the company gets reduced and leads to increase in profits. There is also an advantage to the salesperson for few travels and overnight trips.
6. **To improve control of the sales force**
   The performance of a salesperson can be measured on the basis of calls made to customers, the routes taken and the schedules. In this case, the salesperson cannot deny if the results are not positive.
   The salesperson has to work on the same routes, schedule and everything is predetermined. This results in better control of the sales force.
7. **To coordinate selling with other marketing functions**
   If the sales territory is designed properly, it helps the management to perform other marketing functions as well. It is easy to perform an analysis on the basis territory as compared to the entire market.
   The research done by the management on marketing on territory basis can be used to set sales quotas, expenses and budgets. The results can be satisfactory if the salesperson helps in advertising, distribution and promotion when the work is assigned on territory basis instead of the market as a whole.

Procedure for Designing

At the time of designing the territory, the manager has to keep in mind the size of the territory that is going to be assigned to the salesperson. It should be neither too small nor too large. If the territory is geographically too small, the salesperson would keep calling the same customers repeatedly. In contrast, in a too large geographical area, the salesperson will not be able reach the scattered customers as most of his time will be utilized in travelling. Hence the territory should not be too large or too small; it should be such that all potential customers can be visited as per the requirement.
The procedure of designing sales territories is the same for all companies, whether setting the territories for the first time or revising the existing territories.

Select Control Point

As the name suggests, the management has to select a geographical control point. The control points can be classified on the basis of district, pin codes, areas, states and cities.
At the time of selecting the control unit, the management should aim to select as small a control unit as possible.

The following are the reasons behind selecting small control units.

Reason 1

If the control unit is too large, the areas with low sales potential will be hidden by the areas with high sales potential. The areas with high sales will be concealed if the areas with low sales potential will be included.

Reason 2

In case of any changes required in future, they can be done smoothly. **Example** − A company wants to allot some territory to Mr. A. This part of territory had earlier been assigned to Mr. B. It can be done easily, as the unit is small.
If the sales potential for the company is located in urban areas, the city can be used as a control point. But there are some disadvantage also, as the adjacent areas to cities also possess sales but they are covered by paying additional cost to the salesperson.

The control point can also be set up according to the trading areas. It is a sensible decision to set up the control point according to the trading area. It is based on the flow of goods and services rather than economic boundaries.

Example − The wholesaler or retailer use trading area as the control point.
Trading area can be considered as the geographical region that consists of a city and the surrounding areas; this region works as the main retail or wholesale center of the region. Generally, the customers from one trading area do not go outside the boundaries to buy goods.
Even an outsider customer will not enter the trading area to purchase a product. The main advantage of the trading area is that the salesperson is aware of the buying habits of the customers and the pattern of trade. It also helps the management in planning and control.
The control point can be decided on the basis of states. A state may be a capable control unit when the organization has small sales force that is covering the market selectively.

Example− A company sells its products in the country in all states; in this case, the territory boundaries could be based on states.
It is less expensive and convenient to gather data and make evaluation.

Making an Account Analysis
The next step after selection of geographical control unit is to plan an audit of each geographical unit. The reason for performing this audit is to analyze the customer prospects and find out the sales volumes for each account.

Accounts can be recognized by names; in recent times, there are many sources to pull out the data, for example, the yellow pages. We can also collect the data through the past sales of the company. After collecting the data, the next step is to estimate the sales for each geographical unit. The sales manager estimates the sales volume that the company is expected to get in the following years.
There are many factors to contribute such as competition, advantage of the company in that geographical area, etc. Now there are many software available for calculation and the final result. This can be done much quickly as compared to when it is done by the sales manager manually.
After the sales potential estimates have been taken, the system divides into three types, which is done through ABC analysis. This is one of the most common analyses used by companies. Where the sales potential is greater than expected, it is classified as “A Category”. Average potential is classified as “B Category” and the sales potential below average is classified as “C Category”.

Developing a Salesperson Workload Analysis

The salesperson workload analysis is done on the basis of the time and effort taken by a salesperson to cover a geographical unit.
The following are a few points needed to estimate workload −

- Frequency of calls
- Duration of calls
- Travel time

The estimates workload is calculated by considering these factors.
The most important factor is the duration of calls. These depend on the customers and issues. If the problem is severe, it may take time to resolve and tackle the question from customers.

Another important factor is the travel time; this differs from one area to another depending on the factors transportation, condition of roads, weather condition etc. The sales manager tries and plans accordingly to reduce the travel time taken by the salesperson and utilizes the time to call more number of accounts/clients.

Combining Geographical Control Units into Sales Territories

In the first three steps, the sales manager works on the geographical control units; now he has to combine the control units into territories.

Initially the sales manager used to manually develop a list of territories by combining the control units. It was a time consuming procedure and also the result was not accurate, as it was done manually. Now computers handle this activity and complete it in a much shorter period of time with accurate results. The operational error is reduced here.

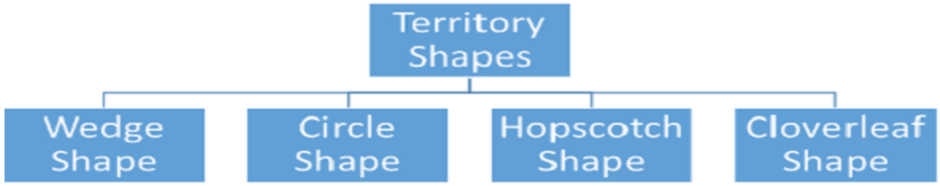
All the salespersons cannot be considered equal and competitive; it depends on the basis of experience and skills. The salespersons are assigned territories by the sales manager depending on the basis of sales. The geographical areas with high sales are assigned to the salesperson with experience, who can handle the workload. The new or less effective sales people are assigned the areas with less sales potential.

Territory Shape

The sales manager has to decide the shape of the territory. The territory shapes affects the selling expenses and also helps for sales coverage. There are four types of shapes, which are used widely.

- The wedge
- The circle
- Hopscotch
- The cloverleaf

Let us discuss these types one by one.



The Wedge

This shape is suitable for the territories, which contain both the urban and non-urban areas. The radius starts from the most populated urban center. Wedges can be divided into many sizes and the travel time can be maintained by balancing between the calls of urban and non-urban areas.

The Circle

When the clients are distributed evenly throughout an area, the sales manager chooses the circle shape. The salesperson starts from the office, moves in a circle of stops until he reaches the office again. This helps the salesperson to come near to the customer as compared to the wedge.

Hopscotch

In this shape, the salesperson begins from the last point from office and reach out the customers while coming back to the office. While going, the salesperson does not stop anywhere and attends calls in one direction while coming back to the office.

The Cloverleaf

When the accounts or client are located randomly in a geographical area, the cloverleaf shape is used. This type of shape is more often found in industrial markets than in consumer markets.

Assigning Sales Personnel to Territories

Once the sales territory has been designed, the last step is to assign sales personnel to the territories. All the salespersons are not equal in terms of ability, initiative, etc.; the workload of one salesperson may be overload to another and may cause frustration.

The sales manager must rank the salespersons accordingly before assignment of territories. The ranking should be done on the basis of ability, knowledge, communication, etc. The other points, which the sales manager should look at, are the cultural characteristics of the salespersons and how they match with the territory.

Example − If a salesperson is born and brought up in rural area, he would be able to do more effective sales in that particular area as compared to urban area.

We can now conclude that the goal of a sales manager is to assign the geographical area to the salesperson who would maximize the territory sales and where the customers are comfortable with the salesperson.

Establishing the sales territory helps in planning and controlling the sales operations. A well designed sales territory helps to increase sales volume and market coverage and provide better services to customers. Once the sales territory is allocated to the salesperson, he is responsible for making things happen.

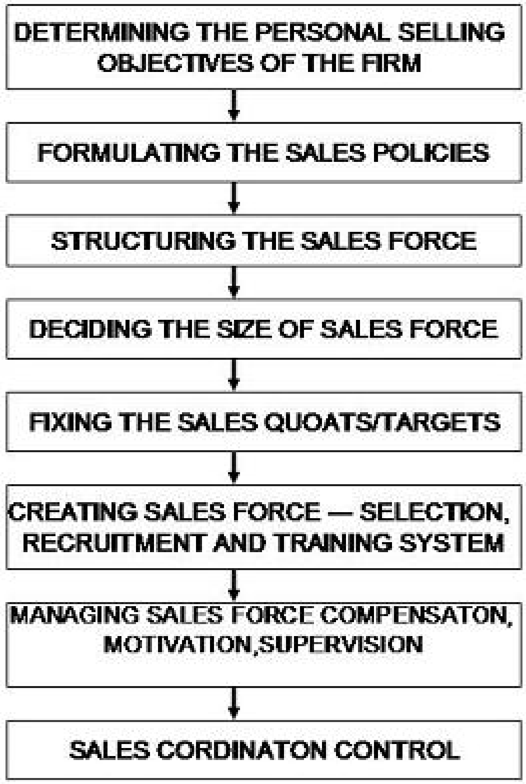
Unit – III

Sales force management: Recruitment and Selection: Job analysis, Manpower Planning, Job specification and Job description, sources of sales recruits, Problems in screening and selecting the applicants. Sales targets: Quantitative & Qualitative methods. Planning sales force training methods, content, execution, training the dealer salespersons and evaluating the training programmes. Leadership and supervision. Compensation: Objectives, remuneration methods, incentives. Motivating the sales force – Sales meetings and Sales Contests.

Sales Management is an integral sub-system of **Marketing Management**. It translates the **Marketing Plan** into **Marketing Performance**. **Sales Management** is hence described as the muscle behind **Marketing Management**. Every organization has people who are entrusted with the responsibility of dealing with prospects and customers to sell their products or services — its salesmen. They may be called technical executives, sales executives or marketing executives. Whatever the term is used, their major concern in the sales function is to constantly improve the profitability of the territory.

The **Sales Manager** in a modern organization holds a multitude of responsibilities. He has to plan, direct and control the personal selling effort of the firm. His task does not stop with the achievement of sales quotas. He is also responsible for bringing in the required profits. In addition, he is also responsible for creating the desired image for the company and its products. In fact, a modern sales manager has to do marketing rather than mere selling. His firm expects him to assume a much larger role than the traditional responsibilities of achieving sales quotas. It expects him to be customer oriented; as well as profit directed.

Designing of Sales Force Management



1. **Determining the Personal Selling Objectives of the Firm**: *The role* of personal selling may vary from company to company depending on the overall objectives, the corporate strategies adopted by it, the type of produce, nature of target market, resources available and competitors practice. Personal selling objectives depend on the relative priorities assigned by the firm.
2. **Formulating Sales Policies**: This is the next key task in the **sales force management**. Sales policy has to be set within a range of areas like Product, distribution and pricing.
3. **Structuring the Sales Force**: Organizations usually structure their sales force on territory basis or on product line basis.In case of territory based structuring the salesman handles all the product / product lines of a firm in the given territory. And in the case of product based structuring, several salesman of the firm operate in a given territory, each handling different products of the firm.

4. **Deciding on the Size of Sales Force**: The size of sales force has o be fixed at an optimum level. A number of interrelated considerations are involved: (a) Level of sales expected and number of salesperson needed for generating the sales, (b) Minimum number of salesmen needed from the servicing angle irrespective of the level of sales, and (c) Cost involved in maintaining the sales force
5. **Fixing Sales Quotas and Targets:** Sales quotas or targets set for salesman should reflect the firm's personal selling objectives, its overall sales plan, and size of sales force and nature of sales territories. The quota should neither be too high nor too low. It should match what a good salesman can accomplish by putting in sincere efforts.

6. **Creating a Sales Force: Selection, Recruitment and Training**: The 1st step in **developing an effective sales force** is recruiting first class salesmen. Training, motivation, development and other aspects of sales management will no doubt help the process but basically the men recruited must be good.
7. **Managing the Sales Force: Compensation, Motivation and Supervision**: Recruitment is just the 1st the part of building a top-notch sales force. The other parts relates to retaining them, managing them and making them contribute their best. A good compensation plan is the first requisite for retaining and motivating salesmen.
8. **Sales Communication and Reporting**: Sales Management is carried out largely through communication (oral & Written). The sales manager lets his men know what they are expected to achieve how they are performing how they can improve and perform better. He also keeps them informed of what is happening in the company. Sales reports are also useful tools in sales administration implementation control and coordinate. They are also useful tools of sales communication.
9. **Sales Coordination/Control**: It is through sales control that the sales executive ensures that all the personal selling objectives of the firm are achieved. The sales executive has the responsibility of

coordinating the different elements/activities of the selling effort. He should ensure that he various elements do not pull in different directions.

Major Steps in Sales Force Management:

1. Establishing Sales Force Objective:

Sales people must be given clear, feasible and attainable objectives.

2. Designing Sales Force Strategy, Structure, Size and Compensation:

(i) Sales Force Strategy:

This includes deciding the type of persons required, type of products added in product line etc.

(ii) Structure:

Strategy influences the structure. Possible structures are:

(a) Territorial Sales Force Structure:

A particular territory in which each sales person is assigned to sell company's full line. Sales area is small so selling can be done more effectively. The sales man can understand the needs of the area and can design his strategy accordingly. This strategy is cost effective as well.

(b) Product Sales Force Structure:

It is used when the products are numerous, unrelated and complex. In this, sales force sells along the product line. Kodak films and industrial goods are sold by separate sales force, i.e. for industrial films technical sales force is there and a separate sales force sells commercial armature films.

(iii) Sales Force Size:

It denotes the number of employees.

(iv) Compensation:

Proper compensation is required. Both monetary and non-monetary compensation would complete the compensation plan.

Different methods of compensation and incentives are:

(a) Straight salary plan – Sales men are paid a fixed salary.

(b) Straight commission plan – Where only selling commission is paid on every unit sold.

(c) Salary plus commission plan – Where a fixed minimum salary is ensured and commission is paid on every unit sold.

(d) Commission plus approved expenses – In this plan, in addition to a commission, some approved expenses are reimbursed by the firm.

(e) Salary plus group commission plan – As the name suggests, this method advocates payment of a fixed amount as salary. In addition the entire group is paid some commission which is an incentive for good or efficient performance as a group.

3**. Training Activities:**

The activities involved in training are:

(i) Spelling out the aims of the sales training

(ii) Determining the needs of training

(iii) Identifying needs of individual salesman

(iv) Deciding about the nature and type of training required
(v) Content of training
(iv) Change in the methods of training
(vii) Developing the instructional material and training aids
(viii) Timing the training
(ix) Evaluating the effectiveness of the training
(x) Training the trainer

5. Supervising Sales People:

The senior management must supervise the sales force on a regular basis. The importance of control cannot be undermined or given less emphasis than any other function. Supervision helps the management in knowing what is going on. Also it helps in taking a corrective action, if required, at an early stage.

Another important objective of supervision is control. The management can show its concern for its people, and thereby motivate them by regular and routine supervision. But such a system must be used in moderation, lest the employees start feeling hassled and demotivated.

6. Evaluating Sales People:

Regular evaluation of sales people helps the management in identifying people who are good or who are bad. Those who are good and efficient must be awarded for their task. Bad ones must be motivated and trained to improve and if after all efforts they do not improve then punitive measures must be adopted.

Recruitment and selection are critical components of sales force management as they involve finding the right candidates to fill sales positions within the organization. Effective recruitment and selection processes are essential to ensure that the sales team consists of talented, motivated individuals who can drive sales and contribute to the company's success. Here's a step-by-step breakdown of the recruitment and selection process:

Job Analysis: The process begins with a thorough job analysis, where the sales manager identifies the specific roles and responsibilities of the sales positions. This includes understanding the key tasks, required skills, qualifications, experience, and personality traits necessary for success in the role.

Manpower Planning: Based on the sales objectives and workload analysis, the sales manager determines the number of salespeople required and their distribution across territories or regions. This helps in estimating the size of the sales force needed to meet the sales targets.

Job Specification: A job specification is created that outlines the qualifications, skills, and attributes required for successful candidates in the sales roles. This document serves as a guide for evaluating potential candidates.

Job Description: A comprehensive job description is drafted, detailing the roles, responsibilities, and expectations for the sales positions. It provides candidates with a clear understanding of what the job entails and what will be expected of them.

Sourcing Candidates: Candidates can be sourced from various channels, including internal promotions, employee referrals, online job portals, recruitment agencies, career fairs, and social media platforms. Internal promotions and referrals can be particularly valuable, as they often lead to higher retention rates and better cultural fit.

Screening Resumes: The HR team or hiring manager reviews the resumes and applications received from potential candidates. They assess whether the applicants meet the job requirements outlined in the job specification.

Interviewing: Shortlisted candidates are invited for interviews. The interview process typically involves multiple rounds, including initial phone screenings, one-on-one interviews, and possibly panel interviews. Behavioral and situational questions can be asked to gauge the candidate's sales skills, problem-solving abilities, and cultural fit.

Assessment Tests: Depending on the organization's practices, candidates may be subjected to various assessment tests, such as sales aptitude tests, personality assessments, or role-playing exercises to evaluate their selling abilities and fit with the sales role.

Reference Checks: Contacting the candidate's references can provide valuable insights into their past performance, work ethics, and reliability.

Offer and Onboarding: After identifying the best candidate, an offer is extended, and negotiations may occur regarding compensation and benefits. Once the candidate accepts the offer, the onboarding process begins, which includes orientation, training, and integration into the sales team.

A well-executed recruitment and selection process ensures that the sales team is staffed with competent, motivated individuals who can drive sales growth and contribute to the organization's success. It is important to regularly assess the effectiveness of the recruitment process and make improvements based on feedback and data analysis.

Sales Targets:

Quantitative Methods: Setting specific sales targets based on historical data, market potential, and growth projections. These targets may include revenue, units sold, market share, etc.

Qualitative Methods: Establishing qualitative goals related to customer satisfaction, relationship building, brand perception, and market penetration.

Quantitative Methods:

Quantitative targets are specific, measurable, and numerical goals that focus on the tangible outcomes of the sales efforts. These targets are typically based on historical data, market analysis, and growth projections. Some common quantitative sales targets include:

1. **Revenue Targets:** Setting specific sales revenue goals for a given period, such as monthly, quarterly, or annually. This helps in driving financial success for the company.
2. **Units Sold**: Establishing targets for the number of units or products the sales team needs to sell within a defined timeframe.
3. **Market Share**: Setting goals to increase the company's market share by a certain percentage, indicating its share of the total market compared to competitors.
4. **Profit Margins**: Defining targets to improve profit margins on sales, ensuring that sales are not only increasing but also contributing to profitability.
5. **New Customer Acquisition**: Setting targets to attract a certain number of new customers within a specific period to expand the customer base.

Quantitative targets provide clarity and focus on the measurable outcomes of sales efforts. They help in evaluating sales performance and tracking progress toward the company's financial and growth objectives.

Qualitative Methods:

Qualitative targets are less tangible but equally crucial for sales success. These targets focus on aspects that may not be easily quantifiable but significantly impact the long-term success and sustainability of the business. Some common qualitative sales targets include:

1. **Customer Satisfaction:** Setting goals to achieve high levels of customer satisfaction through excellent service, support, and meeting customer needs.
2. **Relationship Building**: Focusing on building strong, long-term relationships with customers to foster loyalty and encourage repeat business.
3. **Brand Perception:** Defining targets to improve the brand image and perception in the market, leading to increased brand loyalty and trust among customers.
4. **Market Penetration:** Establishing goals to enter new markets or increase market penetration in existing markets.
5. **Sales Process Efficiency**: Setting targets to improve the efficiency of the sales process, reduce lead conversion time, and enhance overall sales productivity.

Qualitative targets emphasize customer-centricity and sustainable growth. They ensure that the sales team focuses on providing value to customers and nurturing long-term relationships, leading to increased customer retention and positive word-of-mouth.

Combining both quantitative and qualitative targets helps create a balanced and comprehensive approach to sales performance evaluation. It is essential to communicate these targets clearly to the sales team, provide necessary resources and support, and regularly monitor progress to ensure alignment with the overall business objectives.

SALES FORCE TRAINING

Sales force training is crucial for enhancing the skills, knowledge, and performance of the sales team. A well-designed training program equips salespeople with the tools they need to succeed in their roles and ensures that they stay up-to-date with the latest industry trends and selling techniques. Here's a more detailed look at each aspect of sales force training:

Training Methods and Content:

Workshops: Conduct interactive workshops that provide hands-on learning experiences. Workshops can cover topics such as sales techniques, objection handling, negotiation skills, and customer relationship management.
Role-Playing: Role-playing exercises allow salespeople to practice their selling skills in simulated scenarios. This helps build confidence and provides an opportunity to receive feedback and coaching from trainers or peers.
E-learning: Utilize online training platforms and modules to deliver training content conveniently. E-learning can cover a wide range of topics, including product knowledge, sales processes, and compliance training.
On-the-Job Training: Pair new salespeople with experienced mentors who can guide them in real-life selling situations. On-the-job training is an effective way to learn through observation and hands-on experience.
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The content of the training program should be comprehensive, covering product knowledge, features, benefits, competitive advantages, and target customer profiles. It should also focus on selling techniques, effective communication, customer service skills, and understanding customer needs. Additionally, training should include company policies, sales processes, and any relevant legal and ethical considerations.

Execution:
Consistency and continuity are key to the success of sales force training. Training should be an ongoing process, not just a one-time event. New hires should receive thorough onboarding training, while existing sales team members should have access to continuous learning opportunities to improve their skills and adapt to market changes.

Training the Dealer Salespersons:
Dealer salespersons represent the company's products or services to customers at various retail locations. They play a crucial role in delivering a consistent message and customer experience. Providing specialized training to dealer salespersons ensures that they have a deep understanding of the products they sell, including their features, benefits, and usage. This helps maintain brand consistency and builds trust with customers.

Evaluating Training Programs:
Regular evaluation of training programs is essential to measure their effectiveness and identify areas for improvement. Some evaluation methods include:

Tests and Assessments: Conduct tests to assess the knowledge and understanding of training participants.
Simulations: Use realistic simulations to evaluate how well salespeople apply the training concepts in practical scenarios.
Feedback: Gather feedback from trainees about the training content, delivery, and overall experience.
Performance Metrics: Measure sales performance before and after training to determine its impact on key performance indicators.

Based on the evaluation results, training programs can be refined and updated to better meet the needs of the sales team and the changing market dynamics.

Overall, effective sales force training plays a vital role in developing a skilled and motivated sales team that can drive sales growth and deliver outstanding customer experiences. By adopting a diverse range of training methods and continuously evaluating and updating the training content, companies can ensure that their sales force remains competitive and capable of achieving their sales targets.

Leadership and Supervision:
Strong leadership and effective supervision are essential to guide the sales team, provide support, set expectations, and promote a positive sales culture.

leadership and supervision are fundamental components of successful sales force management. They play a crucial role in shaping the behavior, performance, and morale of the sales team. Here's how strong leadership and effective supervision contribute to the success of the sales force:

Setting Direction and Vision: Effective leaders provide a clear direction and vision for the sales team. They communicate company goals, sales targets, and expectations, ensuring that every team member understands their role in achieving the overall objectives.

Support and Resources: Leaders offer support and provide the necessary resources to enable the sales team to perform at their best. This includes access to training, sales tools, marketing materials, and any other support needed to succeed in their roles.

Coaching and Development: Leaders serve as mentors and coaches to the sales team, helping them improve their selling skills, overcome challenges, and reach their full potential. Regular feedback and constructive criticism are essential for continuous improvement.

Performance Management: Effective leaders set performance standards and hold sales team members accountable for their results. They track individual and team performance, identify areas for improvement, and take appropriate actions to address performance gaps.

Motivation and Recognition: Leaders motivate the sales team by recognizing and rewarding outstanding performance. Acknowledging achievements boosts morale and fosters a positive sales culture.

Conflict Resolution: In a sales environment, conflicts can arise between team members, or between sales and other departments. Effective leaders address conflicts promptly and promote a collaborative atmosphere within the team.

Adaptability and Agility: Successful leaders are adaptable and agile, responding to market changes and adjusting strategies as needed to stay ahead of the competition.

Leading by Example: Leading by example is crucial for gaining the trust and respect of the sales team. When leaders demonstrate the behaviors they expect from their team, it fosters a sense of unity and encourages a high standard of performance.

Communication: Effective communication is essential in sales leadership. Leaders need to be open, transparent, and accessible to the sales team. Regular team meetings, one-on-one discussions, and open-door policies facilitate communication and ensure that everyone is on the same page.

Building a Positive Sales Culture: Leaders play a vital role in creating a positive sales culture that promotes teamwork, collaboration, and a customer-centric mindset. A positive sales culture boosts morale and job satisfaction, leading to increased productivity and reduced turnover.

Continuous Learning: Strong leaders continuously seek opportunities to learn and improve their leadership skills. Staying updated on industry trends and best practices ensures that leaders can effectively guide their team in a rapidly changing sales landscape.

In conclusion, strong leadership and effective supervision are essential for creating a high-performing and motivated sales team. By providing direction, support, and recognition, leaders can drive the sales force towards achieving their goals and delivering exceptional results for the company.

Compensation:

1. **Objectives**: Design compensation plans that align with the sales objectives, motivate performance, and attract top talent.
2. **Remuneration Methods:** Compensation can be a combination of base salary, commission, bonuses, and benefits.
3. **Incentives**: Offer incentives such as sales contests, rewards, recognition, and career advancement opportunities to motivate the sales force.

Compensation is a critical aspect of sales force management, as it directly impacts the motivation, productivity, and retention of salespeople. A well-designed compensation plan can align the interests of the sales team with the company's objectives, drive performance, and attract and retain top sales talent. Here's a closer look at each component of sales force compensation:

Objectives:

- **Alignment with Sales Objectives**: The primary objective of sales force compensation is to align the compensation plan with the company's sales objectives. This ensures that the sales team's efforts are directed towards achieving the organization's goals.
- **Motivating Performance:** Compensation plans should provide strong incentives for salespeople to achieve or exceed their targets. By offering attractive rewards for high performance, the sales force is motivated to excel.
- **Attracting Top Talent**: Competitive compensation packages can attract talented individuals to join the sales team. In a competitive job market, offering an appealing compensation plan can be a differentiating factor for attracting the best candidates.

Remuneration Methods:

1. **Base Salary:** The base salary is the fixed portion of the compensation that provides stability and financial security for salespeople. It is usually paid on a regular schedule, such as monthly or bi-weekly.

2. **Commission**: Commission is a variable component of compensation directly tied to sales performance. Salespeople earn a percentage of the revenue generated from their sales. Commission-based compensation incentivizes salespeople to drive revenue growth.

3. **Bonuses**: Bonuses are one-time rewards given for achieving specific targets or exceptional performance. They can be based on individual, team, or company-wide accomplishments.

4. **Benefits**: In addition to salary and commission, salespeople may receive various benefits, such as health insurance, retirement plans, paid time off, and other perks.

Incentives:

1. **Sales Contests:** Sales contests are short-term competitions that offer rewards to top performers. They create a sense of urgency and excitement, motivating the sales team to increase their efforts to win the contest.
2. **Rewards and Recognition:** Recognizing outstanding performance and rewarding top achievers can boost morale and encourage consistent high performance.

3. **Career Advancement:** Providing opportunities for career advancement based on performance can be a powerful incentive for salespeople to excel in their roles.

4. **Non-Financial Incentives:** Incentives need not always be monetary. Providing opportunities for professional development, training, or special assignments can also be motivating for salespeople.

A well-balanced and competitive compensation plan that combines base salary, commission, bonuses, and incentives is crucial for attracting, motivating, and retaining a high-performing sales force. Regularly reviewing and adjusting the compensation plan based on sales performance, market conditions, and organizational goals is essential to ensure its effectiveness in driving sales success.

Motivating the Sales Force:

1. **Sales Meetings:** Conduct regular sales meetings to share updates, celebrate successes, discuss challenges, and provide training and feedback.
2. **Sales Contests:** Organize contests and reward high achievers to encourage healthy competition and improve performance.

Motivating the sales force is a key responsibility of sales leaders and managers. Motivated salespeople are more likely to be engaged, productive, and focused on achieving their targets. In addition to sales meetings and sales contests, there are several other effective ways to keep the sales team motivated:

1. **Recognition and Rewards:** Regularly acknowledge and recognize individual and team achievements. Publicly praise top performers during team meetings, on company platforms, or through internal communication channels. Offer tangible rewards such as gift cards, trips, or other incentives for outstanding performance.
2. **Goal Setting and Performance Incentives:** Set clear, achievable, and challenging goals for each salesperson. Tie performance incentives and bonuses directly to goal achievement. Having specific targets to work towards keeps salespeople motivated and focused on their objectives.
3. **Career Development Opportunities:** Provide opportunities for professional growth and development. Salespeople are more motivated when they see a clear path for advancement within the company. Offer training programs, mentoring, and leadership development opportunities.
4. **Autonomy and Empowerment:** Give salespeople a degree of autonomy in how they approach their sales strategies. Empower them to make decisions and take ownership of their sales process. Feeling trusted and empowered enhances motivation and accountability.
5. **Regular Performance Feedback:** Provide regular and constructive feedback on individual and team performance. Highlight areas of improvement and recognize strengths. Feedback helps salespeople understand their progress and areas for growth.
6. **Team Building Activities:** Organize team-building activities and events to foster camaraderie and build a positive team culture. Team outings, workshops, or volunteer activities can strengthen relationships and improve team morale.
7. **Communication and Transparency:** Keep communication channels open and transparent. Share information about company updates, sales performance, and market trends. Informed salespeople feel more connected to the company's vision and goals.

8. **Promote Healthy Competition:** Encourage healthy competition among sales team members. Gamify the sales process with leaderboards, rankings, and point systems. Friendly competition can inspire salespeople to excel.
9. **Flexible and Inclusive Environment:** Offer a flexible work environment that accommodates individual needs and work styles. A supportive and inclusive workplace fosters motivation and loyalty among sales team members.
10. **Celebrate Milestones:** Celebrate not only major achievements but also smaller milestones. Recognizing incremental progress reinforces positive behavior and motivates continuous effort.
11. **Show Appreciation:** Express genuine appreciation for the efforts and hard work of the sales team. A simple thank-you can go a long way in boosting motivation.

Remember that different individuals may be motivated by different factors. Effective sales leaders understand their team members' unique motivators and tailor their approach accordingly. By consistently implementing motivational strategies and recognizing the efforts of the sales team, companies can create a positive and results-driven sales culture.

Unit – IV

Evaluation and control: Performance Appraisal, Sales budget, Sales Quotas, Systems approach, Sales Management audit. Sales analysis: sales related, cost related, activity related. Determinants of sales person performance. Financial, and Non-Financial Rewards.

Evaluation and control are essential components of sales force management as they help measure performance, monitor progress, and ensure that sales objectives are being met effectively. Here's a breakdown of key evaluation and control measures in sales management:

Performance Appraisal:

Conduct regular performance appraisals to assess the individual and team performance of salespeople. Performance appraisals involve evaluating sales targets, sales achievements, customer feedback, and adherence to sales processes. Constructive feedback and coaching are provided to help salespeople improve their performance.

Performance appraisal is a systematic process of evaluating and assessing the performance of individual salespeople and the sales team as a whole. It is a crucial component of sales force management, as it helps identify strengths, areas for improvement, and opportunities for professional development. Here's a more detailed look at the key aspects of performance appraisal in sales management:

1. **Setting Performance Goals and Objectives:** Performance appraisal starts with setting clear and measurable performance goals and objectives for each salesperson. These goals are aligned with the company's overall sales targets and individual responsibilities.
2. **Measuring Sales Performance:** During the appraisal process, sales managers and supervisors gather relevant data to measure sales performance. This includes evaluating actual sales achievements against the set targets and quotas.
3. **Customer Feedback:** Customer feedback is an essential aspect of performance appraisal, especially in sales roles where customer satisfaction is critical. Feedback can be collected through customer surveys, testimonials, or direct interactions with clients.

4. **Sales Process Adherence:** Salespeople are evaluated on their adherence to the established sales processes, guidelines, and company policies. Consistent adherence to best practices is essential for achieving sales success and maintaining customer satisfaction.
5. **Quality of Sales:** In addition to meeting sales targets, the quality of sales matters. Salespeople should be assessed on factors such as the value of deals closed, the profitability of sales, and the ability to secure repeat business from existing customers.
6. **Quantitative and Qualitative Feedback:** Performance appraisal involves both quantitative data, such as revenue generated, units sold, and conversion rates, as well as qualitative feedback on communication skills, customer relationships, and sales strategies.
7. **Constructive Feedback and Coaching:** Sales managers provide constructive feedback during performance appraisals. They highlight areas where the salesperson excels and areas that need improvement. Coaching and guidance are provided to help salespeople enhance their skills and overcome challenges.
8. **Recognition and Reward:** High-performing salespeople are recognized and rewarded during performance appraisals. This recognition reinforces positive behavior and motivates the sales team to maintain their efforts.
9. **Identifying Training and Development Needs:** Performance appraisal helps identify specific training and development needs of individual salespeople. Tailored training programs can be provided to enhance their skills and knowledge.
10. **Performance Improvement Plans:** In cases where salespeople are not meeting expectations, a performance improvement plan may be established to outline specific actions and support needed to help the individual improve their performance.

11. Regular and well-executed performance appraisals contribute to a motivated and productive sales force. It provides salespeople with valuable feedback, encourages professional growth, and ensures that the sales team is working towards achieving the company's sales objectives.

Sales Budget

Sales Budget: A sales budget sets financial targets for the sales team. It outlines the expected sales revenue, expenses, and profit margins for a specific period. Comparing actual sales performance with the budget helps identify areas of success and areas needing improvement

A sales budget is a financial plan that projects the expected sales revenue, expenses, and profit margins for a specific period, typically for a fiscal year, quarter, or month. It serves as a roadmap for the sales team to achieve their revenue and profitability targets and allows sales managers and executives to monitor and control the sales performance. Here are some key aspects of a sales budget:

1. **Sales Revenue Forecast:** The sales budget starts with a sales revenue forecast, where the sales team estimates the total sales revenue they expect to generate during the budgeted period. This forecast is typically based on historical sales data, market trends, customer demand, and sales pipeline analysis.
2. **Expenses Projection:** In addition to forecasting sales revenue, the sales budget also includes projections for various sales-related expenses. These expenses may include sales commissions, sales team salaries, marketing costs, travel expenses, training expenses, and other costs associated with sales operations.
3. **Profit Margins:** The sales budget includes an estimation of the expected profit margins for each product or service offered by the company. This helps in assessing the profitability of different sales activities and product lines.

4. **Budget Allocation:** The budget allocates specific amounts of resources, such as funds, personnel, and time, to different sales activities, territories, or product lines. This allocation ensures that resources are utilized optimally to achieve the sales targets.
5. **Monitoring and Control:** Once the sales budget is in place, sales managers and executives regularly monitor actual sales performance against the budgeted targets. By comparing actual performance with the budget, they can identify areas of success and areas needing improvement.
6. **Performance Evaluation:** The sales budget serves as a basis for evaluating the performance of the sales team and individual salespeople. It provides a clear standard against which actual performance can be measured and assessed.
7. **Adaptability and Flexibility:** Sales budgets should be flexible and adaptable to changing market conditions, business goals, and unforeseen circumstances. If necessary, budgets can be revised during the budget period to reflect new sales projections and market realities.
8. **Sales Forecast Accuracy:** The accuracy of the sales budget depends on the quality of sales forecasting. Regularly updating and refining the sales forecast based on actual market data and trends improves the accuracy of the budget.
9. **Strategic Alignment:** The sales budget should align with the overall strategic goals of the company. It should support the organization's growth objectives, market expansion plans, and overall financial targets.

By creating and adhering to a well-structured sales budget, companies can effectively plan and manage their sales activities, monitor financial performance, and ensure that the sales team is working towards achieving the company's sales and profitability goals. It also provides a basis for making informed decisions to drive business growth and success.

Sales Quotas:

Sales Quotas: Sales quotas are specific sales targets assigned to individual salespeople or territories. Quotas provide sales team members with clear performance expectations. Regularly monitoring progress toward meeting quotas helps identify salespeople who may need additional support or training.

Sales quotas are specific sales targets set for individual salespeople, sales teams, or territories within a defined period, such as a month, quarter, or year. These targets serve as performance expectations and provide a clear roadmap for the sales team to achieve their sales objectives. Here's a closer look at the significance of sales quotas and how they contribute to sales force management:

1. **Performance Expectations:** Sales quotas set clear performance expectations for each salesperson. They provide a measurable and tangible goal for salespeople to work towards, helping them stay focused and motivated.
2. **Motivation and Accountability:** Quotas serve as powerful motivators for salespeople. Achieving or exceeding quotas can lead to recognition, rewards, and career advancement opportunities, while falling short of quotas may lead to performance improvement plans or discussions on how to improve.
3. **Performance Evaluation:** Sales quotas provide a basis for evaluating the performance of individual salespeople and the sales team as a whole. By comparing actual sales results with the set quotas, sales managers can assess the team's effectiveness in meeting targets.
4. **Resource Allocation:** Quotas help in allocating resources effectively. By distributing sales targets based on factors such as territory potential, product lines, or salesperson capabilities, resources can be optimized for maximum productivity.

5. **Identifying Training and Support Needs:** Regularly monitoring progress towards meeting quotas helps identify salespeople who may be struggling to achieve their targets. This identification prompts sales managers to provide additional training, coaching, or support to help the salesperson improve their performance.
6. **Incentivizing High Performance:** Sales quotas can be linked to financial incentives, such as commission or bonuses. High-performing salespeople who consistently achieve or exceed quotas can earn additional rewards, which further motivates them to excel.
7. **Goal Alignment:** Sales quotas align individual sales goals with the overall sales objectives of the company. This alignment ensures that the efforts of the sales team are focused on driving revenue and achieving the organization's sales targets.
8. **Adjustment and Flexibility:** While sales quotas provide a framework for sales performance, they should also be flexible to accommodate changes in market conditions, customer demand, or company objectives. If necessary, quotas can be adjusted to reflect new realities or strategic shifts.
9. **Challenging Yet Attainable:** Quotas should be challenging enough to push salespeople to perform at their best, but also attainable with appropriate effort and skill. Unrealistically high quotas may lead to demotivation, while easily achievable quotas may not drive optimal performance.

Overall, sales quotas play a crucial role in sales force management by providing a clear direction, motivating salespeople, and facilitating the achievement of sales targets. By regularly monitoring progress and offering support where needed, sales managers can ensure that their team remains on track to meet and exceed their quotas, contributing to the overall success of the organization.

Systems Approach: The systems approach to sales management involves analyzing and optimizing the entire sales process as a cohesive system. It considers the interconnectedness of various sales functions and how changes in one area can impact overall performance.

Sales Management Audit: A sales management audit evaluates the effectiveness of sales strategies, processes, and performance. It helps identify areas of strength and weakness in sales management practices and offers insights for improvement.

Sales Analysis:

- **Sales-related Analysis:** Evaluating sales performance metrics such as revenue, units sold, customer acquisition, customer retention, and sales growth over time.
- **Cost-related Analysis:** Analyzing sales-related expenses, such as marketing costs, sales force compensation, and other sales-related expenditures to assess profitability.
- **Activity-related Analysis:** Evaluating the effectiveness of various sales activities and strategies, such as lead generation, sales calls, follow-ups, and closing rates.

Determinants of Salesperson Performance: Identifying the factors that influence salesperson performance is crucial. Some determinants may include product knowledge, selling skills, communication abilities, motivation, and the level of support and resources provided.

Financial and Non-Financial Rewards:

- **Financial Rewards:** Salespeople are often motivated by financial incentives, such as commission, bonuses, and performance-based rewards.

- **Non-Financial Rewards:** Recognition, awards, career advancement opportunities, and other non-financial rewards can also serve as powerful motivators for the sales team.

Financial and non-financial rewards are both essential tools for motivating and incentivizing the sales force. Let's explore each type of reward in more detail:

1. **Financial Rewards:**

- **Commission:** Salespeople often receive a percentage of the sales revenue they generate as commission. Commission-based compensation directly ties their efforts and performance to their earnings, providing a strong incentive to drive sales.
- **Bonuses:** Bonuses are one-time monetary rewards given to salespeople for achieving specific targets or outstanding performance. Bonuses can be based on individual, team, or company-wide achievements.
- **Performance-Based Rewards:** In addition to commission and bonuses, other performance-based financial rewards may include profit-sharing, stock options, or sales incentives like cash prizes or gift cards.

Financial rewards are attractive to salespeople because they directly impact their income and financial stability. By offering competitive financial incentives, companies motivate salespeople to maximize their efforts and strive for exceptional performance.

2. **Non-Financial Rewards:**

- **Recognition and Awards:** Recognizing and celebrating individual and team achievements can be a powerful non-financial reward. Publicly acknowledging top performers during sales meetings, company events, or through internal communications boosts morale and reinforces positive behavior.
- **Career Advancement Opportunities:** Offering opportunities for career advancement based on merit and performance is a significant non-financial motivator. Salespeople are motivated to excel when they see a clear path for growth and recognition within the organization.
- **Professional Development:** Providing access to training, workshops, conferences, and skill development programs shows that the company invests in the personal and professional growth of its sales team.
- **Flexibility and Work-Life Balance:** Offering flexible work arrangements and promoting work-life balance can be highly valued by salespeople, contributing to their overall job satisfaction and motivation.

Non-financial rewards focus on intangible benefits that contribute to the overall well-being and job satisfaction of salespeople. These rewards can enhance the sales culture and create a positive work environment, leading to increased loyalty, productivity, and retention of top talent.

The most effective motivation strategies often involve a combination of financial and non-financial rewards. By aligning both types of rewards with the specific needs and preferences of the sales team, companies can create a comprehensive and motivating rewards system that drives sales success and fosters a high-performing sales force.

Effective evaluation and control mechanisms provide sales managers with valuable insights into sales performance, identify areas for improvement, and help ensure that sales objectives are being met efficiently. By utilizing a combination of financial and non-financial rewards, companies can create a motivating and rewarding environment that fosters a high-performing and successful sales force.

Unit – V

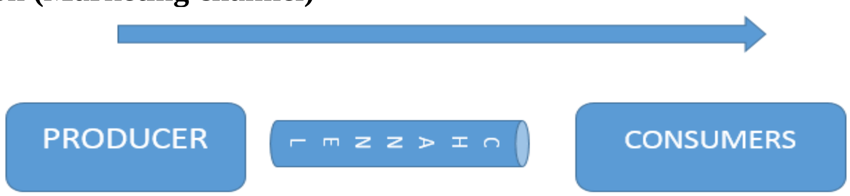
Distribution Objective/Strategy - Interface between Sales force and Channel, Channel Design, Implementing Channel Design, Managing the Channel Members, Channel Power and Conflict. Channel Evaluation; Distribution planning, costs and control. Functions of intermediaries (wholesaler & retailers), Selection and motivation of intermediaries, Need, criterion and establishing objectives for intermediaries; Control issues-Major cost centres in distribution, establishing standards for control, Controlling channel members and tools for control.

Designing and Managing Marketing Channels

Marketing channels are set of mutually dependent organizations involved in the process of making product or service available for utilization. It is established in academic studies that Marketing channels are the means by which goods and services are made available for use by the customers.

The marketing channels chosen by marketers influence all other marketing decisions. The firm's sales force and advertising decisions depend on how much training and inspiration dealers need. Further, channel decisions involve comparatively long-term commitments to other firms. Holistic marketers guarantee that marketing decisions in all these different areas are made to jointly maximize value.

Channel of distribution (Marketing channel)



In current competitive climate, big companies are using hybrid channels in any one area. The firm must choose how much effort is needed to assign to push versus pull marketing. **A push strategy** uses the manufacturer's sales force and trade promotion to encourage intermediaries to carry, promote, and sell the product to customers. This is suitable where there is low brand loyalty in a category, brand choice is made in the store, the product is desired item, and product benefits are well understood. In a pull strategy, the manufacturer uses advertising and promotion to influence customers to ask intermediaries for the product, thus inducing the intermediaries to order it. This is suitable when there is high brand loyalty and high involvement in the category, people perceive differences between brands, and people choose the brand before they shop. A marketing channel executes the work of moving products from producers to consumers, beat the time, place, and possession gaps that separate goods and services from those who need or want them.

Channel level: The producer and the final customer are part of every channel. There are numerous channels by which goods and services are distributed. It is divided into direct and indirect channel. In direct channel also known as zero-level channel, manufacturer and customer deal directly with each other. There is no middleman in this channel. It consists of a producer selling directly to final customers through door-to-door sales, Internet selling, mail order, telemarketing, home parties, TV selling, manufacturer-owned stores, and other methods.

In indirect channel, companies manufacture products in huge scale and sell these products to middle man for example whole seller and retailers. This channel can be very expensive.

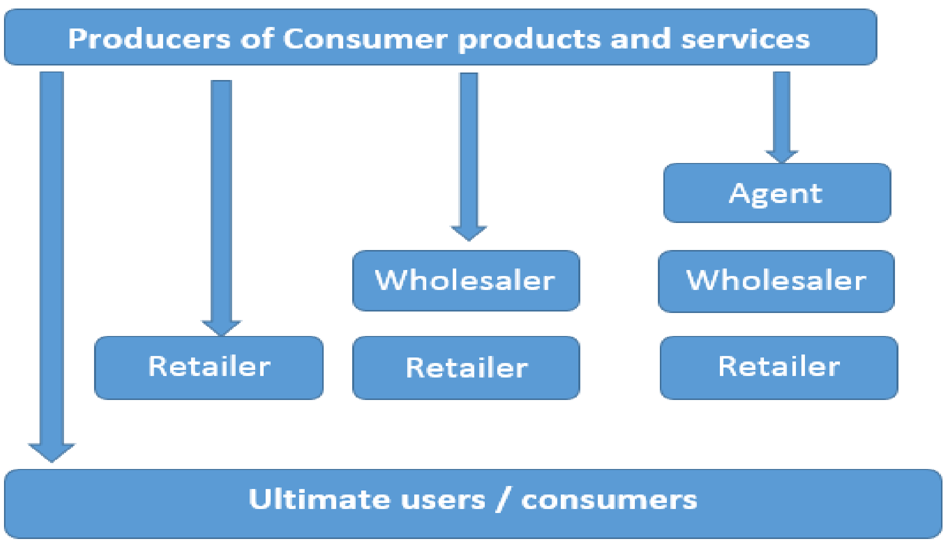
Manufacturer to Customer: Manufacturer produces the goods and sells them to the customer directly with no mediator, such as a wholesaler, agent or retailer. Goods come from the manufacturer to the user without an intermediary.

Manufacturer to Retailer to Consumer: Purchases are made by the seller from the manufacturer and then the retailer sells the products to the consumer. This channel is used by manufacturers that specialize in producing shopping goods.

Manufacturer to Wholesaler to Customer: Consumers can buy directly from the wholesaler. The wholesaler breaks down bulk packages for resale to the consumer. The wholesaler reduces some of the cost to the consumer such as service cost or sales force cost, which makes the purchase price cheaper for the consumer.

Manufacturer to Agent to Wholesaler to Retailer to Customer: This type of distribution involves more than one intermediary involves an agent called in to be the middleman and help with the sale of the goods. An agent receives a commission from the producer. Agents are useful when products or services need to move rapidly into the market soon after the order is placed.

Market channels by which goods and services are distributed

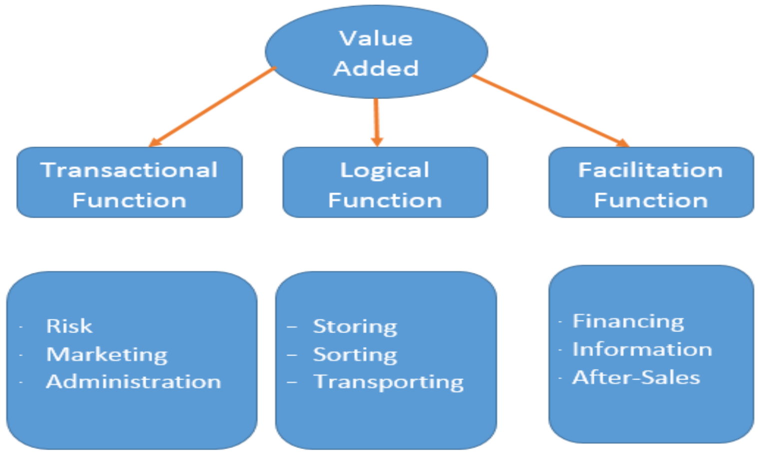


Characteristics of Marketing Channels

- Link between Producer and Consumer.
- Flow of Goods
- Remuneration.
- Classification-Direct and Indirect.
- Activities- Financing, Credit Facility

It is important to consider some factors when choosing appropriate marketing channel such as product, market, company. It is observed that middle man plays vital role in distribution of product in market channel. The core responsibility of intermediaries is to deliver products to customers in their desired location. To accomplish this objective, they purchase goods and store these and then ship to customers.

Marketing channel function performed by middlemen:



Designing a Marketing Channel System

Designing a marketing channel system entails factors such as analysing customer needs, establishing channel objectives, identifying major channel alternatives, and evaluating major channel alternatives.

Analysing Customers' Desired Service Output Levels: The marketer must recognize the service output levels which its target customers want. Channels produce five service outputs:

1. **Lot size:** The number of units the channel allows a particular customer to buy at one time.
2. **Waiting and delivery time:** The average time consumers of that channel wait for receipt of the goods. Customers generally prefer fast delivery channels.
3. **Spatial convenience:** The extent to which the marketing channel facilitate for customers to obtain the product.
4. **Product variety:** The variety provided by the channel. Usually, consumers prefer a greater collection, which enhances the chance of finding what they need.
5. **Service backup:** The add-on services such as credit, delivery, installation, repairs provided by the channel.

Providing greater service outputs denotes increased channel costs and higher prices for consumers. The triumph of discount resellers (online and offline) designates that many consumers will accept lower outputs if they can save money.

Establishing Objectives and Constraints

Another factor in designing a marketing channel system is that marketers must declare their channel objectives in terms of targeted service output levels. In competitive conditions, channel institutions should coordinate their functional tasks to reduce total channel costs and still offer desired levels of service outputs. Generally, planners can recognize several market segments that want different service levels. Successful planning needs to determine which market segments to serve and the best channels for each. Channel objectives differ with product characteristics. Channel design is also affected by numerous environmental factors as competitors' channels, monetary conditions, and legal regulations and limitations.

Identify Major Channel Alternatives

Other decisive factor in developing market channel is to recognize alternatives. Companies may select array of channels to approach customers, each of which has distinctive strengths as well as limitations. Each channel alternative is explained by:

a) The types of available intermediaries
b) The number of intermediaries needed; and

c) The terms and responsibilities of each channel member.

Types of Intermediaries entails a firm needs to discover the types of intermediaries available to run its channel work. Some intermediary merchants such as wholesalers and retailers buy, take title to, and resell the products. Agents such as brokers, manufacturers' representatives, and sales agents chase customers and may bargain on the producer's behalf but do not take title to the merchandise. Facilitators, including transportation companies, independent warehouses, banks, and advertising agencies, help in the distribution process but neither take title to goods nor negotiate purchases or sales.

Companies should recognize pioneering marketing channels. Number of Intermediaries indicates that to choose intermediaries to use, companies can adopt one of three strategies: exclusive, selective, or intensive distribution. Exclusive distribution means severely limiting the number of intermediaries. Selective distribution depends on more than a few but less than all of the intermediaries willing to carry a particular product. In intensive distribution, the producer places the goods or services in as many outlets as possible. This strategy is usually used for items such as snack foods, newspapers, and gum. Terms and Responsibilities of Channel Members signify that each channel member must be treated courteously and given the opportunity to be lucrative. The main constituents in the "trade-relations mix" are price policy, conditions of sale, territorial rights, and specific services to be performed by each party. Price policy assists the producer to ascertain a price list and schedule of discounts and allowances that intermediaries see as equitable and sufficient.

Evaluating the Major Alternatives

The Company must assess each alternative against suitable economic, control, and adaptive criteria. The firm should verify whether its own sales force or a sales agency will create more sales and it estimates the costs of selling different quantities through each channel.

Managing Marketing Channel

In order to maximize profit, companies must manage their marketing channel effectively. Management of marketing channel refers to the process of analysing, planning, organizing and controlling its marketing channel. In marketing channel two different activities occur. One is the establishment of physical distribution system and other is management of marketing objectives. Management of marketing channel involves all functions of marketing mix which include product, price, physical distribution, program and people. The physical distribution system and channel structure is established through which products flow in the marketing channel.

Marketing Mix Activities in Marketing Channel Management: (McCalley, 1996)

Marketing Management		Physical Distribution	
Communicating	**Servicing**	**Shipping**	**Handling**
• Product features • Pricing policies • Marketing programs • Motivation	• Customers • Products • Intermediaries	• Provide carriers • Delivery • Negotiate rates • Handle claims • Documentation	• Equipment • Wrapping • Packaging • Regulatory • OSHA regs
Selling	**Motivating**	**Storing**	**Ordering Process**
• To wholesalers • To retailers • To consumers • Intermediaries	• Consumers • Wholesalers • Retailers • Facilitators	• Proper facility • Inventory control • Regulatory • Facilitators	• Order entry • Order trace • Document • Feed back

To Mange marketing channel, firms must adopt motivational strategies such as paying higher slotting allowances, offering higher trade discount, providing strong promotional and advertising support, training channel member sales people, giving high level logistic support. Management professional stated that after a firm has selected a channel system, it must select, train, motivate, and evaluate individual intermediaries for each channel. It must also modify channel design and arrangements over time.

Selecting Channel Members: For successful management, Companies must have to choose talented channel members cautiously because for customers, the channels are the company. Producers should decide what features distinguish the better intermediaries and scrutinize the number of years in business, other lines carried, growth and profit record, financial strength, cooperativeness, and service reputation of potential channel members. If the intermediaries are sales agents, producers should assess the number and character of other lines carried and the size and quality of the sales force. If the intermediaries want exclusive distribution, the manufacturer should assess locations, future growth potential, and type of customers.

Training and Motivating Channel Members: It is a major responsibility of a company to examine its intermediaries in the same way it views its customers. It needs to establish intermediaries' needs and build a channel positioning such that its channel offering is tailored to provide superior value to these intermediaries. To enhance intermediaries' performance, the company should offer training, market research, and other capability-building programs. The company must also continually strengthen that its intermediaries are to jointly gratify the needs of end users. Producers differ greatly in channel power, the ability to change channel members' behaviour therefore the members take corrective actions. Often, gaining intermediaries' collaboration is a major challenge. Sometimes, Producers try to forge a long-term affiliation with channel members. The manufacturer must talk clearly what it expects from its distributors in the way of market coverage and other channel issues and may ascertain a compensation plan for adhering to these policies. Motivating channel members takes numerous forms in order to gratify the requirements at each level in channel. Profitability is major Motivational force for whole seller for product selection. When profit motivation is satisfied, whole seller will look for marketing programs offered by producers to sell products to retailers. Whole seller checks the credit option and terms of payment when assessing the profit option for business when dealing with particular supplier. Retailers are mainly concerned with maintenance of product supply and availability. It is observed in market that when customers cannot get product in one retail shop, they immediately search for it in another retailers. But retailers do not want to lose customers. Another interest of retailers is profitability of the product.

Motivational consideration for channel members: (McCalley, 1996)

For Wholesalers	For Retailers	For Product Users
Profit	Product availability	Product utility
Credit & terms	Profit	Value received
Marketing programs	Credit & terms	Credit & terms
Competitiveness	Marketing programs	Retailer service
Policies	Competitiveness	Product info.
Training	Training	Guarantees
Legal & regulatory	Legal & regulatory	Legal & regulatory

Evaluate Channel Members: To successfully manage market channel, producers must assess intermediaries' performance at regular intervals against such standards as sales-quota attainment, average inventory levels, customer delivery time, treatment of damaged and lost goods, and cooperation in promotional and training programs. A producer will occasionally determine that it is paying particular intermediaries too much for what they are actually doing. Producers should establish functional discounts in which they pay specific amounts for the intermediary's performance of each agreed-upon service. People who are not performing must be given extra training or counselling.

Modifying Channel Arrangements: Channel arrangements must be reassessed regularly and altered when distribution does not work as planned, consumer buying patterns change, the market develops, new competition occurs, inventive distribution channels appear, and the product moves into later stages in the product life cycle. No marketing channel remains successful over the entire product life cycle. Early purchaser might be willing to pay for high-cost value-added channels, but later buyers will change to lower-cost channels. In highly competitive markets with low entry barriers, the best channel structure will transform over time. The company may add or drop individual channel members, add or drop particular market channels, or develop a new way to sell merchandise. The process of adding or dropping an individual channel member needs an incremental analysis to decide profitability of company. Additionally, marketers adopt data mining to analyse customer shopping data as input for channel decisions. The most complicated decision is whether to modify the overall channel scheme. Channels can become old-fashioned when gap occurs between the existing distribution system and the ideal system to gratify customer’s needs and wants.

The most challenging face of channel management is the maintenance of control over all parts of distribution flow and marketing activities. Marketers have to undergo legal issues in controlling marketing channels therefore they need to develop successful channel programs that will stimulate the action planned without creating conflict among competitive channel members.

To summarize, market channel is medium through product from raw material move to costumer. In designing market channel it is important to comprehend customer’s need. The task of managing marketing channel falls to marketing and sales managers. These people directly involve with channel members and company’s competitors. They know how to find valuable information for good management decisions. To organize marketing channel, it is imperative to gather relevant information. It assists in writing accurate and detail market profile statement. Most marketing channels are created with one or more intermediaries between the manufacturer and consumer.

Functions of Intermediaries (Wholesalers & Retailers):

Wholesalers:

1. **Bulk Purchasing:** Wholesalers purchase goods in large quantities from manufacturers or suppliers.
2. **Warehousing:** They store inventory in bulk and maintain a ready supply for retailers.
3. **Breaking Bulk:** Wholesalers break down large shipments into smaller quantities for retailers.
4. **Order Fulfillment:** They fulfill orders from retailers promptly, ensuring timely product availability.
5. **Risk-Bearing:** Wholesalers take on the risk of holding inventory until it is sold to retailers.

Retailers:

Selling to End Consumers: Retailers sell products directly to individual consumers.
Customer Service: They offer assistance, product information, and after-sales support to customers.
Assortment: Retailers curate a variety of products from different manufacturers to offer choices to consumers.
Marketing and Promotion: Retailers engage in advertising and promotional activities to attract customers.
Channeling Feedback: Retailers provide valuable feedback from consumers to manufacturers.

Selection and Motivation of Intermediaries:

Selecting the right intermediaries is crucial for an effective distribution channel. Here are some factors to consider in the selection process:

1. **Market Coverage**: Choose intermediaries with a strong presence in target markets to reach a broader customer base efficiently.
2. **Expertise:** Look for intermediaries with experience and knowledge of the industry and product category they will be handling.
3. **Reputation:** Consider the reputation and credibility of potential intermediaries to ensure they align with the company's image.
4. **Resources and Infrastructure**: Evaluate the intermediary's capabilities in terms of warehousing, transportation, and distribution networks.
5. **Compatibility:** Assess how well the intermediary's goals and values align with the company's objectives.

Motivating intermediaries is essential to ensure their active participation and dedication to the distribution channel. Some motivational strategies include:

1. **Incentives**: Offer financial incentives such as commissions, bonuses, or discounts based on performance metrics.
2. **Exclusive Deals:** Provide exclusive deals or product offerings to top-performing intermediaries.
3. **Training and Support**: Offer training programs and resources to help intermediaries improve their skills and knowledge.
4. **Recognition**: Recognize and appreciate the efforts and achievements of intermediaries publicly.
5. **Clear Communication:** Maintain open and transparent communication channels to foster trust and collaboration.

Establishing Objectives for Intermediaries:

Setting clear objectives for intermediaries is crucial to align their efforts with the overall distribution strategy. Objectives may include:

1. **Sales Targets**: Define specific sales goals that intermediaries should aim to achieve within a given period.
2. **Market Penetration**: Specify the desired market penetration or expansion targets in various regions.
3. **Customer Service Levels:** Set standards for customer service quality and satisfaction.
4. **Inventory Management**: Establish guidelines for managing inventory levels and turnover rates.
5. **Promotional Activities:** Outline the type and frequency of promotional activities intermediaries should undertake.
6. **Reporting and Feedback:** Determine the frequency and format of reporting and feedback requirements from intermediaries.

By selecting the right intermediaries, motivating them effectively, and establishing clear objectives, companies can build a strong and successful distribution channel that efficiently delivers products to the end consumers while meeting the company's goals and customer expectations.

Control Issues - Major Cost Centers in Distribution: In distribution networks, several cost centers can significantly impact the overall distribution costs. Identifying and effectively managing these cost centers is essential to improve efficiency and profitability. Some major cost centers in distribution include:

2. Inventory Holding Costs: Holding inventory incurs costs such as warehousing, insurance, obsolescence, and financing. Balancing inventory levels to meet demand while minimizing holding costs is crucial.
3. Transportation Costs: Shipping and transportation expenses can constitute a significant portion of distribution costs. Optimizing transportation routes, modes, and carriers can help reduce these costs.
4. Warehousing Costs: Rent, labor, utilities, and maintenance expenses associated with warehousing can influence distribution costs. Efficient warehouse management and layout optimization can help control these costs.
5. Order Processing Costs: Costs related to order fulfillment, processing, and handling can add up. Implementing streamlined order processing systems and technologies can reduce these expenses.
6. Packaging Costs: Packaging materials and design can impact distribution costs. Choosing cost-effective yet protective packaging solutions is essential.
7. Administrative Costs: Overhead expenses associated with managing the distribution network, such as salaries, software, and administrative functions, can be significant. Reducing administrative inefficiencies can lead to cost savings.
8. Returns and Reverse Logistics Costs: Dealing with product returns and managing reverse logistics can be costly. Implementing effective return policies and reverse logistics processes can mitigate these expenses.

Establishing Standards for Control: Establishing standards and benchmarks for distribution performance allows companies to measure their progress, identify areas for improvement, and ensure that the distribution channel operates efficiently. Some key aspects to consider when establishing standards for control include:

1. Key Performance Indicators (KPIs): Define specific KPIs to measure the performance of the distribution channel. Common KPIs include order fulfillment time, inventory turnover, on-time delivery, and customer satisfaction.
2. Service Level Agreements (SLAs): Set clear SLAs between the company and channel partners regarding performance expectations, service quality, and responsibilities.
3. Performance Targets: Establish achievable performance targets for distribution operations, taking into account industry benchmarks and company goals.
4. Quality Standards: Define quality standards for products and services throughout the distribution process to ensure consistency and customer satisfaction.
5. Cost Efficiency Metrics: Develop metrics to monitor and optimize distribution costs, comparing them with industry benchmarks and historical data.

Controlling Channel Members and Tools for Control: Managing and controlling channel members is crucial to maintain a cohesive and effective distribution network. Here are some strategies and tools for controlling channel members:

1. Contracts and Agreements: Clear and well-defined contracts should be established with channel members, outlining their roles, responsibilities, performance expectations, and consequences for non-compliance.
2. Training and Support: Provide training programs and ongoing support to channel members to improve their understanding of products, sales techniques, and customer service.
3. Incentives and Rewards: Implement incentive programs, such as commissions, bonuses, or discounts, to motivate channel members to achieve performance targets.
4. Performance Reviews: Conduct regular performance evaluations of channel members to identify areas for improvement and recognize high-performing partners.
5. Communication and Collaboration: Foster open communication and collaboration between the company and channel members to address issues, share feedback, and align strategies.
6. Channel Partner Portals: Utilize technology to create online portals where channel members can access resources, track performance, and stay informed about company updates.
7. Channel Conflict Resolution: Implement mechanisms for resolving conflicts among channel members promptly and fairly, to maintain a harmonious distribution network.

By effectively managing these control issues, setting standards, and implementing the right tools, companies can optimize their distribution channels, reduce costs, and enhance overall performance.