

Sales Management

By: Archana Sharma

This reference book can be useful for
BBA, MBA, B.Com, BMS, M.Com, BCA, MCA
and many more courses for Various Universities



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Sample Preview of The Chapter

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SALES MANAGEMENT

SALES MANAGEMENT : BASIC FUNCTIONS

1

Introduction to Sales Management

INTRODUCTION

There is an inherent interdependence of sales and distribution management. The sales and distribution management needs a thorough strategy formulation where the joint decisions for sales and distribution are being made.

CHAPTER AT A GLANCE

SALES AND DISTRIBUTION STRATEGY: ROLE IN THE EXCHANGE PROCESS

Sales Management could be defined as the management of a firm's personal selling function. Similarly, distribution could be defined as the management of the indirect selling effort, which is, selling through extra corporate organisations that helps in the forming of the distribution network of the firm.

The process of Sales Management incorporates diverse functions such as analysis, planning, organising, directing and controlling of the company's sales effort. The distribution channel also incorporates management of channel institutions and physical distribution functions.

There are interesting processes for the sale and delivery of goods or services in the form of exchange. In this process, the goods can be consummated directly from manufacturer to the consumer directly through

its sales force or it can be done directly through a network middlemen, such as wholesalers and retailers.

The significance of these sales and distribution functions remain varying depending on the nature and variety of products, target market, dispersion and consumer density.

Meanwhile, a few tasks are a must to be performed for the successful exchange, no matter whether the sales and distribution functions are being organised internally, externally or jointly.

A few of them include contact, that includes finding and communicating with prospective buyer, prospecting that includes bringing together the marketers offering and prospective buyer, negotiation and transaction, that includes reaching an agreement on price, Promotion of the marketers offerings, Physical distribution-actual transfer of possession, that is, timely and safe delivery, collection of relevant consumers information and revenue in exchange of goods or services.

Many organisations get the above functions performed by their own sales team and the distribution network. There are different determinants of task allocations which include competitive practice, product and market requirements that include the market size, frequency of purchase and customer concentration, preference and buying practices of target customers.

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INTERDEPENDENCE OF SALES AND DISTRIBUTION

The management of channel distribution jointly contributes to the accomplishment of the marketing task. The other pointers towards interdependence of these two vital functions are:

1. The sales organisation's activities should be well coordinated with channel operations if sales goals need to be effectively realised.
2. The organisation should take a decision to allocate certain responsibility in exchange process to its channel members. It would help in defining the scope of responsibility of its own sales force and would determine type of personnel and training which is required.
3. The requirements of different level of contact entities remain different from that of the other. It should be firmly decided that the company's sales task would be defined in context of the first level of contact chosen by it.
4. If a marketing is done via channels, it implies that there is a lower degree of control, however, it would also mean lesser funds that are being tied up to maintain inventory and lower fixed and variable costs to manage the channels. Thereafter, depending on these set of variables. The organisation can try and optimize the effectiveness of exchange process by using the different combinations.
5. The manufacturers require the cooperation of distribution outlets in terms of adequate stock maintenance, in-store displays, local advertising etc. for implementing the overall marketing strategy. At this time, the sales organisation comes to be the initiator and

implementer of dealer support organisations within the corporation.

SALES MANAGEMENT-FORMULATION OF SALES STRATEGY

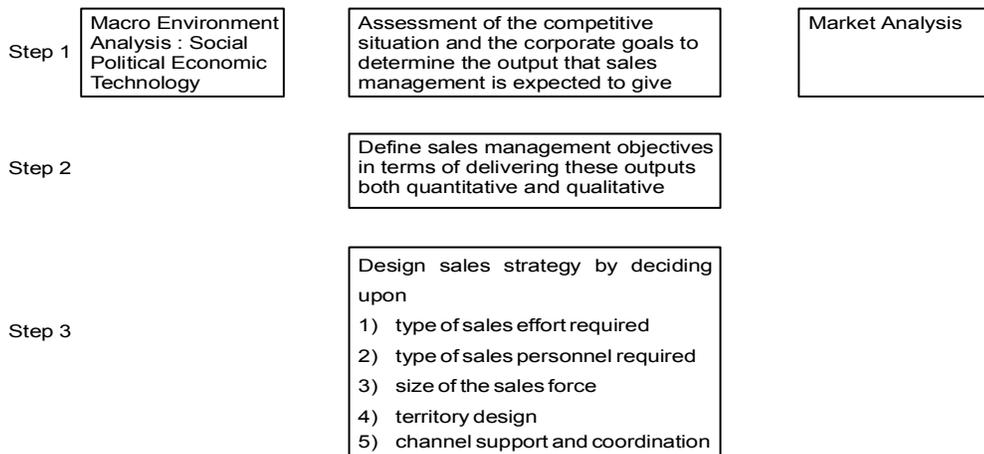
Sales Management function could be defined as the management of sales personnel and activities that makes up the corporate sales effort. It is the sales managers who are being trusted with the task to organise, plan and implement the sales effort to achieve corporate goals, related to market share, sales volume and return on investment.

They have to do the task within and outside the organisation. Inside the organisation, he shares the responsibility to structure relationships within his own department and also in interacting with the organisational entities to ensure that the sales task can be coordinated with other marketing tasks.

Meanwhile, outside, he needs to develop and maintain channel relationships to ensure that the flow of goods and services and promotion and feedback is being facilitated.

The key decision areas required for strategy formulation in sales management are deciding upon type and quality of sales personnel required, determination of the size of sales force, organisation and design of sales department, territory design and recruitment and training procedures, performance appraisal and control system, feedback mechanism to be adopted and the coordination with other marketing department.

The strategy formulation in sales, meanwhile involves identification of sales goals and designing of game plan that uses the organisational resources at hand for attaining those goals. The strategy formulation process is therefore a three step process that can be summarised as:



Let's elaborate this process and go step by step to study this affect.

Assessment of Competitive Situation and Corporate Goals

The corporate mission and goals directly affect the sales objective that in turn also identifies specific set of common needs and wants the company would like to satisfy.

The macro business environment is other input in objective setting. There is a need for sound market analysis which comes as a prerequisite to objective setting to ensure sales strategy. The company should know the current size and growth rate of the market, consumer needs, attitudes and trends in purchasing behaviour, competitor analysis covering current strategy, current performance, strengths and weaknesses and expectations to ensure the selection of right future actions. The roles and scope of sales function also depends on the competitive situations.

Meanwhile, the Indian markets remain different as they have the potential to differentiate their products by variation in product attributes, packaging and promotional efforts.

In this case, the sales efforts help in promoting and maintaining of market share. Even the distribution function complements the sales efforts to ensure regular availability of products at each purchasing point. The selling effort, therefore, becomes a strong tool of market cultivation, which helps in building dealer relationship and in maintaining them thereby providing vital information feedback on competitors and their market operations.

The selling effort in market cultivation plays a vital role in case of a new product where the marketer is faced with little or no direct competition.

The sales related marketing decisions contributing to sales strategy formulation affect both the quantitative and the qualitative sales management objectives. Certain decisions need to take at the decisions on what to sell, whom to sell, and the decision on the price.

Setting Sales Objectives

Sales Objectives, intending to direct the available sales resources to their utmost productive use, serve as standards against which the actual performance is

compared. They are stated in quantitative and qualitative terms. The qualitative goals relate in strengthening dealer relationships, in developing good consumer support, in nullifying product misinformation and also in attaining the desired corporate image.

As they reflect the expectations of the top management to ensure the contribution of sales function to total marketing effort, they, therefore, affect the size and quality of sales force.

Meanwhile, the quantitative objectives relate to the operating results which the company likes to achieve. They depend highly on the keen analysis of competitive situation and corporate goals and vary over operating periods. These objectives appear in the form of sales volume, market share and number of back orders per operating period. The different goals under this category could be drawn in form of sales volume in units or rupees, inventory levels, dealer support and feedback input.

When we start the process of formulating the strategy, we do evaluate alternative plans that are against the backdrop of the competitive strength and weaknesses of company at market place. Further, we try to build up the sales effort to achieve set goals.

Determination of the Type of Sales Force Needed

The quality of sales personnel depends on quality of contribution which the top management is expecting the sales organisation to get and also on the actual work load that is expected to be generated. It also depends on the role of the salesmen who is expected to perform.

Determination of Size of the Sales Force

The number of sales persons is yet another key decision which is required to achieve the sales objective.

If one recruits more than the optimum number, it means the company is making unnecessary costs at expense of its net profits, however, recruiting less number of people means losing opportunities on exploiting the net profits.

Organising the Sales Effort–Territory Design

The personal selling objectives help in the process of setting the tone of selling activities to be performed in an organisation. Once you decide upon the activities and the level of performance, you can easily estimate

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as to how many sales personnel at various levels would be required in an organisation. Companies here can treat their market as total field of operation and can assign sales duties. The salespersons facilitate the process of performance evaluation and foster higher degree of enthusiasm. Similarly, managerially, it becomes possible to have a better degree of control by reducing expenses and in evolving coordinated promotion plans.

The sales managers, while creating territories, can choose from different types that are on geographical basis, sales potential basis, servicing requirement basis and workload basis.

Establishing and Managing Channels Support and Coordination

The channel of distribution is the point of contact which the final buyer has with manufacturer. With the sales organisation of manufacturers, they bear the responsibility of consummating exchanges with final buyers. In terms of indirect distribution, the sales

organisation initiates dealer cooperation programmes. The management of manufacturer dealer cooperation includes choice of appropriate dealer incentive programmes for stimulating distributive outlets to greater setting effort, deciding upon procedures for sharing information with dealer network and deciding upon measures to ensure and promote dealer loyalty.

FRAMEWORK FOR JOINT DECISION-MAKING IN SALES AND DISTRIBUTION MANAGEMENT

The process of joint decision-making incorporates the process to determine components of the total marketing tasks that need to be allocated to sales management and distribution management. There is a division of responsibility in relation to contacting, prospecting, negotiating and transaction, promotion, physical distribution and information collection.

The following chart shows various sales and distribution tasks facilitating the exchange transaction. It is:

- (a) Achievement of sales goals through: { — distribution channels
— company's sales force
- (b) Personal and Prospecting through: { — distribution channels
— company's sales force
- (c) Personal and Non-personal promotion through: { — distribution channels
— company's sales force
- (d) Maintaining Inventory through: { — distribution channels
— corporate organisation/
co-owned depots
- (e) Accounts Receivable through: { — distribution channels
— sales force/corporate
sales organisation
- (f) Information Feedback through: { — distribution channels
— company's own sales force.

The process to allocate the specific sales and distribution tasks between company's sales personnel, and independent channel depends on consumer characteristics, product characteristics, company, competitive characteristics and the environmental factors.

ACTIVITY-1

Look at the type of selling effort of the sales personnel in your organisation or any other organisation that you are familiar with and try to analyse whether the type of specialisation of the sales force is by product or by markets or by both. Also find out as to what factors necessitated this kind of specialised selling effort.