

Sales & Distribution Management



Introduction

Sales refers to the exchange of goods/ commodities against money or service. It is the only revenue generating function in an organization. It has formed an important part in business throughout history. Even prior to the introduction of money, people used to exchange goods in order to fulfill the needs, which is known as the **barter system**.

Example of Barter System

A has 100 kg of rice and **B** has 50 kg of wheat. Here, **A** needs wheat and **B** needs rice. They agree to exchange 50 kg of rice and 25 kg of wheat upon mutual understanding.

Conditions of Sales

- There are two parties involved in the transaction, the **seller** and the **buyer**.
- The seller is the provider of goods or services and the buyer is the purchaser in exchange of money.

The seller of goods has to transfer the title of ownership of the item to the buyer upon an agreed price. A person who sells goods or services on behalf of the seller is known as the salesman/woman.

Distribution is the process of making a product or service available for use or consumption to the end consumer or business.

Distribution could be of the following two types –

Direct Distribution

It can be defined as expanding or moving from one place to another without changing direction or stopping. For example, **Bata** has no distribution channel; it sells its products directly to the end consumers.

Indirect Distribution

It can be defined as means that are not directly caused by or resulting from something. For example, **LG** sells its product from the factory to the dealers, and it reaches the consumers through dealers.

The following image shows the end-products stored at a warehouse, ready for shipment to the dealers/consumers.



Sales management in an organization is a business discipline, which focuses on the practical application of sales techniques and the management of a firm's sales operation. It is done in an efficient and effective manner through planning, staffing, training, leading and controlling organizational resources. Sales management is done by Sales Managers and they are responsible for generating sales, profits and customer satisfaction.

Skills of a Sales Executive

Sales management is an art where the sales executive or the salesperson helps the organization or individual to achieve its objective or buy a product with their skills.

The following are some skills that a sales executive needs to possess –

Conceptual Skills

Conceptual skill includes the formulation of ideas. Managers understand abstract relationships, improve ideas, and solve issues creatively. The sales executive should be well versed with the concept of the product he/she is selling.

People Skills

People skills involve the ability to interact effectively with people in a friendly way, especially in business. The term 'people skills' involves both psychological skills and social skills, but they are less inclusive than life skills.

Every person has a different mindset, so a sales executive should know how to present the product depending on the customer's mindset.

Technical Skills

Technical skills are the abilities captured through learning and practice. They are often job or task specific. In simple words, a specific skill set or proficiency is required to perform a specific job or task. As a part of conceptual skills, a sales executive should also have a good grasp on the technical skills of the product.

Decision Skills

Decision skills are the most important because to tackle the questions from consumers, sales executive should always have the knowledge of competitors' products and take a wise decision.

Monitoring Performance

Sales executives should monitor the performance of the employees and report to higher management to improve the performance and fill the loop holes.

Thus, conceptual skills deal with ideas, technical skills deal with things, people skills concern individuals, technical skills are concerned with product-specific skills, and decision skills relate to decision-making.

Importance of Sales Management

Sales management is very crucial for any organization to achieve its targets. In order to increase customer demand for a particular product, we need management of sales.

The following points need to be considered for sales management in an organization

–

- The first and foremost importance of sales management is that it facilitates the sale of a product at a price, which realizes profits and helps in generating revenue to the company.

- It helps to achieve organizational goals and objectives by focusing on the aim and planning a strategy regarding achievement of the goal within a timeframe.
- Sales team monitors the customer preference, government policy, competitor situation, etc., to make the required changes accordingly and manage sales.
- By monitoring the customer preference, the salesperson develops a positive relationship with the customer, which helps to retain the customer for a long period of time.
- Both the buyers and sellers have the same type of relationship, which is based on exchange of goods, services and money. This helps in attaining customer satisfaction.

Sales Management may differ from one organization to the other, but overall, we can conclude that sales management is very important for an organization for achieving its short- and long-term goals.

Objective of Sales Management

Every organization has an objective before initializing functions. We need to understand the goal of managing sales. Here we are discussing Sales Management in terms of its objectives.

Sales Volume

It is the capacity or the number of items sold or services sold in the normal operations of a company in a specified period. The foremost objective of sales management is to increase sales volume to generate revenue.

Contribution to Profit

The sales of the organization should contribute to profit, as it is the only revenue generating department. It can be calculated as the percentage or ratio of gain in total turnover.

Continuing Growth

One of the main objectives of Sales Management is to retain consumers to continue growth of the organization. There should be regular expansion of sales and demand for an item in the market with new advanced formulation.

These are the major objectives a sales executive has to focus on in sales management.

Sales and Distribution Management - Steps

Companies use sales strategies and tactics in order to make a consumer buy their products or services. Before we processed further, we should know the meaning of sales strategies and tactics. Although they go hand in hand, they are distinct.

Set Objective

The very first step in sales management is setting goals and objectives. The senior management of a firm needs to sit together and reach a mutual decision regarding what the vision and resolution of the firm is.

This may sound quite easy but setting objective acts as a framework for designing a company. If efficient decisions are made and objectives are set according to the company's potential and the market demand, the company progresses wonderfully. However, if the objectives are poorly set, then the company might not prosper.



Develop Sales Strategy

After the objectives are set for the company to achieve, a strategy needs to be designed. Sales strategy can be defined as how a company markets or wants to sell its products or services. It can be a concept of how the company meets the desired objectives and marketing goals; it also clarifies what the sales executives do.

Strategy includes various components. following are a few of the components –

- Knowledge of the company's brand history and consumer market
- The way marketing is going to influence overall business
- Competitors' performance
- Pros and cons of the plan

Develop Tactics

A strategy explains the purpose of the company whereas tactics explain the process to move forward and implement the plan. Sales strategy is important as compared to the individual tactics. But after the strategy is designed, we need to develop tactics to follow the strategy.

Sales tactics can be defined as the action taken by the company to impose its sales strategy to bring it to life. There are different modes in which the company delivers the message to the consumers such as websites, brochures, advertisements in social media, etc.

An investor or lender will invest in the company if they know about the objective and the strategy of the company; else, it becomes difficult for the company and the lenders to make or justify a decision of whether to invest in the company.

The company has to know that investment by lenders is very much required for the marketing campaign. If the tactics are excellent but the strategies are not defined in a proper manner or defined poorly, it does not help the company to grow.

Sales and Distribution Management - Process

Sales management in an organization is a business discipline, which focuses on the practical application of sales techniques and the management of a firm's sales operation.

It is done in an efficient and effective manner through planning, staffing, training, leading and controlling organizational resources. Now we will explain each of these processes.

Planning

Planning can be defined as the process of decision-making in a systematic manner regarding the goals and the objectives of an organization. In short, it is a process an individual or group will undertake in the future and the resources required for attaining them.



Sales planning includes strategy, setting profit-based sales targets, quotas, sales forecasting, demand management and the screening, writing and execution of a sales plan.

A sales plan is a strategic document that outlines the business targets, resources and sales activities. It basically follows the lead of the marketing plan, the strategic plan and the business plan with more precise detailing on how the goals and objectives can be achieved through the actual sale of products and services.

Staffing

Staffing is the process of capturing, deploying, and retaining a workforce of optimal quantity and quality to create a positive impact on the firm's effectiveness.



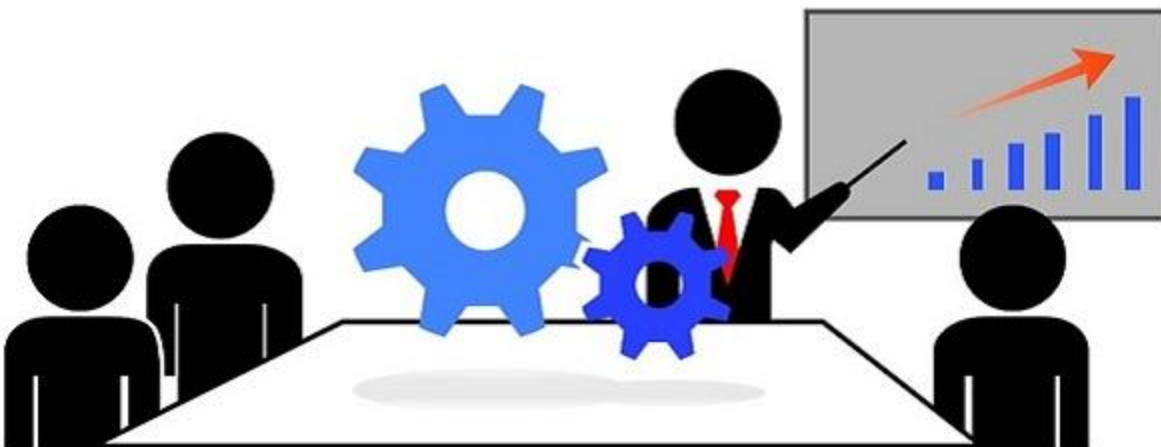
Staffing consists of the following three components –

- **Acquisition** – It involves human resource planning to select what the organization requires in terms of the numbers of employees needed and their attributes such as knowledge, skills and abilities, in order to effectively meet job requirements.
- **Deployment** – It includes decisions regarding how those recruited will be assigned to specific roles according to the business demands. It also concerns the frequent appointment to more advanced jobs through internal recruitment, promotion or reorganization
- **Retention** – It is concerned with the management of the outflow of employees from an organization. It combines both managing voluntary practices like resignation and controlling involuntary measures whereby employees are handled out of the organization through redundancy programs or other types of dismissal.

Staffing is basically used in the sphere of employment. It is applicable to more than one aspect of the working surrounding. Staffing is also used in a specific sense to refer to the management of employee schedules.

Training

The training program in sales management provides frontline sales managers with proven skills, knowledge and tools they need to drive margin line performance.



This in-depth program involves self-assessments and covers the following **four crucial sales management abilities** –

- Managing sales performance
- Sales coaching
- Recruiting

- Selecting sales "STARS"
- Sales leadership

After the sales personnel are recruited, the company ensures the training, i.e., off the job and on job training related to the skills, knowledge and job culture, which helps to meet the selling performance and goals.

Leading

Leading is done by the person who possesses the leadership quality, the ability to motivate other people and get the work done. Leading is an effective sales management force that invites the sales management executive to use practical tools and cuttingedge concepts to create an effective sales management model.



This model is derived after a thorough research and consulting experience through cases, group discussions, problem-solving exercises, computer-aided workshops, and communicative case presentations.

The managers need to explore various perspectives on what does and does not work, and why. A leader also monitors the work and explains the pro and cons as well as the ways to complete a task effectively and efficiently.

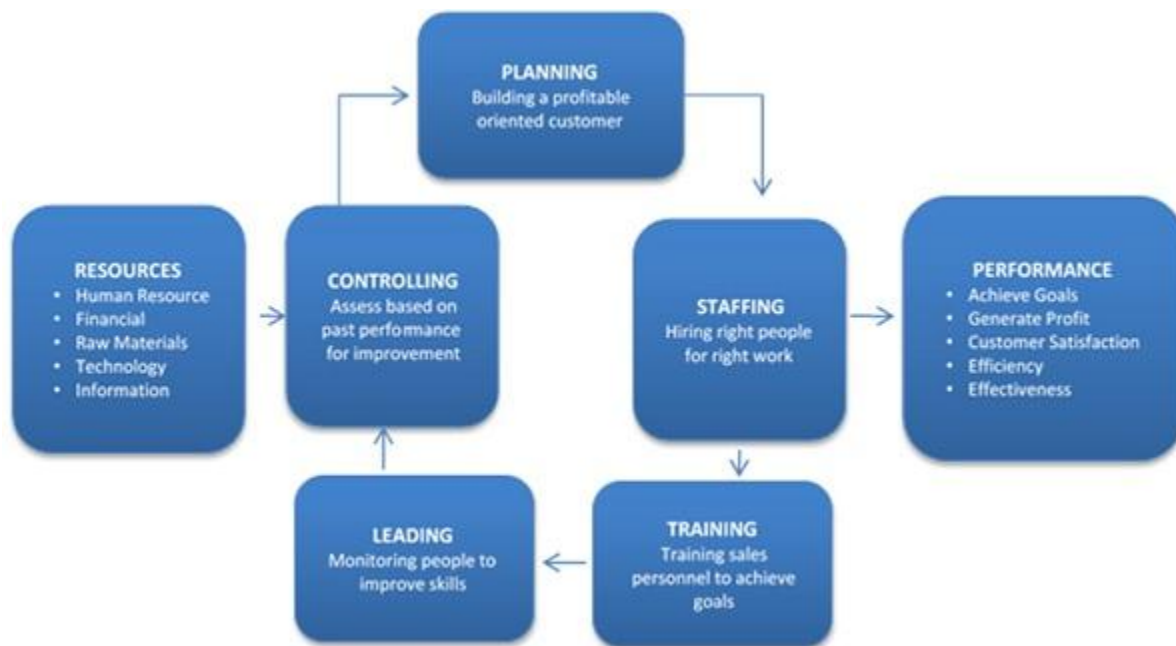
Controlling

The task assigned to the sales personnel is monitored to find out whether the organization is achieving its target or the goals as per the planning. Controlling is a process, which defines the scope of and leads the actual performance against the planned goals of the organization.

Controlling dwells in verifying whether everything happens in conformity with the plans adopted, instructions issued and principles authorized. Controlling assures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals and objectives.

Controlling judges the deviation of actual performance from the standard performance, **notices the causes** of such deviations and helps in taking corrective actions.

The following figure depicts **sales management with its functions** and explains the role of each function. All the roles are inter-related. An individual function cannot relate to work without the help from other.



Resources

Resources are one of the important parts of sales management, as, without resources, the planned process cannot be implemented. Resources include the following –

Human Resource

Human resources can be defined as that section of a business or organization that deals with the hiring, administration, and training of staff. In sales management, we can say it is the salesperson responsible for selling/marketing of products or services.

Financial Resource

Financial resource is the capital available to a business for investing in the form of cash, liquid securities and credit lines. Before going into business, a businessman needs to secure sufficient financial resources.

This is required in order to be able to function efficiently and sufficiently well to promote success. It includes the finance that the company needs to perform the activities like campaign, advertisement etc.

Materials

They are assets in the form of material possessions. Here, by assets, we mean anything of material value or usefulness that is owned by an individual or a company. It includes the source from where the raw material could be procured in low cost.

Technology

It is the application of science, especially to industrial or commercial goals and objectives. It also includes the scientific technique and material used to achieve a commercial or industrial objective as well as the machinery and the techniques that the organization uses for the end product.

It will now be clear why resources are important in managing sales.

Performance

Performance is the completion of a given task measured against known preset standards of accuracy, completeness, cost, and speed. In a contract, performance is assumed to be the fulfillment of accountability in a manner that releases the performer from all liabilities under the contract.

The last function is to review the performance. In this function, the leader reviews the past performance and advises the Sales Personnel regarding the improvements required. It also involves checking that all the functions are working in a proper way and there is no deviation in achieving the goals.

Sales & Distribution Management - Methods

Sales method can be explained as one of several techniques used to recognize revenue specifically when revenue and expense are recognized at the time of cash collection rather than at the time of sale.

Thus, we can say that Sales Methods are the different ways to sell the product or service. The Sales Personnel help to sell the end products to the consumer. Some sales methods are given below.

Direct Sales

Direct sale is the sale of goods/services involving person contact. It can be defined as the most important method that is used, as most of the consumers prefer to purchase goods through a direct contact with the seller, during which they understand the features and get to know about the needs and benefits.



The above illustration depicts the seller in the middle as A. Buyers are seen reaching out to the seller. It is an example of direct sales where the buyers (in green) are approaching the seller in orange.

Example – Boeing airlines sells its air buses directly to the consumer with no intermediary involved.

Pro forma Sales

The term **pro forma** is a Latin word, which means, "**as a matter of form**" or "**for the sake of form**". It is commonly used to describe a practice or document that is provided as a courtesy and that satisfies limited requirements, conforms to a norm or doctrine, tends to be performed perfunctorily and/or is considered a formality.

Pro forma financial statements are fashioned to reflect a proposed change, like a merger or acquisition or to emphasize certain figures when a company issues an earnings announcement to the public.

It can be termed as the practice or document that is provided as a courtesy or satisfies the minimum requirements which contain the details of the buyer and the receiver. It can also be termed as an invoice of the product.

Agency-based Sales

In agency-based sales, the organization hires an agent on contract basis. That sales agent acquires the right to negotiate the sale of the organization's goods or services in exchange of a fixed commission or fee. The commission is calculated on the basis of the percentage of the sales generated. Example: Insurance Policy, opening of bank accounts etc.

Door to Door

In door to door sales, the sales executive walks from the door of one house to another to sell the product or service. For this type of sale, the sales agent should be versatile and capable of quickly creating a relationship with the customers.



The following are some major duties of sales personnel for door to door sales –

- Striking a conversation with a stranger.
- Getting the form filled and completing the administrative tasks.
- Getting the payments processed from customers.
- Building rapport with customers.
- Providing training to new team members.

These are some of the major responsibilities that a door to door sales executive needs to manage in order to maintain or increase productivity.

Hawking

Hawking is associated with a hawker (seller) who sells the goods that can be easily transported. A hawker sells not-so-expensive goods on the streets by shouting in loud voice and chitchatting with the passers-by to develop rapport and convince them to buy his goods.



In the above figure, we can see hawkers selling products on the roadside. In India, there are 10 million street vendors, Mumbai and Delhi contributing the most to the number. Many consumers also prefer street shopping because of the low price of the products.

B2B

B2B selling is known as **Business to Business** selling. It refers to a situation where one business makes a transaction with another.

B2B occurs where –

- Factory produces goods and sells them to wholesalers.
Example – Food products manufacturers, shoes, bags, etc.
- Organization outsources its process to other companies to reduce the labor cost.
Example – BPO (Business Process Outsourcing)
- Company purchases raw materials from another company to make the final product.
Example – Tata Steel purchases goods from its ancillary companies

Electronic Sales

Electronic sales or e-Commerce is known as trading of goods or services through the internet. The figure given below depicts how e-Commerce works. We can conclude that the e-commerce business has been increasing day by day due to easy access and simplicity.



E-commerce businesses may employ some or all of the following –

- Online shopping web sites for retail sales direct to consumers.
- Providing or participating in online marketplaces, which process third-party business-to-consumer or consumer-to-consumer sales.
- Business-to-business buying and selling.
- Gathering and utilizing demographic data through web contacts or social media.
- Marketing to prospective and established customers by e-mail or fax (for example, with newsletters).
- Engaging in prevailing market for launching new products and services.

Thus, e-commerce can be defined as the business conducted through the application of computers, telephones, fax machines, barcode readers, credit cards, automated teller machines (ATM) or other electronic appliances (whether or not using the internet) without the exchange of paper-based documents.

Request for Proposal

Request for proposal is a type of bidding procedure by a company who is interested in procurement of goods or services from potential suppliers to submit business proposals. Given below are the salient features of a Request for Proposal.

- It informs the suppliers that a company is looking to solicit and inspire them to make their best effort.
- The company has to provide specifications regarding the proposal to purchase and if the analysis regarding the requirement is prepared, accordingly it can be easily integrated into a Request document.
- It also signals suppliers that the selection process is competitive.
- It ensures that suppliers respond factually to the identified requirements.
- The selection process is structural so that there is no partiality in the process.

Thus, a request for proposal is a proposal that a company ensures for procurement of products. The above points enlist the functions of a general request for proposal used by a company.

Sales & Distribution Mngmt - Techniques

Sales techniques are techniques for selling a product or service for marketing success. In layman terms, it's a combination of talking to the right people and finding out what they actually want to buy; it depends on consumer choice and preference.

A salesperson using sales techniques doesn't just sell the products. In fact, he looks at the customer's need or want and then offers the product after explaining its advantages and disadvantages.

This helps the customer to differentiate among available products, making the decision easy for the customer. This way of selling is more impressive than sampling delivering the product.

It also helps to build a rapport between the customer and the salesperson who understands how much the product is worth to the customer.

Conceptual Selling

Conceptual selling is a type of sales technique, which requires the salesperson to first understand their customer's issues, i.e., what they are trying to accomplish, fix or avoid. Then the salesperson applies his expertise to find a solution for the customer.

By applying this approach, it helps to build trust with customers and the solution found becomes difficult for the competitors to replicate. Conceptual selling is like introducing a new technology, a revolutionary delivery method, a different way of serving customers and finding a new way to resolve old problems.

Conceptual selling is classified into the following four categories –

- Perceptual
- Change
- Emotional
- Fundamental need



Perceptual

Perception is the way a person looks at something. It differs from person to person and it is also possible for the perception of two people to be alike. This psychological proposal asks the consumer to change the attitudes towards something or view it in a different way from the existing point of view.

In other words, the seller requests the buyer to view things from a different perspective.

Change

Change is vital and a thing cannot be the same for a long period of time. The first step itself relates to change. Most of the times, the first step is conceptual selling. The buyer should be interested in listening to new ideas and seriously apply himself to something different.

Emotional

While the seller describes the product to the consumer, he wants an emotional relation with the consumer. The seller should be passionate and eager; it plays a major role in selling. This helps to increase credibility with the consumer and also helps to retain the consumer for a long period of time.

Fundamental need

The fundamental need of a product satisfies a conceptual sale. The assumption is that the product serves as a catalyst for the change that the seller petitions. In case the consumer does not understand that this fundamental need, he will not buy the product.

Sales Negotiation

Sales negotiation refers to the mutual discussion between the buyer and the seller for a transaction or agreement. The negotiation can be a formal event at a specific date and time. It can also be an ongoing process at different points in sales process.

Why does a salesperson negotiate? The answer is because of a customer's attitude towards the product or service. **A customer's attitude can be categorized in four categories –**

Objection

In this category, the customer shows an opposition to the product or service. The customer is not satisfied with the product and opposes and raises a query against the product.

Indifference

The customer is not interested or shows less interest in the product; the reason could be no perceived need for its benefits.

Skepticism

The customer has the perception of the product and its benefits but is in dilemma if the product offered can really provide any benefit.

Acceptance

In this category, the customer agrees with the benefits as advised by the salesperson and has no objections or negative feedback towards the product.

Thus, we can conclude that negotiation skills are required to change a customer's perception towards a product or service.



Sales Negotiation Strategies

A salesperson needs to practice some negotiation strategies to deal with customers. The best way is to draw them into a problem-solving partnership. The initial step is to focus on the issues where the salesperson and the customer have the most agreement.

The salesperson has to take a stiff position initially so that when he compromises, the customer feels that he has negotiated a bargain. The motive should be to concentrate on solving the issues that satisfies the needs of both the buyer and the seller. Solutions of the issues should be certain for both the parties to work on.

It's very important to keep a record of the issues resolved in the process of discussion and to request recaps to confirm the progress being made. This helps to roll up the discussion and easily arrive at the final conclusion.

Negotiation Outcomes

The following are the four types of negotiation outcomes –

Seller Win – Buyer Win

In this outcome, there is a Win-Win situation for both the buyer and the seller. Out of the four, this is the only outcome that leads to long term success for both the parties.

Seller Win – Buyer Lose

In this case, the seller wins but the buyer loses. If the customer is not satisfied, the business relationship is in trouble, as it may affect the reputation of the company.

If the customer feels that he is not satisfied or has been manipulated regarding the product description, he may refuse to have something. If his nature is aggressive, he may take action against the salesperson.

Seller Lose – Buyer Win

The buyers win in the negotiation and the salesperson will feel short changed and try to avoid the situation or even future negotiation. In this outcome also, the buyer and seller relationship is in trouble.

Seller Lose – Buyer Lose

Both the buyer and seller lose and are dissatisfied. After this outcome, it is very unlikely in future to have any negotiation between the two parties.

Reverse Selling

Reverse selling refers to a situation where the buyers get a chance to respond to the sales negotiation or feedback regarding the product or service. If we observe keenly, in most of the cases, the seller talks too much and is always ready to question.

Reverse selling is just the opposite. The buyers have to provide the feedback, which helps to develop a long term relationship between the buyer and the seller. By doing this, the company can understand the pros and cons of its products and services, which helps to improvise and make changes accordingly.

The traditional way of selling a product used by a salesperson is that he/she pressurizes the prospective buyer.

Questioning Strategy

Once the company has listed all the points and the required information, they need to prepare a questionnaire. The questions should begin with broad issues and should allow the buyer to express his/her point of view.

Engaging the Buyer

Questions can be open ended or close ended. If the questions are close ended, the buyer will not be able to apply his own perception or points. An open ended question gives the buyer a chance to explain an issue or to provide a proper feedback, whether positive or negative.

Reverse Question

When a buyer evaluates a product, whether to purchase or otherwise, it gives an opportunity to the seller to pitch in and re-confirm the perception of the buyer. It helps improve the relationship. The seller can better understand how to deal with the situation and what can be offered to the buyer to satisfy his/her needs.

We can thus conclude that reverse selling has now become an important part in today's competitive market.

Take away

Take away selling techniques have become very famous in recent times. As the name suggests, in this type, the buyer takes the product and moves on. In the traditional system, the regular and take away counter used to be the same and people had to wait for long even to take a small parcel.

In the following illustration, we can see a modern take away counter, where the buyer can easily grab a parcel and move on. Such take away counters help the buyer to get the product in less time.



In a few places, we have a take away counter where the customer orders the product from one side and the delivery is made on the other side of the road. This also saves a lot of time for the buyer.

Sales Outsourcing

Sales outsourcing is a way by which one company outsources its process or part of the process to the other company. The company outsources its work to increase the sales volume without link to the sales team that carries on the sales campaigns.

The company that undertakes the process will be paid on a contract basis or the as per the mutual understanding between both the parties. The other party is accountable and answerable regarding all sales activities while representing the

brand to the client. That party is responsible for all the operations associated with direct sales activities.

The main purpose of sales outsourcing is to reduce the cost of production. For example, in London, the labor cost is high as compared to India. So the company would like to outsource the process to India and get the work done in less cost as compared to the home country.



Advantages of Sales Outsourcing

Sales outsourcing is cheaper as compared to fully loaded cost of employing sales personnel. The advantage of sales outsourcing is increasing the revenue for the company by providing the same process in a different way, i.e., by a third party.

The company may also select outsourcing as a means to access the best sales skills. From the company's point of view, if the work gets done in half of the cost as compared to the previous method, it will obviously outsource.

Another reason of outsourcing relates to a company that wants to set up its market in a new place. It would rather provide the contract to a local agency because they will understand the need and perception of that locality. This helps the company to easily set up the business and capture the market faster.

Sales & Distribution Mngmt - Organization

Sales organization is a department in company within logistics that designs the company as per the sales requirements. Sales organization is held responsible for the sales and distribution of goods and services.

The selling unit is represented as a legal unit. The salesperson plays a crucial role in the sales company because he/she is answerable for many activities in the company. **Some of those activities can be listed below.**

- **Setting selling and profit objectives** – The salesperson is involved in setting the objectives of selling the product and generating the profit.
- **Marketing policies** – The salesperson has to set the marketing policies and plan accordingly.
- **Designing personal selling strategies** – They also have to set up their own strategy to generate sales and to target and retain the customers.

They co-ordinate with other departments as well, for example, advertising, sales promotion and distribution, to chalk out a sales programme, which helps in generating sales. It also helps to find any loop holes and fix the issues.

Characteristics of a Sales Organization

Let us now understand the characteristics of a sales organization –

- A sales organization subsists of a group of people who handle different activities like distribution, advertising selling etc.
- It works to achieve the sales objectives, like increasing sales volume and maximizing profit and market share of the company.
- It specifies the responsibilities and duties of the salesperson and also co-ordinates their activities with other departments.
- It helps to develop a relationship with the other personnel in the organization by setting up a sales programme.
- General Sales Manager is the head of the sales organization.

Thus, sales organizations help the company in achieving targets and building coordination with sales personnel. Now we shall see the importance of sales organization.

Significance of Sales Organization

Let us now understand the significance of sales organization.

To plan purchase

The sales of the company depend on the sales anticipation. The sales will increase only when the consumer purchases the goods or services. Therefore, the company

has to plan the sales according to the consumer need and want, meaning where they want the product, what they want etc. The planning and development is done accordingly to satisfy the need of consumer.

To create pattern of demands for products

The demand of the product is created to lead to sell in the market. When a product is manufactured in the factory, it is not sold automatically. Salespersons push the product to consumers. But even they cannot force the consumer to buy the product. The sale depends on the consumer's need and perception. This need is created by the selling skills, promotions through advertisements, etc., which in turn help in creating demand in market.

To handle the orders received

This is an important step where the salesperson has to answer the calls and queries of the customers, receive orders and make the product ready as per the demand of consumers.

Finally, the products are packed and dispatched as per the expectation of consumer; all these are imperative and effective tasks.

To collect the dues

Sales cannot always be done for cash. Bulk sales are made on credit. It's very difficult for an organization to perform only on the basis of cash sales; in this competitive market, credit sales play a crucial role.

After the credit sales have been done, the organization has to collect dues. It is a very challenging task as the salesperson has to retain the business and still get the task done.

To handle the task of personnel management

Every organization wants best sales personnel to enhance the sales. This depends on training. The organization has to select, train, motivate, monitor and control its sales personnel. Here the company has to make an investment in sales personal.

In summary, we can conclude that there is an immense impact of sales organization on a company.

Types of Sales Organization

An organization is designed in a manner where we can identify the work or activity performed by an individual or group. The roles and responsibilities are defined, which helps in building relationships to enable people to work effectively and efficiently.

This helps in achieving the goals of the organization. The following are the four types of sales organizations –

Functional Type

Functional type of organization is divided and classified on the basis of the functions performed. The following illustration shows a functional type organization.



This depicts the functional type organization. We will now discuss the advantages and disadvantages of this type.

Advantages of functional type

The following are the advantages of a functional type of organization –

- **Specialization** – In the figure, we can see the division has been made according to the functions. By this, we can expect each function is specialized in its activity.
- **Flexibility** – The number of departments can be added or removed as per the requirements.
- **Decision making** – Decisions can be made quickly as the person would be an expert in his department and will be aware of the impact of his decision.
- **Co-ordination** – The co-ordination between functions can be done easily

Disadvantages of functional type

Let us now understand the disadvantages associated with functional type of organization –

- **Due Attention** – Each department is only specialized in their own activity; hence there is no attention focused on the product.

- **Delay** – There is delay in making decisions because of co-ordination between all the departments.
- **Co-ordination** – From the figure, we can see that all departments report to the General Manager. Therefore, .in peak times, it may become difficult for the General Manager to maintain co-ordination between the departments.
- **Conflicts** – There is always conflict between departments due to being specialized only in one core area and lack of cross training.

In general, functional type of organization is **suitable where the organization structure is small having limited products.**

Product Type

This type of division is made according to the products. The organization divides the departments based on the products.

The following illustration shows the layout of the product type.



Advantages of Product Type

- **Due Attention** – Due to the division according to the product, each product gets required attention.
- **Specialization** – The salesperson is specialized in specific products; hence he/she has an advantage in handling the department.
- **Responsibility** – The responsibility can be easily assigned to a salesperson because all the salespersons are specialized in their product/ department and are well acquainted with the product, which helps them to handle customers smoothly.

Disadvantages of Product Type

- **Co-ordination** – There would be problem of co-ordination between two product departments.
- **Selling Cost** – The selling cost of product may increase due to the division according to the products.
- **Operational Cost** – Operational cost may also increase due to each product being treated differently.
- **Freedom** – There is no cap on the freedom enjoyed by employees because the salesperson is specialized only on his/her product/department and will not be able to handle other product/department.

Suitability of Product Type

Product type is suitable in the following cases –

- Where the organization has many products and it can divide the departments according to the products.
- For organizations selling highly priced products.
- When the products of an organization are more technical oriented, the organization can divide the departments according to the products as the salesperson will be efficient and effective to discuss the product with the customer in an effective way.

Consumer Specialization Type

According to consumer specialization, the departments are divided on the basis of the costumers to whom the products are offered. Most of the time, market appearance plays an important role in knowing the consumer needs and to divide the departments accordingly.

The following illustration shows the layout of the consumer specialization type.



Advantages of Consumer Specialization Type

- **Consumer** – Here the division is according to consumers, so each consumer gets due attention.
- **Consumer satisfaction** – Consumer satisfaction is the first priority; as maximum services are provided to the consumer.
- **Planning and policies** – The sales planning is done in a proper way and policies are designed keeping each category in focus to achieve the goal.
- **Brand** – The organization is able to fulfil consumer needs and wants and create its own brand to gain market share.

Disadvantages of the Consumer Specialization Type

- **Expenses** – The expenses for the company to build and plan according to consumer and develop the market are huge.
- **Sales activities** – It becomes difficult for the sales manager to co-ordinate the sales activities of salesperson.
- **Investments** – In this case of specialization, the investments are high and sometimes repeated, which in turn, is loss to the company.

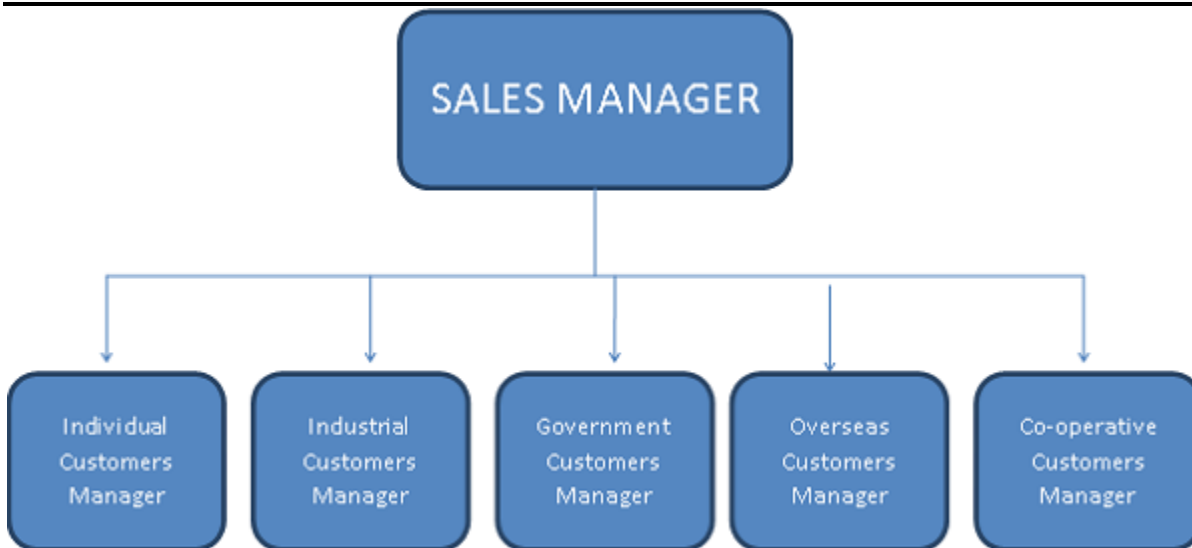
Suitability of the Consumer Specialization Type

Consumer type is suitable in the following cases –

- When there is a large number of consumers who are looking out for special services.
- The customer is ready to pay for the services offered. Here, the target is mostly premier customers.

Area Type

In this type of organization, departments are divided according to the attributes of areas. They can also be divided geographically. The following illustration shows the layout of the area type organization.



Advantages of Area Type

- **Products** – Customers can be served with the latest products and customized products.
- **Transport cost** – Transport cost can be reduced because the division has been made according to areas.
- **Customer service** – Company can provide better customer services as the division is made according to area. Thus, the company can understand the customer psychology and perception better.
- **Sales performance** – The sales performance can be compared according to zones and steps can be taken to improve.

Disadvantages of Area Type

- **Costly** – It is costly as compared to other types and increases expenses of the company.
- **Markets** – It becomes difficult for co-ordination for the General Manager for different markets.
- **Conflicts** – There may be conflicts regarding resource allocation between zones.

Suitability of Area Type

The area type of organization is suitable in the following cases –

- When the area or the territory for market is very large.
- Where the market is different based on zone.
- Where the product is differentiated depending on zone.
- Where the sales volumes are high and generate more revenues.

Sales and Distribution Management - Quota

Sales quota can be defined as the sales target, which is assigned to any sales unit for a particular duration of time; here sales unit can be a person, region, distributor etc. Sales quota provides a target to be achieved in particular duration, which increases the productivity.

Commercial firms set up sales quotas in order to improve sales volume and increase the net profit of the organization. It can also be viewed as a standard to determine the effectiveness of sales unit. Sales quota is determined using various factors such as market potential, marketing method, past sales record etc., with effective projection of market sentiments. For planning sales quota, **control of sales operations can be an effective method.**

Objectives

Sales quota is imposed in an organization to fulfil various objectives required to increase the sales of product and maximize profit.

Sales objectives help an organization in the following ways –

- They provide a standard to measure the performance.
- They help to control sales expenses for customer acquisition.
- They help define a target; this further facilitates motivation and enhanced performance.
- These help to identify and monitor the performance of salespersons.

These are some of the primary objectives of sales quota for an organization. Further, sales quota can be divided in different types according to the requirement.

Types of Sales Quota

Sales quota is divided into four different categories according to the difference in forecasting and cost allocation procedure, management goals, selling issues and executive decision.

The following are the different types of sales quota.

Sales and Volume Quota

Sales and volume quota is allocation of sales quantity for salesperson, geographical regions, distribution outlets etc. This quota can be implemented according to sales performed or revenue earned by respective units.

The combination of both the criteria can also be used for the implementation of this quota. The quantity of sales and revenue earned can be allocated to the respective unit (salesperson, region) and it has to fulfil at least one of them.

Financial and Budget Quota

Financial and budget quota is used to determine and restrict expenses on sales to attain desired net profit planned.

It is implemented on various segment of sales organization to control the expenses accordingly. The aim of these quota is restriction of expenses for making sales so that profit can be increased.

Activity Quota

In competitive market, the effective performance of sales group is required. It can act as a long term benefit for the organization. Organizations set up activity quota for sales force for efficient results. These can be performed by allocating sales target to salespersons.

The following are the activities listed under sales quota –

- Number of accounts opened through the salesperson
- Number of sales calls made to potential customer
- Number of demonstrations made to show the product
- Number of maintenance activities performed

Activity quota is planned on the basis of these activities performed by the salesperson. By setting quota for the activities, efficient performance and controlling can be managed.

Combination Quota

It depends on product type and market condition, issues related to sales of product and the challenges faced during the sales of a product. Organizations set up quota with combination of sales volume and activity quota in order to increase sales.

Methods for Setting Sales Quota

Sales quota for any unit like salesperson, region, etc., should be a reasonable and an achievable goal, for it to be fulfilled at the provided time span. At the same time, quota should not be such that it doesn't take much effort to achieve.

The following are some of the methods for setting the sales quota –

Total Market Estimate Method

Total market estimate method is used **to determine sales quota in places where the management doesn't have any data about the market potential**. It can be determined by dividing the company's sales quota with respect to regions or dividing sales quota according to relative sales opportunity as per region.

Territory Potential Method

Territory potential method directly **relates territorial sales potential to sales quota**. The potential here is total industry's sales for that segment. Sales potential represents the maximum market size of the product; size of the market reflects the sales potential. This method gives precise results if territorial sales potentials are used with a combination of territorial design.

Past Sales Experience Method

Past sales experience method determines the sales quantity based on the previous year sales. Managements of organizations set this up by increasing some percentage from the previous sales record.

For more precision in the approach, managements most commonly use an average of several years as a base line for the measurement. This method is simple and doesn't take much effort to implement.

Executive Judgement Method

In this method, sales quota volume is determined by the management, but it is more likely to be a guess. The management decides the sales quantity and no fixed procedures are involved.

This method is not precise and it's mostly not used by organizations to determining the sales quota. This method doesn't provide any estimate for territorial based sales volume.

Sales People Estimate Method

In this method, the sales quota is determined by the salesperson of the organization. Through this approach, a more relevant sales estimate can be maintained, which can be achieved by the salesperson.

Salesperson have better knowledge of the market conditions, so they can set the target as per their standards, and if the standards are set by the salesperson themselves rather than imposed by the management, their fulfillment is more likely possible.

Compensation Plan Method

Compensation method is based on management's view of what a particular salesperson should receive as revenue; this method does not take into account the sales projection or territorial volume.

For example, if a salesperson has to receive 20,000 as salary, which can be received as 10 percent commission of the sales amount, then the salesperson has to sell products worth 200,000.

Sales & Distribution Management - Territory

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.

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 –

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.

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.

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.

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.

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.

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.

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.

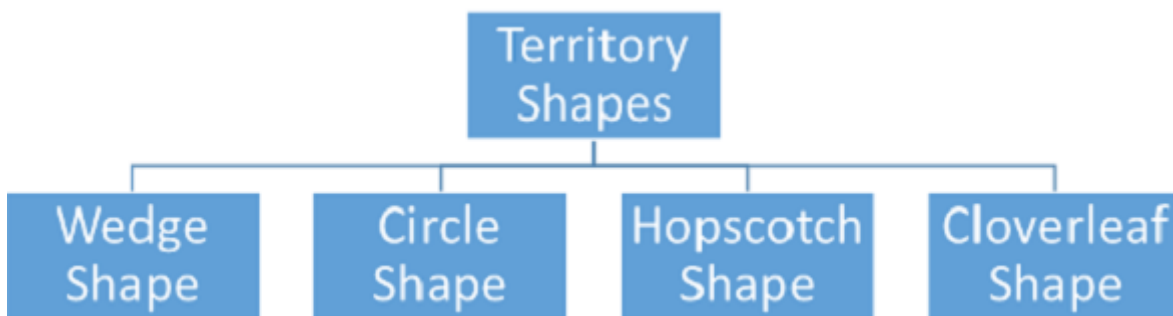
All the salespersons cannot be considered equal and competitive; it depends on the basis of experience and skills. The salespersons are assigned territories by the sales manager depending on the basis of sales. The geographical areas with high sales are assigned to the salesperson with experience, who 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.

Sales & Distribution Mngmt - Personal Selling

Personal selling can be termed as the oral presentation given by the salesperson to one or more than one consumers face to face to sell the product or service. Personal selling is a highly peculiar form of promotion. It is mostly two-way communication, which not only involves a particular individual but also social behavior.

The intention is to deliver the right product to the right customers. Depending upon the complexity of product, personal selling plays an important role. Industries manufacturing technical products like laptops, computers, digital phone, gadgets, etc., likely depend on personal selling as compared to the other manufactures.

The reason behind this is to explain the features of the product, tackle the customer queries and provide the best customer service. The competition in the market has increased today and therefore the importance of the salesperson in the organization.

Salespersons are also called **salesman** or **salesgirl** or sales representative and their payment is made as the commission to push the product in the market by motivating the customer through oral conversation.

The consumer wants all kinds of goods and services in the market but lack of interest keeps them away from making decisions or purchasing products. This is where the salesman needs to act as a catalyst and explain the product or service to the customer. He/she should motivate the customer by giving a presentation and he may sometimes act as a consultant. This helps the consumer to make a decision.

In case of technical products, the salesperson plays a more vital role as compared to the promotions. It becomes difficult for the customers to make decision while purchasing high value products with complex nature. The salesperson helps the customers by making personal contact with them and making them understand the quality and utility of the product.

Objectives of Personal Selling

Personal selling contributes in achieving the long-term objectives for the organization.

The following are some of the objectives of personal selling –

- To do the complete selling job when there are no other components in promotional mix
- To provide service to the existing customers and try to maintain contacts with the present customers
- Identify and find new prospective customers
- Promote the products to increase sales
- Provide the information to the customers regarding the change in product line
- Provide assistance to the customers to help in decision-making
- Provide technical advice to customers for complex products
- Gather the data in relation to market and provide it to company's management

The reason behind setting personal selling objectives is to make decision on sales policies and personal selling strategies, which helps in promoting the product. The objectives are set for long-term, as it becomes the important element for qualitative personal selling objectives.

The objectives can also be quantitative if they are short-term and it could be adjusted from one promotional period to another. The quantitative personal selling objective is related to sales volume objective. Hence, the sales volume objective should also be explained.

The following are a few sales objectives –

- Capture and maintain a specific market share
- Increase sales volumes that help the organization to gain maximum profit
- Reduce or keep the expenses provided for personal selling within limits
- Obtain the percentage of customers as per the set targets

Relevant Situation for Personal Selling

In some situations, personal selling becomes more relevant. The following are some relevant situations –

Product Situation

Product selling is more effective for the following types of products.

- Product with high value like machinery, computers etc.
- Product in its first stage of life cycle, when it needs more demand.
- Product to match consumer needs like insurance policy
- Products that need presentation, for example, industrial products
- When the products need after sales service
- Product with less brand loyalty

Market Situation

Personal selling can be utilized optimally depending upon the market situation.

- An organization selling products to small number of buyers
- Company selling in local market
- Required middle men or agents not available
- No direct channel available for selling products

Company Situation

Personal selling is comparatively more adequate to the companies when

- A company cannot invest huge amount of money in advertisement on regular basis.
- A company is unable to find and make use of relevant non-commercial media in promoting the product.

Consumer Behavior Situation

In case of some consumer behaviors, personal selling can be effective when

- The product purchased by the consumer is expensive but it's not regular.
- The consumers need answers instantly without delay.
- The customers need follow up in competing pressure.

These are the four situations where personal selling is important. This will help the salesperson to spot the customers and provide product knowledge through face to face presentation. Once the consumer understands the nature of the product, it helps him/her to decide whether to purchase the product.

Diversity of Selling Situation

In our day to day life, we come across different types of selling situations. This depends on the individual selling styles because of the marketing factors. The activities of the salesperson differ as per the situation.

Example – The job of a salesperson selling soft drinks is different as compared to that of a salesperson selling computers. In case of soft drinks, the salesperson is not required to explain the significance or the nature of product but in case of computers, the salesperson has to clarify all the technical requirements.

The categorization of the salesperson is done on the basis of selling styles, creative skill required in the job, complexity of the product etc.

Let us now discuss **different kinds of selling positions** –

Delivery Salesperson

As the name suggests, the job of the delivery salesperson is to deliver the product; the selling responsibility is secondary. **Example** – Milk, curd, bread, soft drinks etc

Inside Order Taker

The person standing behind the counter is known as inside order taker. He does not help the customers much with suggestions. The main purpose is to provide the product requested by the customer. **Example** – General stores.

Missionary Sales People

The salesperson does not have the permission to promote an order. Their primary job is to develop goodwill and educate the customers about the products. **Example** – Medical Representatives.

Consultative Salesperson

This type represents those products or services sold to consumer, which are highly priced and need huge investment to purchase. Due to high capital investment by the customer, the salesperson cannot put much pressure to sell.

The salesperson should have a thorough knowledge regarding the product and the patience to discuss and advise the features and advantage of the product.

During the sales process, the salesperson has to be creative. He should maintain the interest with customer without exerting much pressure on the client. **Example** – Huge Machines, computer systems, etc.

Technical Salesperson

The most important character of the salesperson should be the knowledge relating to the product. The salesperson should have a detailed knowledge regarding the product features, benefits, disadvantages, etc.

Most of the people do not have the required technical knowledge and easily agree to the points of salesperson but there are few customers having knowledge that may influence the decision of purchasing the product. The salesperson should satisfy these types of customers by explaining the product features, installation etc. The salesperson should be well trained to tackle the questions of customers and provide relevant knowledge.

Commercial Salesperson

In this category, the salesperson has to sell the product to other business, industry or government organization etc. It's generally business to business where the salesperson closes the sale in the first or the second call. The sales process is short as compared to business to customer sales.

The salesperson has to be aggressive and highly motivated for the follow up and maintenance of accounts. **Example** – Wholesale goods, construction products, office equipment etc

Direct Sales People

Direct sale of product involves selling the products and services to the final consumers. The sales process is short and closed in a short period of time. There are many products available in market for direct sales; hence the salesperson is trained to close the deal in the first visit because the consumer will either purchase the product or switch to its competitor. **Example** – Insurance, door to door sales, magazines, etc.

Steps In Personal Selling

The selling process consists of several steps; there are few basic steps, which need to be followed for all types of products. The selling process can be for short time or long time, depending upon the nature of the product. A product, which needs huge investment, may take longer time to complete the selling process whereas in case of daily products where the customer is aware of the nature of the product, the selling process ends in shorter time.

Example – Door to door sales, where the salesperson explains all the steps and ends the process in 10 to 15 minutes. However, for heavy machinery, it may take time to present the technical nature and explain the product; it takes more than one visit to complete the selling process.

Prospecting

The initial step of selling process starts with prospecting or searching for potential customers. Apart from retail sales, it's very rare when customers reach out to the salesperson. It's the salesperson who reaches out to customers in order to sell the product.

The following are the two major activities under prospecting –

- Find the prospects or the potential customers
- Educate them in order to figure out if they are valid customers

Find the Prospects or the Potential Customers

Finding the prospect is not an easy step for a sales person because consumers would not even like to listen to the presentation regarding the product they do not need. The rate of saying "No" is very high. In few consumer goods, the identification of customers comes from sources like friends, relatives, colleagues etc. The following are some of the best sources.

- **Existing Customers** – One of the good sources of prospects is an existing customer. For a salesperson, it is very easy to sell the products to an existing customer instead of selling to the new customers.
- **Never-ending Chain** – This is a competing strategy to find out prospects. The salesperson reaches many new customers with the help of existing customers. The salesperson selling the product to existing customers asks to provide referral to friends or relatives and the salesperson reaches the new customers. This chain goes on and on.
- **Cold Call** – In this technique, the salesperson has to visit door to door to sell the products. The sales process starts from introduction but in this case, the rejection rate is high.

- **Directories** – The salesperson tries to find out prospect customer contact with the help of a directory. The salesperson can also collect the information through membership directories of trade associations, social organization etc.
- **Mailing** – The companies promote their product through mails by sending advertisements. The advantage is that it's cheap and the company targets many customers by sending mass mailers.
- **Exhibition** – The salesperson could target the prospective customers through tradeshows and exhibitions. It's one of the simplest ways and the salesperson could also practically show the use of the product and the features. Announcement is advance, before the exhibitions starts, is very helpful to attract more customers.

Train/Educate the Prospects

After the salesperson has identified the potential customers, he should find out if they are valid prospects. After finding the valid prospects, the salesperson has to give the presentation.

There are several approaches for qualifying customers and the prominent approach is MAN, i.e., Money, Authority and Need.

- **Money** – The salesperson should know the financial status of the customers because money matters a lot, and, without it, the prospect cannot purchase the product. The consumer or the prospect should be able to pay money in return of the product.
- **Authority** – The prospect that is purchasing the product should have the authority to make decision. This is important while dealing with government agencies, corporate etc.
- **Need** – This is one of the most important points because if the prospect has money and also the authority but there is no need of the product, he or she will not purchase the product.

The salesperson has to find out about these aspects before proceeding to the selling process.

Preparation for the Sale of Product

Once the prospect has been identified and qualified as discussed in first step, the salesperson has to prepare for the sales of product or service. The following are the two stages involved in preparation –

- Pre-approach
- Call Planning

Pre-approach

This step involves collecting all the information important to learn about the prospects and their needs. The following are the four steps of pre-approach –

- Prospect need and ability should be disclosed.
- All the required information, which would help the salesperson to prepare the presentation.
- Relevant information, which helps salesperson not create any errors during presentation.
- Confidence to tackle the questions of the prospect.

Call Planning

Call Planning includes a particular planning sequence. The salesperson calls the customer and explains the objective of the call and explains the product to make appointments.

The first objective of the salesperson is to get an order from the customer. Some objectives may also be required in the mid-of-the-call progress, depending on the call. Following are a few objectives for call planning –

- Collect more information from the customer .
- Find out the need of the customer and link with the features of product.
- Take permission from customer before presentation of product.
- Suggest a new distributor.

The salesperson has to develop a strategy and plan accordingly to achieve the objective or goal. The salesperson should be very careful while checking the background of the customers and obtaining details. This helps to frame a strategy and develop a plan. The calls made by salesperson are costly, so they have to take prior appointment.

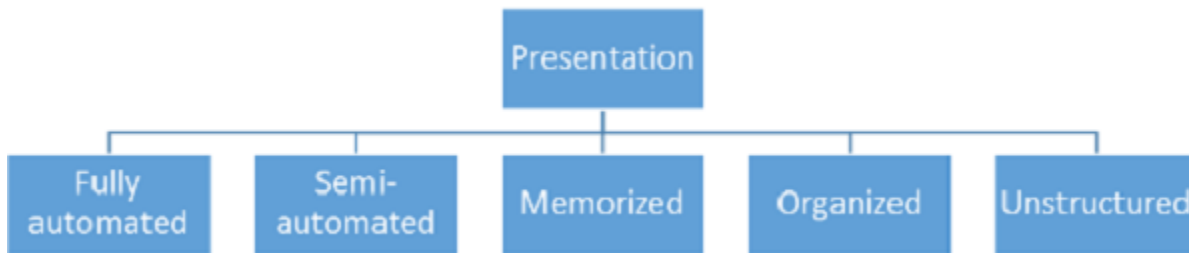
Presentation

In this step, the salesperson has to give the presentation regarding the product to the customer. She/he should explain the features of the product and how it will fulfill the needs. The presentation should be clear and understandable by the customer. It should also be interesting to keep the customer involved in the conversation.

A presentation can be classified into the following categories –

- Fully automated
- Semi-automated
- Memorized
- Organized

- Unstructured



Fully Automated

In this approach, the salesperson gives the presentation with the help of slides in a structured manner. He also explains and clears the doubts of the customers. Example: Life Insurance.

Semi-Automated

The salesperson reads out the company brochures and adds comments as per requirement or queries from the client. Example: Pharmaceutical products.

Memorized

The company presents its message, which is short and crisp, and which can be easily memorized by the customer.

Organized

One of the most attractive, effective and often-used approaches is organized presentation. The salesperson can make changes in the presentation as required but based on the company's pre-defined outline. In this approach, the sale person covers the four steps, i.e., Attention, Interest, Desire and Action.

Unstructured

The salesperson and the customer together try to resolve the problems. Hence this approach is also known as problem solving. This type of presentation is not well focused many a times; some points are missed and time is wasted. Also the salesperson has to face many queries from the customers and if the salesperson is new in the field, he/she will not be able to answer the queries in an effective manner.

Thus, we can conclude that the presentation to the established customers should be done by an effective salesperson.

Handling Objections

The salesperson has to struggle to sell the product to the customers. During the sales process, the prospects raise objections, which can be stated or hidden.

Prospects may state the reason for objections and give a chance to salesperson to answer. This is an absolute situation because the prospect is informed regarding the objections.

Unfortunately, in many cases, the prospects do not provide the reason for objection of the product. They hide their real reason for not buying the product. If the salesperson is unable to know the real reason, he/she will not be able to resolve the problem.

To resolve this, there are two techniques to find out the objections.

- To allow the prospect to talk to find out the hidden objection.
- The observation gained by experience and mixing with the knowledge of the prospects.

Many times, the objection is due to high price of the product. That objection can be answered when the salesperson has the knowledge of the competitor's products as well.

Also, in many cases, the prospects do not understand the technical aspects and are misinformed. The salesperson should provide additional information in this case.

Now we can conclude that the objection can be resolved by providing an alternative product to the prospects.

Closing the Sale

After answering the objections made by prospects, the salesperson asks for the prospect to order the product. If the prospect does not agree to buy the product, the entire effort gets waste. The following are some effective techniques to close the sale –

Gift Close

In this technique, the customers get an incentive for immediate buying action. The salesperson informs regarding the benefits of the product to the prospects.

Example – A company provides an option to the prospect that if the bill exceeds Rs.3000, he can buy a bed sheet worth 2000 for just Rs.200.

Here, if the customer has made a purchase of Rs.2500, he will check out to buy something else to reach 3000. This helps the company to sell two extra products – one for Rs.500 or more to reach 3000 and another, bed sheet for Rs.200.

Direct Close

This is one of the simplest techniques to close the sales. This happens when the buyer has positive approach to buy a product. The salesperson summarizes the important points that were made prior to sale.

Example – A prospect needs beauty cream and steps into a shop. The salesperson offers the products; if required, shows the demo. Once the prospect is satisfied, he/she will buy it.

If the salesperson is experienced, he/she will try to close it as early as possible because he/she would understand if the prospect is inclined to buy the product. A good salesperson makes sure that he has completed all the steps during sales process.

Thus, closing is an important step in sales process. The other steps are meaningless without closing.

Follow-up

After making the sale, the salesperson has to follow up with the prospects. After sales activities are important parts of the selling process. This helps in reducing any doubt by the customer regarding the product or service. There is also a chance that the buyer will buy again in future.

There are specific policies by a company for after sales activities. Even though the company provides good products, there will be few complaints from customers. The complaints should be taken seriously and the company should try to resolve. This helps the company to improve in terms of product or service.

An experienced salesperson tries to provide the best service to its customers. As a part of handling complaints, they also keep the prospect informed regarding the latest products or services and also provide other types of assistance. The salesperson should build good rapport with the customer. This helps to get more customers because the existing customer will refer to his friends and relatives.

The salesperson should thank the customer for the business and offer small gifts.

Sales and Distribution Management - Budget

Sales budget is a financial plan, which shows how the resources should be allocated to achieve forecasted sales. The main purpose of sales budget is to plan for maximum utilization of resources and forecast sales.

The information required to prepare a sales budget comes from many sources. One of the best sources is the salesperson who deals with the products on a daily basis.

The company can also gather information from the production department regarding the date of manufacture or expiry.

It is very important to forecast the accurate sales because the budget of other departments is based on the sales budget. For example, the production is manufactured as per the sales forecast, but if the sales forecast is not accurate, either the production will be less or more than desired.

Objective of Sales Budgeting

The objective of sales budgeting is to plan for and control expenditure of resources (money, material, facilities and people) necessary to achieve the desired sales objective. It aims at leveraging and maximizing profits.

The purpose of sales budget is to achieve the objectives of the sales department. It also acts as a planning tool. It helps a firm to set standards and strive to achieve them. It is also an instrument of coordination between different departments in an organization like sales, finance, production and advertising.

Sales budgeting is also a tool or control, which helps by comparison with the actual results. If the actual of sale is more than that of budget, we can say it is a favorable condition.

Methods of Sales Budgeting

There are a variety of methods which can be used to prepare a sales budget.

The following are some of the popular methods to prepare a sales budget –

Affordable Budgeting

This is a method generally used by organizations dealing in industrial goods. Also, firms, which do not give importance to budgeting or firms which are having small size of operation, make use of this judgmental method.

Rule of Thumb

Such as a given percentage of sales. Companies involved in mass selling of goods and companies dominated by the finance function are the major users of this method.

Competitive Method

A few companies, the products of which face tough competition and many challenges in selling and which need effective marketing strategy to maintain profits, make use of this method. Using this method needs knowledge of how our competitor is working with regards to resource allocation.

Companies make use of a combination of the above methods. Depending upon the past experiences, budgeting approaches are refined time to time. The status of the sales & marketing helps the organization to figure out the extent of sophistication needed in approaching sales budgeting.

Preparation of Sales Budget

Preparation of sales budget is one of the most important processes of the sales. Generally, companies prepare the sales budget based on the principle of bottom up planning. Preparation of a budget for revenue and sales will depend on the sales organizational structure; each departmental head is asked to forecast their sales volume and expenses for the coming period.

For Example, – in a leading automobile company, the budget would be prepared district wise and all the Budgets from each district would be submitted to the Regional office. Clubbing of all the District budgets is done at the Regional or Zonal level or Division wise. A division Budget is prepared and these Divisional wise budgets would vary product wise or market wise. So the Division wise budgets are finally submitted to the Manager, Sales as either product oriented or market group oriented.

Division wise budgets across all divisions would be submitted to the Central sales department and they would scan and finalize the company's Sales Budget. Now the marketing budget is combined with the budgets of the sales and marketing staff departments, which will give a clear picture of total sales expenses, other marketing related expenses and approximate sales revenue generated for the company. Some of the common items in each sales budget include Employee Salaries, Administrative Expenses, Marketing Expenses and many more.

Direct selling expenses include boarding and lodging for salesperson, food and travel, and along with these –

- Commission or incentive based sales
- Employee benefits like medical insurance, gratuity and retirement contribution
- Office expenses like internet charges, mailing, telephone, office supplies
- Miscellaneous costs

Advertising and promotional materials like –

- Selling aids
- Contest awards
- Product samples catalogues

- Price lists
- Other miscellaneous materials

Reviewing of past sales budget helps in better planning of future sales budget by informing about the pros and cons of the past budgets. This leads to better budget for future and can minimize the differences between the actual and the budgeted.

Communicating Overall Objectives

It is important for the top management to present their goals and objectives to the marketing department and argue effectively for an equitable share of funds. The chief sales executive of the firm should take the inputs from all supervisors and managers in preparing the sales budgets and encourage them to come with different ideas so that after the preparation of the Budget, they could take responsibility and show involvement in achieving the targets and implementing them.

While preparing the sales budget, we need to set a preliminary plan so that we can allocate the resources and the efforts needed to sell the products, increase the customer base and territories. Any revisions in the Budget can be identified in the initial sales budget so that the sales manager could provide a realistic budget with maximum efficiency. Deviations should also be identified in each stage of development of sales budget.

As the budget is prepared by taking inputs from all levels of the hierarchy, the entire team would cooperate to achieve it. In case of failure, the sales manager should have control points in order to get the budget on track. He could also include some motivational factors like rewards, public commendations and recognition in the budget, which will motivate the employees to have a positive attitude, resulting in achievement of the budget goals.

Selling the Sales Budget to Top Management

There should be uniformity among the Budgets provided by different divisions. Top management of Sales and Marketing should propose the Budget that anticipates the future challenges and is competitive, along with the proposal submitted by the Heads of other divisions

Each and every division usually demands for additional funds and so there could be deviation from sales budget. These deviations should be addressed by the sales managers and they should justify each deviation in their budgets, as these would affect the profit percentage. In other words, there should be scope for deviations as well in sales budget.

Marketing Channel

Marketing channel can be defined as the procedure of activities that need to be performed to distribute the finished goods at the point of production to the customer at the point of consumption.

Manufactures use different channels to distribute the finished goods to customers. However, the most common methods are wholesale or retail, which are discussed further.

The profit is distributed between the elements of distribution channel, so if the channel is longer, each element has lower profit margin and there is less scope for discounts for the consumer. In a shorter channel, the distribution is divided between fewer elements, profit is higher for each element and higher discounts can be provided to the customer.

Wholesale

In this distribution channel, wholesalers buy the products and then distribute to consumers. Wholesalers directly purchase goods from the manufacturer in large quantity at a discounted price. Several service taxes and sales taxes are also reduced, which in turn reduces the cost of the final product.



The wholesaler then sells the product to the consumer. From the consumer's perspective, wholesale is a cheaper option as the cost of the product is lower than retail value and for wholesalers, the profit margin is higher because of bulk purchase from the producer.

Retail

In retail distribution channel, the finished goods are purchased by a wholesaler or distributor, the wholesaler sells to retail shops and then the product is sold to the consumer.



The wholesalers buy the product in bulk; then the product is sold to the retailers in lesser quantities; further, the retail shops sell the product to the customers. Here the distribution channel is longer than wholesale, so the profit margin for each element is comparatively lower and the customer gets a higher cost than wholesale.