04 SALES FORCE MANAGEMENT

05. RECRUITMENT & SELECTION OF SALES PERSONNEL

06. SALES TRAINING

07. DIRECTING THE SALES FORCE
Sales force management is a specialised type of personnel management. Sales managers perform the sales force management function. They execute the entire human resource management function in an organisation.
Sales managers
☐ recruit,
☐ select,
☐ train,
☐ motivate,
☐ lead,
☐ control and
☐ compensate the sales staff
Decisions on what to sell (product policies) and to whom to sell (distribution policies) are important determinants of the two components of personal selling strategy – the kind of sales personnel (qualitative objective) and their total number (quantitative objective).
Qualitative Analysis

- Product market analysis,
- Analysis of salesperson’s role in securing orders, and
- Choice of basic selling styles.
Product market analysis

Product specialists, Market specialists, and Combination

<table>
<thead>
<tr>
<th>Type of Market</th>
<th>Campus Book Store</th>
<th>Book Wholesalers</th>
<th>Business Buyers</th>
<th>Government Buyers</th>
</tr>
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<tbody>
<tr>
<td>General Textbooks</td>
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<tr>
<td>Technical &amp; Reference Books</td>
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<tr>
<td>Hardbound Fiction</td>
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<tr>
<td>Paperbacks</td>
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</table>
Analysis of salesperson’s role

- Salespeople may be either active or passive forces in securing orders.
- The encyclopaedia salesperson calling on households must often function as an order getter.
- The driver-salesperson for a soft drink bottling company is primarily an order taker.
In consumer goods marketing, the missionary salesperson’s major role is to assist middlemen in making sales to their consumers.

In industrial-goods marketing, the sales engineer plays two major roles: advisor to customers on technical product features and applications, and design consultants to industrial users on installations or processes incorporating the manufacturer’s products.
Choice of basic selling styles

- Trade selling,
- Missionary selling,
- Technical selling, and
- New-business selling.
Quantitative Analysis

- Work-load method,
- Sales potential method, and
- Incremental method.
Work-load method

- Classify customers, both present and prospective, into sales volume potential categories.

Assume that there are 880 present and prospective customers, classified by sales volume potential as:

- Class A, Large: 150 Accounts
- Class B, Medium: 220 Accounts
- Class C, Small: 510 Accounts
Work-load method

- Decide on the length of time per sales call and desired call frequencies on each class.

  Class A: 60min/call \( \times \) 52 calls/year = 52 hours/year.

  Class B: 30min/call \( \times \) 24 calls/year = 12 hours/year.

  Class C: 10min/call \( \times \) 12 calls/year = 3 hours/year.
Work-load method

- Calculate the total work load involved in covering the entire market.

Class A: 150 accounts X 52 hours/year = 7800 hours.
Class B: 220 accounts X 12 hours/year = 2640 hours.
Class C: 510 accounts X 3 hours/year = 1530 hours.

Total: 11,970 hours.
Work-load method

- Determine the total work time available per sales person.

Suppose that management decides that salespeople should work 40 hours per week, 48 weeks per year, allowing 4 weeks for vacations, holidays, sickness etc.)

40 hours/week X 48 weeks = 1920 hours/year.
Work-load method

- Divide the total work time available per salesperson by task.

Assuming that the sales personnel apportion their time as follows:

- **Selling tasks**: 45%  864 hours
- **Non selling tasks**: 30%  576 hours
- **Travelling**: 25%  480 hours

**Total:** 100%  1920 hours
Work-load method

Calculate the number of sales people needed.

This is a matter of dividing the total market work load by the total selling time available per sales-person:

11,970 hours / 864 hours = 14 sales people needed.
Sales potential method

N = S/P + T (S/P); this reduces to
N = S/P (1 + T);
N = number of sales personnel units,
S = forecasted sales volume,
P = estimated sales productivity of each unit,
T = allowance for rate of sales force turnover
Consider a firm with forecasted sale of Rs.1 million, estimated sales productivity per sales personnel unit of Rs.1,00,000/-, and an estimated annual rate of sales force turnover of 10 percent. Inserting these figures in the equation, we have:

\[ N = \frac{10,00,000}{1,00,000} \times 1.10; \]

or \( N = 11 \) sales personnel units.
Incremental method

A company has found that its total sales volume varies directly with the number of salespeople it has in the field. Its cost of goods sold holds steady at 65 percent of sales. All sales personnel receive a straight salary of Rs.20,000/- annually as well as a fixed travelling allowance of Rs.12,000/- annually and in addition are paid commissions of 5% on their sales. The company now has 15 people on its sales force. Its sales executives estimate the following increases in sales volume, cost of goods sold, and gross margin that would result from the addition of the 16th, 17th, 18th, and 19th sales persons.
Incremental method

<table>
<thead>
<tr>
<th>Number</th>
<th>Sales Volume of (Rs.)</th>
<th>Cost of Goods Sold of (Rs.)</th>
<th>Gross Margin of (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>2,50,000</td>
<td>1,62,500</td>
<td>87,500</td>
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<tr>
<td>17</td>
<td>2,00,000</td>
<td>1,30,000</td>
<td>70,000</td>
</tr>
<tr>
<td>18</td>
<td>1,50,000</td>
<td>97,500</td>
<td>52,500</td>
</tr>
<tr>
<td>19</td>
<td>1,00,000</td>
<td>65,000</td>
<td>35,000</td>
</tr>
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</table>

There will be additional
Incremental method

<table>
<thead>
<tr>
<th>Number</th>
<th>Gross Margin of (Rs.)</th>
<th>Sales Salaries of (Rs.)</th>
<th>Commissions of (Rs.)</th>
<th>Travel Allowance of (Rs.)</th>
<th>Net Profit Contribution of (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>87,500</td>
<td>20,000</td>
<td>12,500</td>
<td>12,000</td>
<td>43,000</td>
</tr>
<tr>
<td>17</td>
<td>70,000</td>
<td>20,000</td>
<td>10,000</td>
<td>12,000</td>
<td>28,000</td>
</tr>
<tr>
<td>18</td>
<td>52,500</td>
<td>20,000</td>
<td>7,500</td>
<td>12,000</td>
<td>13,000</td>
</tr>
</tbody>
</table>
| 19     | 35,000                | 20,000                  | 5,000                | 12,000                   | (2,000                           )

Thus, the optimal size of sales force here is 18 people.
Activities involved in Sales Force Management

- Performance Evaluation
- Compensation & Motivational Programs
- Job Description
- Job Evaluation
- Job Specification
- Recruitment
- Selection
- Training & Supervision

JOB ANALYSIS
The Hiring Process

- Stage 1 – Planning
- Stage 2 – Recruitment
- Stage 3 – Selection
- Stage 4 – Socialization
Stage 1 – Planning

- **Analysis of the annual turnover**
  
  *Turnover* is defined as the average percentage of the sales force that leaves a sales organisation in a given period of time.

- The *manpower forecast* determines the number of salespeople required by the organisation.
Stage 1 – Planning

- A sales organisation has two types of hiring objectives. The first objective is to plan the replacements of people who have left or would leave in the near future, and the second is the recruitment for expansions and for new market coverage.

- strategic position analysis determines the number and type of salespeople required by the organisation.
Stage 2 – Recruitment

Internal Sources of Recruitment

- Lateral or upward move
- Internal transfers
- Interns and cooperative students
- Employee referral programmes
Stage 2 – Recruitment

External Sources of Recruitment

- Advertising
- Walk-in-interviews
- Direct unsolicited applications
- Educational institutions and campus recruitments
- Other industry sources
- Employment agencies
- Networking
Stage 3 - Selection

A Selection System

- Pre-Interview Screening and Preliminary Interview
- Formal Application
- Interview(s)
- References and Credit Check
- Testing
- Physical
- Employment Offer

TIME

EXPENSE
Stage 4 – Socialization

- anticipatory stage
- encounter stage
- settling in stage
SALES TRAINING

A-C-M-E-E-E Model


Aim(s) → Content → Method(s) → Execution → Evaluation

FEEDBACK: Recycle, Redesign, Modify
Sales Training Methods

Individual Training Methods
a. On-the-job Training
b. Programmed Learning

Group Programs
a. Lecture
b. Personal Conference
c. Demonstration
d. Role-Playing
e. Case Discussion
f. Gaming
g. Correspondence Course
MOTIVATION

Maslow’s Hierarchy of needs

<table>
<thead>
<tr>
<th>Self-Actualisation</th>
<th>Motivators (Job Content)</th>
<th>Hygiene Factors (Job Context)</th>
<th>Herzberg’s Two factors theory</th>
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</thead>
<tbody>
<tr>
<td>Self-Actualisation</td>
<td>Achievement</td>
<td>Interpersonal Relations</td>
<td>David McClelland’s</td>
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<tr>
<td>Esteem needs</td>
<td>Advancement</td>
<td>Company Policy</td>
<td>Achievement-Motivation theory</td>
</tr>
<tr>
<td>Social needs</td>
<td>Growth Potential</td>
<td>Work Conditions</td>
<td>If individuals with high mAch</td>
</tr>
<tr>
<td>Safety needs</td>
<td></td>
<td>Personal Life</td>
<td>can be best performers in</td>
</tr>
<tr>
<td>Physiological needs</td>
<td></td>
<td></td>
<td>sales jobs, then management</td>
</tr>
</tbody>
</table>

Recognition
Work itself
Responsibility

Peers, Supervisors, Subordinates
Job Security
Salary
COMPENSATION OF SALES FORCE

- Motivational Roles
- Objectives
- Characteristics or Requirements
- Devising A Sales Compensation Plan
- Types Of Compensation Plans
COMPENSATION - Motivational Roles

- (1) provide a living wage,
- (2) adjust pay levels to performance, thereby relating job performance and rewards (in line with expectancy motivation theory), and
- (3) provide a mechanism for demonstrating the congruency between attaining company goals and individual goals (also in line with expectancy theory).
COMPENSATION - Objectives

- attract quality salespeople.
- help to **improve the productivity level** of the existing salespeople in the organization.
- helps in **optimizing the sales effort** by the salespeople
- **maximizes the sales**, 
- **Reduces the sales expenses** and also the production cost.
- helps in **retaining quality manpower** and reducing the attrition rate in the organization.
- establishes a **good rapport** between the sales force and the sales supervisors and managers in the company.
COMPENSATION - Characteristics or Requirements

- Should address the short-term as well as the long-term issues of the salesperson.

While survival is a short-term issue for the salesperson, recognition and growth in the company and career are the long-term issues.
Requirements

- provides a living wage
- should have future orientation.
- should take care of the salesperson's housing need, dearness allowance, conveyance, pension, provident fund, and medical needs.
- The plan fits with the rest of the motivational program
- The plan is fair
- It is easy for sales personnel to understand
- adjusts pay to changes in performance.
- economical to administer.
- helps in attaining the objectives of the sales organization.
DEVISING A SALES COMPENSATION PLAN

- Define the Sales Job
- Consider the Company's General Compensation Structure
- Consider Compensation Patterns in Community and Industry
- Determine Compensation Level
- Provide for the Various Compensation Elements
- Special Company Needs and Problems
- Consult the Present Sales Force
- Reduce Tentative Plan to Writing and Pretest It
- Revise the Plan
- Implement the Plan and Provide for Follow-Up
Compensation Structure

- Simple ranking
- Classification or grading
- Point system
- Factor-comparison method
Various Compensation Elements

- (1) a fixed element,
- (2) a variable element
- (3) an element covering the fringe or "plus factor," and
- (4) an element providing for reimbursement
# TYPES OF COMPENSATION PLANS

<table>
<thead>
<tr>
<th>Financial Compensation</th>
<th>Non-financial</th>
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<tbody>
<tr>
<td>□ Straight-Salary Plan</td>
<td>□ Promotions</td>
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<tr>
<td>□ Straight-Commission Plan</td>
<td>□ Recognition Programmes</td>
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<tr>
<td>□ Combination Salary- and-Incentive Plan</td>
<td>□ Fringe Benefits</td>
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<tr>
<td>□ Use of Bonuses</td>
<td>□ Expense Accounts</td>
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<tr>
<td>□ Allied Methods</td>
<td>□ Perks</td>
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<tr>
<td>Profit Sharing Plan</td>
<td>□ Sales Contests</td>
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<tr>
<td>Special Remuneration plan</td>
<td></td>
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<tr>
<td>Expense allowance plan</td>
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