SALES ORGANISATION

A sales organisation is a group of individuals, bearing informal and formal relations to one another, striving jointly to reach qualitative and quantitative objectives. Sales executives insist upon a sound sales organisation. A sales organisation must, in the short run, attain the quantitative personal-selling objectives – not only sales volume but other objectives related to ‘profit’ – such as keeping the selling expenses within certain limits – and to ‘competitive position’ – such as attaining given market shares. On the long haul, it must achieve qualitative objectives – those concerning personal-selling’s expected contributions to achievement of overall company objectives. A sales organisation is both an orienting point for cooperative endeavour and a structure of human relationships. Implicit in the concept of a sales organisation is the notion that individual members cooperate to attain ends. Sales organisation is the vehicle by which individuals achieve given ends. Existence of sales organisation implies the existence of patterns of relationships among subgroups and individuals established for purposes of facilitating accomplishment of the group’s aims.

A sales organisation should be adjusted to fit – ideally, to anticipate – changing situations. Shifts in marketing, in competition, and in other business factors call for changes in the sales organisation. The ideal sales organisation has a built-in-adaptability allowing it to respond appropriately in fluid and diverse marketing environments. A well-designed sales organisation accomplishes more, and more economically.

Purposes of Sales Organisation

In the ideally organised sales department, wasted motion and duplication of effort would be eliminated, friction would be minimised, and cooperation maximised. When sufficient attention is given to sales organisation, personal-selling efforts increase in productivity. Through intelligent leadership and related human relations talents, the skilled manager moves both individuals and informal groups along lines that facilitate achievement of the purposes of formal organisation.

- **To permit the development of specialists:** As a business expands, marketing and selling activities multiply and become increasingly complex. It is difficult to fix responsibility for performance of all necessary activities. One purpose of reorganising the sales department is to facilitate assignments of responsibility and delegation of authority. This often requires reshaping the structure so that it is easier for specialists to develop. In fact specialisation, or division of labour as economists call it, is the chief means through which the process of organisation and reorganisation are affected. As tasks grow in number and complexity, they are broken down into manageable units and are assigned to specialised personnel. This involves fixing responsibility for specific tasks with specific individuals. The assignments made are called ‘delegation of authority’. This is conducive to the development of specialists.

- **To assure that all necessary activities are performed:** When jobs are highly specialised, danger exists that the organisational plan will not provide for supervision of all activities. Essential tasks may not be performed, simply because they are not assigned to specific individuals. When executives begin to lose their informal contacts with customers, an individual should be assigned responsibility for maintaining such relationships. If these contacts are highly important, responsibility for maintaining them should be assigned to an executive specialising in customer relations.

- **To achieve coordination and balance:** Individuals in an organisation vary in competence, potential, and effectiveness. Motivating individuals to work together toward common objectives is important in achieving coordination. Individual goals are subordinated to, or reconciled with, organisational goals. Some of the means for accomplishing this are indoctrination and training programs, group meetings, supervision and guidance, and two-way communication. By getting people to pull together as a team rather than as an assortment of individuals, the organisation accomplishes more collectively than its members could independently.

- **To define authority:** Sales executives should know whether their authority is line, staff, or functional. Line authority carries the power to require execution of orders by those lower in the organisational hierarchy. Staff authority is the power to suggest to those holding line authorities the method of implementation of an order. Functional authority enables specialists in particular areas to enforce their directives within a specific and limited field. Line executives make decisions on the need, place, and time of action over a wide range of matters. Staff executives advise line executives about methods but have no formal power to require or enforce the execution of their recommendations. Functional executives are specialists – experts in some aspect of the business – who assist executives holding general line authority.

- **To economise on executive time:** Top sales executives need not concern themselves personally with all the sales department’s problems and activities, particularly routine and technical ones, when they have capable and well-trained subordinates. This allows for the more effective use of specialisation, while higher executives devote less time to operations and more to planning. The purpose of organisation is achieving economies in the use of executive time.
If sound practices are followed in setting up the sales department, the resulting structure takes on features of one or more of four basic types: Line, Line and Staff, Functional, and Committee. The first two types are the most common and the last two quite rare. Most sales departments have hybrid organisational structures, with variations to adjust for personalities and to fit specific operating conditions. Organisational planners should know the chief features of each basic structure type, and its respective merits and limitations.

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- **Lines sales organisation:** The line organisation is the oldest and simplest sales organisational structure. It is widely used in smaller firms with small numbers of selling personnel and that covers a limited geographic area or sells a narrow product line. The chain of command runs from the top sales executives down through subordinates. All executives exercise line authority, and each subordinate is responsible only to one person on the next higher level. Responsibility is fixed and those charged with it also make decisions and take action. Lines of authority run vertically through the structures and all persons on any one organisational level are independent of all others on that level.

  In the example below, the sales manager reports to the general manager, assistant sales managers report to the sales manager, and sales people report to assistant managers immediately above them. Theoretically, there is no cross-communication between persons on the same level. Contacts between persons on the same level are indirect and are affected through the next higher level. E.g. the assistant sales manager of one Division may arrange to confer with the assistant sales manager of any other Division through the sales manager.

  ![Line Organisation Diagram]

**Strengths:**
- The basic simplicity of line organisation is the main reason for its use.
- Problems of discipline and control are small because each member reports to only one superior.
- Lines of authority and responsibility are clear and logical.
- Definite placement of authority and responsibility saves time in making policy changes, in deciding new plans, and in converting plans into action.
- It is easier for executives to develop close relations with salespersons. Administrative expenses are low because there, usually, are a few levels.

**Weaknesses:**
- The greatest weakness of the line sales organisation is that so much depends upon the department head.
- Even if the head is well versed in all phases of sales management, there is insufficient time for policy making and planning, since great deal of attention needs to be given to direction of sales operations.
- The line organisational structure is inappropriate for rapidly growing concerns and for those with large sales staffs.
- As the department grows, new layers of executives need to be added to retain control. Managerial effectiveness becomes impaired as directions become more and more distorted at each succeeding level.
**Line and staff sales organisation**

The line and staff sales department is mostly found in large and medium-sized firms, employing substantial numbers of sales personnel, and selling diversified product lines over wide geographic areas. The line and staff organisation provides the top sales executive with a group of specialists – experts in dealer and distributor relations, sales analysis, sales organisation, sales personnel, sales planning, sales promotion, sales training, service, traffic and warehousing, and the like. These staffs help to conserve the top sales executives’ time and frees them from excessive detailed work. By delegating problems involving considerable study or detailed analysis to staff executives, the top sales executive has more time for planning and for dealing with higher-priority matters.

Staff sales executives do not have authority to issue orders or directives. Recommendations are submitted to the top sales executive for approval and necessary instructions are transmitted by them to the line organisation. Sometimes, staff members may be authorised to deal directly with line executives but this requires prior management approval.

In the example below, the general sales manager reports to the vice-president in charge of marketing as do the advertising manager and the manager of marketing research. Six subordinates report to the general sales manager, but only one – the assistant general sales manager – is a line executive. The other five are staff executives out of which four have responsibilities in specialised fields. The fifth – the assistant to the general sales manager – is given more general assignments.

The ‘assistant’ has general line authority delegated by the superior, whereas the ‘assistant to’ is a staff executive who is given a broader operating area than the other staff specialists with more descriptive titles. The assistant general sales manager is an understudy of the general sales manager and performs assignments of a line nature in the name of the superior. The assistant to the general sales manager carries part of the general administrative load that would otherwise be borne by the general sales manager.

**Strengths:**
- The main advantage of line and staff organisation is that of specialisation.
- The chief executive, relieved from detailed work, can take a broader view of the department.
- Problems can be seen in clearer perspective.
- A pool of experts provides advice and assistance in specialised fields.
- Planning activities are subdivided and apportioned to staff members.
- Decisions and policies rest on a sounder base than in the line organisation.
- Top sales executive can concentrate on control and coordination of subordinates.

**Weaknesses:**
- Specialisation made possible by line and staff organisation is also the source of its weakness. Work of the staff specialists must be coordinated, and this is costly.
- Other departmental expenses may also increase.
- Close control over staff-line relations is essential. If staff people issue instructions directly to line executives, it is difficult to prevent some persons from evading unwanted responsibilities.
- The time between problem recognition and corrective action tends to widen.
• Functional sales organisation

Very few sales departments use functional organisation. This structure is derived from the management theory developed by F. W. Taylor, and is based upon the premise that each individual in an organisation as few distinct duties as possible. The principle of specialisation is utilised to the fullest extent. Duty assignments and delegations of authority are made according to function.

No matter where a particular function appears in the organisation, it is in the jurisdiction of the same executive. In the functional sales department, sales people receive instructions from several executives but on different aspects of their works. Provision for coordinating the functional executives is made only at the top of the structure. Executives at lower levels do not have coordinating responsibilities. All specialists in a functional organisation have line authority of a sort or more appropriately, they all have functional authority. Instructions can be put into effect even without prior approval of top level executive.

In the example below, the coordinating executive is the director of sales administration. All executives on the next level are specialists. All sales personnel receive instructions from all six different executives.

![Diagram of Functional Sales Organisation]

[Note: Lines to the salespersons have only been drawn from the first and last executives in order to make the diagram less messy. In reality, six individual lines of authority should be drawn from each of the executives to all the six salespersons.]

Strengths:
• Improved performance is the greatest advantage.
• Specialised activities are assigned to appropriate experts, whose guidance should help in increasing the effectiveness of the sales force.

Weaknesses:
• In its pure form, functional organisation is inappropriate for the sales department.
• Small and medium firms do not find it feasible to utilise high degree of division of labour.

• Committee sales organisation

It is a method of organising the executive group for planning and policy formulation while leaving actual operations, including implementation of plans and policies, to individual executives. Thus, many firms have a sales training committee (comprised of the general sales manager, his assistants, the sales training manager, and representative divisional or regional sales managers) that meets periodically to draft training plans and formulate sales training policies. Implementation of these plans and policies, however, is the responsibility of the sales training manager or other executives responsible for sales training. Other committees found in sales organisations include customer relations committee, operations committee, personnel committee, merchandising committee, and new products committee.

Strengths:
• Important problems are deliberated by committee members and are measured against varied weapons before policies are made and action is taken.
• Diverse opinions are presented and ideas are interchanged in committee meetings.
• Committee meetings promote greater coordination and cooperation among members of the executive team.

Weaknesses:
• It is not possible to fix responsibilities on any particular individual.
• Committees tend to consume large amounts of time to sit down and discuss a problem and finally come up with any suggestion.
The field sales organization consists of all employees of the sales department who work away from the home office. All outside salespeople are included, as are traveling sales supervisors, branch and district managers, and clerical employees in branch and district offices. Also included are service, repair and sales promotion personnel. The makeup of the field sales organization is influenced by the organizational philosophy of the management. The two main purposes of a field sales organization are: 1. to facilitate the selling task and 2. to improve the chances that salespeople will achieve their goals.

As marketing operations expand, line authority and responsibility eventually become excessively burdensome for the top sales executive. There is an increasing number of people to supervise. Ordinarily, the first remedial step taken is to add a general line assistant, for example, an assistant sales manager. As the burden of line administrative work continues to grow, it is necessary to provide additional assistants. These new subordinates are given line responsibilities narrower than those of the assistant general sales manager. Tasks of line administration are subdivided among these new assistants in one of these ways: 1. by geographic area, 2. by products, 3. by customers or marketing channels or, 4. by a combination of the three.

**Geographic Division of line authority**

Large firms with far-flung selling operations are likely to subdivide line authority geographically. As more customers are added and as a wider area is cultivated, the size of the sales task increases enormously. Setting up geographic divisions is a way of cutting the sales task down to manageable proportions. Secondary line executives are delegated authority to conduct sales operations within smaller areas. Geographic division is usually made first into regions or divisions. These may be broken down further into districts or branches.

Local problems are handled speedily. It is not necessary to wait for decisions from the home office. Many questions of importance to customers can be answered by executives personally acquainted with local conditions. Lines of communication get shortened and closer supervision of salespeople becomes possible. Local markets can be cultivated intensively and local competitors can be met and countered in the field. However, this system calls for multiple offices, so administrative expenses increase. Unless there is effective coordination, conflicting policies may develop in different regions.

**Product Division of line authority**

Some companies’ product lines are too wide to be distributed economically by a single force. A second scheme for dividing line authority is to split the sales task among subordinate line executives, each of whom directs sales operations for part of the product line. When authority is so divided, more than one sales force may be required. The decision to use the product type of sales organization should rest on whether the benefits of product specialization outweigh the additional expenses. If they do not, it is wiser to organize the sales force on some other basis.

The benefits of specialized sales forces are greatest for companies selling broadly diversified lines, reaching different markets with different products, and encountering unique selling problems for the various products. Maintaining more than one sales force results in higher travel and administrative expenses.

**Consumer (or Marketing Channel) Division of line authority**

When the same, or similar, products are sold to a number of industries, they often find different applications in each industry. Different customers of the same product not only have different needs, they are influenced by different buying motives. Thus, special sales forces sell to each major type of customer. Other companies, especially in the consumer-goods field, pattern their sales organizations after the marketing channels. Although ultimate customers may be substantially alike, they may buy the products in different types of outlets, and therefore, need to be reached in different ways. Problems of distributing to chain stores are often unlike those of selling to independent wholesalers and retailers.

**Dividing line authority on more than one basis**

Most companies use a combination of the above bases, subdividing the sales force more than once, to permit greater specialization. Nearly all large organizations subdivide authority on the geographic basis at some level of organization, but this is done usually in combination with either the product or type-of-customer system.
SALES DEPARTMENT RELATIONS
The sales department occupies a strategic position. A company’s success is affected by the dealings and associations of the sales department with customers and other publics. Sales department relations with other departments influence the company’s reputation with many publics. Individual sales personnel, as well as the entire department, are in a position to add to or detract from the company reputation.

Sales Department Relations may be discussed under three broad heads, each being further divided as follows:

1. **Coordination of personal selling with other MARKETING ACTIVITIES:**
   a) Sales and Advertising
   b) Sales and Marketing information
   c) Sales and Service
   d) Sales and Physical distribution

2. **Coordination of personal selling with other DEPARTMENTS:**
   a) Sales and Production
   b) Sales and Research & Development
   c) Sales and Personnel
   d) Sales and Finance
   e) Sales and Accounting
   f) Sales and Purchasing
   g) Sales and Public Relations
   h) Sales and Legal

3. **Sales departments’ EXTERNAL RELATIONS:**
   a) Final buyer relations
   b) Industry relations
   c) Government relations
   d) Educational relations
   e) Press relations
   f) Distributive network relations

**Coordination of personal selling with other MARKETING ACTIVITIES**

1.a) Sales and Advertising:
Sales & Advertising departments have worked towards the same objectives—STIMULATION OF DEMAND—but they use different approaches. Sales dept. uses personal selling techniques whereas Advertisement dept. uses non-personal selling techniques. Therefore the two types of selling efforts need skilful blending to achieve an optimum promotional mix. This requires coordination of plans and efforts. The activities of sales force are planned and directed along lines that increase advertising’s impact, and advertising is geared to help salespeople where & when they need it most.

1.b) Sales and Market information:
Sales dept. works in close harmony with departments producing marketing information. Marketing Information Systems assist the sales dept. by gathering data needed for analyzing sales problems, assisting in determining sales potentials and settings quotas, measuring the effectiveness of sales effort and assisting with sales tests. The sales dept. provides the information systems with the raw statistics and other information needed for sales and market analysis & forecasting.

1.c) Sales and Service:
In companies manufacturing technical products or products requiring installation or repair services, cooperation and close contact of sales & service depts. are essential. Availability of service is powerful selling argument. In many industries like ‘Refrigeration’, the recommendations of the service personnel often influence buyers’ decision.

1.d) Sales and Physical distribution:
Proper packing, accurate freight rate, quotations & promptness in delivery—all physical distribution activities are important in securing sales volume. Unless costs of performing these activities are kept under control, sales volume yields less profit than it should. The benefits of effective coordination include,
   i) minimize out-of-stock occurrences
   ii) reduce customers’ inventory requirements.
   iii) solidify customer relations.
   iv) allow greater concentration on demand creation.

**Coordination of personal selling with other DEPARTMENTS:**

2.a) Sales and Production:
Coordination is important both in planning and operation stages of production. In planning joint consultation is required in deciding the products to manufacture, the quantities to produce, the production schedule, inventories, and packaging. On the production side output may vary because of labour difficulties, material shortages, adverse weather conditions etc. These situations require changes in plans that must be worked out jointly.
2.b) Sales and Research & Development:
Research and Development work consists of scientific and engineering efforts to develop new products and to improve established products. Because engineering and design characteristics affect the salability of the products, coordination is required of R&D, Sales & Production departments.

2.c) Sales and Personnel:
Sales departments usually handle all their own personnel problems since they have to manage employees located away from company offices and facilities. Personnel dept. specialists in job analysis, recruiting selection, training, etc. are consulted by sales executives quite often. Routine personnel work like maintaining records or personal data is performed by the personnel department.

2.d) Sales and Finance:
Sales department assist the finance dept. by furnishing sales estimates for the company budget and by assisting in control of selling cost. The finance dept. assists the sales dept. by providing rapid credit checks on prospective accounts.

2.e) Sales and Accounting:
The sales dept. relies upon the accounting dept. to bill customers, handle the payroll computation and disbursement and provide data for sales analysis and marketing cost analysis.

2.f) Sales and Purchasing:
Sales dept. provides the purchasing dept. with sales estimates so that adequate stocks of raw materials can be procured. Purchase dept. informs the sales dept. regarding material surpluses and shortages, so that sales emphasis can be changed.

2.g) Sales and Public Relations:
Public relation dept. is consulted on any move that might have public relations repercussions.

2.h) Sales and Legal:
Sales executives require legal advice on contracts with sales personnel, competitors, trade associate and customers.

Sales departments’ EXTERNAL RELATIONS:

3.a) Final buyer relations:
Every marketing task consists of market research, target marketing, selling, after sales services, products, pricing, promotion, place, distribution channels etc. But every task has the ultimate focus to maintain a healthy relationship with customers or in other words final buyers. The ultimate aim of the sales dept. is to sell their products to the customers.

3.b) Industry relations:
Each & every company tries to form a strong industry relation with other companies-

- To face any kind of problems in the trade due to implementation of Govt. rules and regulations.
- To influence publics (e.g: WWF, WAO etc.)
- To lobby and influence Govt. budget, policies etc. for their own sake.
- Chamber of commerce, Trade associations are some examples of such industry relationship.

3.c) Government relations:
It is very important for companies to maintain healthy relationship with Government as-

- Govt. lays down certain rules & regulations, under which the trades have to sustain and business.
- Govt. controls the size of the market by controlling tax rate, imposing income tax etc.
- For several commodities, Govt. is the biggest buyer.

3.d) Educational relations:
Some industries and educational institutions tie up relations for their own sake. e.g.: Industry sponsored research. (TISCO with IIT)

3.e) Press relations:
Press consists of newspapers, magazines, radio, TV channels, media, writers, editors and many more. All industries try to stay in the good book of press. Public relation & Publicity dept. of the company always work to keep good relations with press. Time to time press meet, giving gifts to press are some of the way.

3.f) Distributive network relations:
The distribution channel intermediaries (wholesalers, distributors, retailers) and marketer should work in synergy. There should not be any contradiction among them, else it will create adverse effect about the product in customers’ mind.

- **Objectives and methods of manufacturer-distributive network cooperation:**
  i) To build distributive network loyalty.
  ii) To stimulate distributive outlets to greater selling effort.
  iii) To develop managerial efficiency in distributive organizations.
  iv) To identify the source of supply at the final buyer level.
SALES FORECASTING
Sales forecasting method is a procedure for estimating how much of a given product can be sold if a given marketing program is implemented. Well managed companies do not rely upon a single sales forecasting method but use several. Forecasting methods can be of different types and nature. Some methods – jury of executive opinion and poll of sales force opinion – are unsophisticated. Others – regression analysis or econometric model – involve application of sophisticated statistical techniques. Two sales forecasting methods – projection of past sales and survey of customers’ buying plans – may be either sophisticated or unsophisticated, depending upon how they are used.

SALES OBJECTIVES
Sales-related marketing policies are the guidelines within which the company seeks to reach both qualitative and quantitative personnel selling objectives.

The qualitative personal selling objectives concern the nature of the contribution management expects personal selling to make in achieving long-term company objectives. These objectives influence both the nature of the sales job – that is, the kind of sales personnel needed – and the size of the sales force. A company that expects its sales people to do the entire selling job (as when it does not plan to use advertising or other forms of promotion) needs a different kind of sales staff, and a larger one, than does a company that expects its salespeople only to service existing accounts. Qualitative objectives are long term and are carried over from one operating period to another. Qualitative objectives also vary with the kind of competitive setting.

The quantitative personal selling objectives also vary with the kind of competitive setting. These objectives are short term and are adjusted from operating period to operating period. These objectives influence both the nature of the sales job and sales force size. A company that increases its sales volume objective significantly either expects its sales force to perform differently (that is, change the nature of the selling job), or increases the size of the sales force, or, perhaps, does both. However, changing the nature of the sales job is a rarer event than changing the size of the sales force.

PERSONNEL FUNCTIONS OF A SALES MANAGER
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. They recruit, select, train, motivate, lead, control and compensate the sales staff for achieving the desired goals of the organisation.

QUALITATIVE AND QUANTITATIVE REQUIREMENTS OF SALES FORCE PLANNING
Sales-related marketing policies are the guidelines within which the company seeks to reach both qualitative and quantitative personnel selling objectives. Decisions on what to sell (product policies) and to whom to sell (distribution policies) shape the fundamental nature of a company and are important determinants of the two components of personal-selling strategy – the kind of sales personnel (qualitative objective) and their total number (quantitative objective). Pricing policies, too, have an important impact, especially on the kind of sales staff. Sales-related marketing policies also vary, presumably, with the competitive settings.

Qualitative Analysis
One key decision on personal-selling strategy is that on the kind of sales personnel. Making this decision requires consideration of qualitative personal-selling objectives. Each company deals with a unique set of marketing factors, such as the strengths and weaknesses of its products, the motivation and buying practices of its customers and prospects, its pricing strategy, and the competitive setting. Furthermore, different selling jobs require different levels of selling and non-selling abilities, training, and technical and other knowledge. The bottler’s driver-salesperson doing route selling has a considerably different job from that of the salesperson who sells complex industrial installations. In determining the kind of salesperson, then, one must understand what is expected of them: the job objectives, the duties and responsibilities, and the performance measures. It helps in fitting the job to the person and the person to the job. Sales Managers use the following techniques to ascertain the qualitative objectives: Product market analysis, Analysis of salesperson’s role in securing orders, and Choice of basic selling styles.

Product market analysis
No person is capable of selling all kinds of products to all kinds of customers. At one extreme, a salesperson sells a single product to many kinds of customers. At the other extreme, a salesperson sells a wide line of products to a single kind of customer. One way of categorizing selling jobs, then, is into three classifications: Product specialists, Market specialists, and Combination of product and market specialisation.
A critical step in sales job analysis is to define the nature of product-market interactions. It is advisable to construct a product-market grid. The boxes indicate the different customers who might be sold the different products. As management decides on which customers should be sold which products, some boxes are blacked in, others left empty. This helps to answer the question: Should our salesperson be product specialist, market specialist, or a combination? Product specialisation is indicated when the product is highly technical, requiring salespeople to advice on uses and applications. Market specialisation is called for when the product is non-technical but different kinds of customers have unique buying problems, require special sales approaches, or need special service.

Analysis of salesperson’s role in securing orders
The role(s) that a company expects its sales personnel to play in securing orders influences the kind of sales staff required. The driver-salesperson for a soft drink bottling company is primarily an order taker. The encyclopaedia salesperson calling on households must often function as an order getter. Depending upon whether promotional strategy places major reliance on personal selling or advertising, salespeople may be either active or passive forces in securing orders. If the promotional strategy is to heavily rely upon advertising to attract business and build demand, marketing channels include several layers of middlemen, and the role of manufacturer’s salesperson is that of order taker primarily and order getter only incidentally. The opposite situation obtains when advertising is used mainly to back up personal selling, marketing channels contain a minimum number of layers of middlemen, and the salesperson’s role is chiefly order getting. 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 middlemen and customers on technical product features and applications, and design consultants to middlemen and industrial users on installations or processes incorporating the manufacturer’s products.

Choice of basic selling styles
Differences in marketing factors cause each company to have individualized requirements as to the kind of salesperson it employs. Sales job roles can be grouped into four basic styles: Trade selling, Missionary selling, Technical selling, and New-business selling.

Quantitative Analysis
A key decision on personal-selling strategy is to decide on the size of the sales force. Having determined the kind of salesperson that best fits the company’s needs, management now determines how many are required to meet the sales volume and profit objectives. If the company has too few salespersons, opportunities for sales and profits go unexploited, and if it has too many, excessive expenditures for personal-selling reduce net profits. Three basic approaches are used in approximating the exact number of salespersons that a particular company should have: Work-load method, Sales potential method, and Incremental method.

Work-load method
In the work load method the basic assumption is that all sales people should shoulder equal work loads. Companies applying this approach generally assume that the interactions of three major factors – customer size, sales volume potential, and travel load – determine the total work load involved in covering the entire market. The six steps in applying the work load approach are:

i. 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

ii. Decide on the length of time per sales call and desired call frequencies on each class.
   Class A: 60min/call X 52 calls/year = 3120 hours/year.
   Class B: 30min/call X 24 calls/year = 120 hours/year.
   Class C: 10min/call X 12 calls/year = 120 hours/year.

iii. 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.
iv. Determine the total work time available per salesperson.
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.

v. 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

vi. 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
The sales potential method is based on the assumption that performance of the set of activities contained in the job description represents one sales personnel unit. If management expects all company sales personnel to perform as specified in the job description, then the number of salespersons required equals the number of units of sales personnel required. Sales job descriptions are constructed on the management’s assumption that they describe what the average salesperson with average performance will accomplish. With that assumption, then, one can estimate the amount of sales volume that each salesperson should produce. Dividing this amount into forecasted sales volume, and allowing for sales force turnover, results in an estimate of the number of salespeople required. These relationships are summarized in the equation:

\[ N = \frac{S}{P} + T (\frac{S}{P}) \]

Where, \( N \) = number of sales personnel units, \( S \) = forecasted sales volume, \( P \) = estimated sales productivity of each unit, and \( T \) = 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:

\[ N = \frac{1,00,000}{1,00,000/\text{Rs.}} (1+0.1) = 11 \]

Incremental method
Conceptually, the incremental method is the best approach to determining sales force size. It is based on the proposition that net profits will increase when additional sales personnel are added if the incremental sales revenues exceed the incremental costs incurred. Thus, to apply this method, one needs to know two important items of information: incremental revenue and incremental costs.

Assume the following situation.
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/$. Assume the following situation.

<table>
<thead>
<tr>
<th>With addition of Sales person 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>2,80,000</td>
<td>1,62,500</td>
<td>87,500</td>
</tr>
<tr>
<td>17</td>
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</tr>
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<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>
</tbody>
</table>

The net profit contribution resulting from addition of each salesperson shows that the 18th salesperson brings in an additional net profit contribution of Rs.13,000, but the addition of the 19th salesperson produces a negative net profit contribution of Rs.2,000. Thus, the optimal size of sales force here is 18 people.

The salespersons required. These relationships are summarized in the equation:

\[ N = \frac{S}{P} (1 + T) \]

Where, \( N \) = number of sales personnel units, \( S \) = forecasted sales volume, \( P \) = estimated sales productivity of each unit, and \( T \) = 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:

\[ N = \frac{1,00,000}{1,00,000/\text{Rs.}} (1+0.1) = 11 \]

This is a matter of dividing the total market work load by the total selling time available per salesperson: 11,970 hours/ 864 hours = 14 sales people needed.
Job Analysis
Sales force management work starts with job analysis – determining the job objectives, the component duties and responsibilities, performance criteria, and reporting relationships. The output of job analysis is the written job description that is used in deriving the job specifications (necessary qualifications of the employee). Qualified job applicants must be found, and this requires decisions on recruiting sources and methods. From the supply of applicants, those meeting the job specifications are selected. After hiring, applicants go through initial training and, throughout their career with the company, receive continuing training. Compensation plans are designed to provide appropriate levels of compensation.

Sales job analysis requires systematic collection and study of information on particular sales jobs, such as that of territorial salesperson. It involves determining the job’s objectives and what the person holding the job should do to reach them. It answers such questions as: To whom does this person report to? Who reports to this person? What products does this person sell? To whom does this person sell? What information should this person gather? What reports should this person make and to whom? Sales job analysis also elicits details on specific duties and responsibilities, relations with customers, relations with other personnel in the company, and the like. The outcome of a thorough analysis of a salesperson’s job is the sales job description, a detailed picture of the roles that the salesperson plays. It is an organised factual statement covering the reporting relationship of a particular job to other jobs, the job objectives, duties and responsibilities, and job performance criteria. A sales job description tells to whom the sales jobholder reports, what has to be done, how it is done and why it is done, and describes the standards against which performance is measured. Preparing a complete and accurate sales job specification is the next task. The duties and responsibilities portion of the job description is focussed upon to determine the qualifications that an individual needs to perform the job satisfactorily. This set of qualifications is called the job specifications. Salespersons must bring to the job certain required personality characteristics mentioned in the job specification – like empathy, ability to go along with others, integrity, maturity etc – as sales training programs are not effective instruments for personality development. Job specifications may stipulate minimum requirements with respect to education and technical knowledge as well. Job specifications provide recruiters with a device for the conservation of time and energy. This usually takes the form of a list of negative factors, the presence of which automatically disqualifies an applicant.

Activities involved in Sales Force Management