



# **STET SCHOOL OF MANAGEMENT**

(Affiliated to Bharathidasan University)

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(An ISO 9001: 2015 Certified Institution)

**Sundarakkottai, Mannargudi-614 016.**

**Thiruvarur (Dt.), Tamil Nadu, India.**

## **SALES AND DISTRIBUTION MANAGEMENT**

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**DEPARTMENT OF MBA**

## **II MBA**

### **Semester-III**

#### **ELECTIVE COURSE III-SALES AND DISTRIBUTION MANAGEMENT-P16MBA3EM3**

**Inst. Hours/Week : 5**

**Credit : 4**

#### **Objectives :**

The purpose of this paper is to acquaint the student with the concepts which are helpful in developing a sound sales and distribution policy and in organising and managing sales force and marketing channels.

#### **Unit I**

Nature and scope of Sales Management; Setting and Formulating Personnel; Developing and Conducting Sales Training Programmes; Designing and Administering Compensation Plans.

#### **Unit II**

Supervision of Salesmen; Motivating Sales Personnel; Sales Meetings and Sales Contests; Designing Territories and Allocating Sales Efforts; Objectives and Quotes for Sales Personnel.

#### **Unit III**

Developing and Managing Sales Evaluation Programme; Sales Cost and Cost Analysis. An overview of Marketing Channels, their structure, Functions and Relationships.

#### **Unit IV**

Channel Intermediaries – Wholesaling and Retailing; Logistics of Distribution; Channel Planning Organisational Patterns in Marketing Channels; Managing Marketing Channels; Marketing Channel Policies and Legal Issues.

#### **Unit V**

Information System and Channel Management, Assessing Performance of Marketing Channels including sales force; International Marketing Channels.

## **Reference Books**

1. Sales and Distribution Management - Krishna K. Havaldar and Vasant M Cavale, Tata mcgraw Hill.
2. A practical Approach to Sales Management by Kujnish Vashisht – Atlantic publishers.
3. Sales Management, India Edition, By Joseph F Hair and others, Cengage learning.
4. Sales Management, Analysis and Decision making India Edition by Ingram and others, Cengage learning
5. Sales Management By CL Tyagi and Arunkumar, Atlantic publishers.

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## UNIT-I

### SALES AND DISTRIBUTION MANAGEMENT

#### INTRODUCTION

The word sales management is a combination of two words- sales and management. Sales is the art of planning in the mind of another a motive which will induce favourable action.

#### MEANING:

Sales management originally referred exclusively to the direction of sales force personnel and lately the term transformed into broader aspect in addition to the management of personnel selling. In general view Sales Management refers the management of overall marketing activities such as advertising, sales promotion, marketing research, physical distribution, pricing and product merchandising.

#### DEFINITION:

**According to American Marketing Association:** Sales management refers “The planning, direction and control of personnel selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force”.

#### SALES MANAGEMENT

Work can be categorized as.....



## **OBJECTIVES OF SALES MANAGEMENT**

Following are the three general objectives of sales management:

1. Generate sufficient sales volume.
2. Contribute towards current profit.
3. Ensure continuous growth of the organisation.

Top management has ultimate responsibility for the above objectives. However, this task by authority delegation, is entrusted to sales department who are the ultimate operational level managers.

## **NATURE OF SALES MANAGEMENT**

To understand the concept of sales management clearly, we must go through its following characteristics:



- **Goal-Oriented:** Similar to other management activities, sales management also have a specific purpose and intended for the achievement of specified goals or objectives.
- **Continuous Process:** The sales manager needs to perform sales management functions regularly, and this process is never-ending.
- **Systematic Approach:** It is an organized way of handling the sales function of the company where every problem has a defined and proven solution.
- **Relationship Selling:** The salespeople make efforts to build a strong customer relationship to sell the products or services effectively.
- **Marketing Management Integration:** Marketing is a broader concept; marketing management includes all the activities related to sales management.
- **Different Sales or Job Position:** It is the combined efforts of the whole sales team, including salesperson, sales executive, sales head, sales manager and after-sales service personnel.
- **Pervasive Function:** It is a universally applicable concept which has been adopted and tested by every kind of business organizations.

## **FUNCTIONS OF SALES MANAGEMENT**

### **Managerial Functions:**

1. **Planning:**  
This involves, forecasting demand, sales territory planning, personal selling and promotional efforts.
2. **Organising:**  
This involves structure, resource allocation, responsibility assignment and delegation of authority etc.
3. **Direction:**  
This involves leader's motivation, communication and promotional steps including personal selling.
4. **Control:**

This involves delegation, quota fixing, performance evaluation, incentives and budgets.

#### 5. Co-ordination:

This involves liaison, integration of various elements, internally, P.R. and good will by contact with customer / general public.



#### Staff Functions:

This is related to staff functions of sales force such as the following:

- Recruitment and selection.
- Deployment and evaluation of performance.
- Training and development.
- Career development.
- Compensation and incentives.
- Motivation and empowerment



#### Advisory Functions:

This is related to advisory functions of sales management:

- ❖ Product attributes / quality aspects.
- ❖ Pricing policies.
- ❖ Promotional steps and personal selling aspects. Distribution



#### Liaison Functions:

- ⇒ Liaison with departments such as the following:
- ⇒ Production department.
- ⇒ Finance department.
- ⇒ Marketing department.
- ⇒ R&D department.
- ⇒ Distribution network



## IMPORTANCE OF SALES MANAGEMENT



**Realizes Organizational Objectives:** Sales management is practised to attain the pre-defined organizational goals or objectives which can be increasing profitability, customer satisfaction, market acquisition, and so on.

**Manages Sales Force:** The sales team includes personnel performing various sales-related tasks; the activities of the sales force are hence monitored and regulated through sales management.

**Better Planning:** Planning is an essential function of sales management; it includes the formulation of goals, strategies, programmes and budget.

**Sales Maximization:** It also helps the management in setting sales target, which are though higher than the previous goals but are possibly attainable.

**Builds Strong Relationship:** The sales personnel emphasize on building up strong interpersonal relations with the customers, as their primary motive. Since it ultimately drives the sales and profit maximization.

**Optimizes Distribution:** It provides for maximum utilization of the marketing channels by identifying the key problem areas and finding a solution to these issues.

**Aids Top Management Decision Making:** It comprises of the comparison between the desired and actual result and thus, supports the top-level management or directors to make crucial decisions (such as business expansion and closure).

**Improves Profitability:** The most critical concerns of top-level management is profit maximization, which is, therefore, passed on as a primary objective of the sales management.

**Develops Personnel:** In the process of sales management, the sales personnel is provided sufficient training, growth opportunities and support to ensure their overall development.

**Product Development:** The sales team are in constant touch with the clients or customers, which helps the management to know about their preference and taste.

## **QUALITIES OF A SALES MANAGER**

### 1. Physical qualities

- Sound health
- Cheerful Appearance

### 2. Psychological qualities

- Quick action
- Confidence
- Coordination
- Tactful
- Initiative

### 3. Social Qualities

- Social Courteous
- Good manner
- Co-operative

### 4. Character qualities

- Honesty and integrity

- Discipline
- Courage
- Determination
- Humanism

## **MAKING SALES MANAGEMENT EFFECTIVE**

- ⇒ Vision
- ⇒ market focus
- ⇒ clear guidance
- ⇒ a good team
- ⇒ spending time with the team
- ⇒ motivation
- ⇒ good communication
- ⇒ sales excellence
- ⇒ innovation
- ⇒ leadership

## **PERSONAL SELLING (MEANING)**

Personal selling is selling technique involved between person to person and between the prospective buyer and seller. Personal selling consists of human contact and direct communication rather than impersonal mass communication. Personal selling involves developing customers relationship, discovering & communicating customer needs, matching the appropriate products with these needs.

## **METHODS OF PERSONAL SELLING**

- |                |   |   |
|----------------|---|---|
| Retail selling | : | Selling to ultimate consumer.   |
| Field Selling  | : | Business to business selling that take place in the prospective customer's place of business.   |
| Telemarketing  | : | Using the Telephone as the primary means of communicating with prospective customers & Telemarketers often used computers for order taking. |
| Inside Selling | : | Business to business selling in the Sales person's place of business.   |

## **CHARACTERISTICS (P.S)**

- Personal selling is flexible.
- Personal selling builds relationships.
- Personal selling produces immediate response.

## **MAIN STEPS IN THE PERSONAL SELLING PROCESS**

### **Prospecting**

The first step of the personal selling process is called 'prospecting'. Prospecting refers to locating potential customers. There are many sources from which potential customers can be found: observation, social contacts, trade shows, commercially-available databases, commercially-available mail list and cold calling.

### **Pre-Approach**

The next step in the personal selling process is called the 'pre-approach'. The pre-approach involves preparation for the sales presentation. This preparation involves research about the potential customers, such as market research. Research is useful in planning the right sales presentation. During the pre-approach the salesperson may also plan and practice their sales presentation.

### **The Approach**

The next step in the personal selling process is called the 'approach'. The approach refers to the initial contact between the salesperson and the prospective customer. During this stage the sales person takes a few minutes for "small talk" and get to know the potential customer. The goal of the approach is to determine the specific needs and wants of the individual customer, as well as allowing the potential customer to relax and open up.

### **Sales Presentation**

The next step in the personal selling process is called the 'sales presentation'. The sales presentation involves the salesperson presenting the product or service, describing its qualities and possibly demonstrating features of the product. Ideally the sales presentation will be individualized to match the needs and desires of the potential customer.

### **Handling Objectives**

In some cases, after receiving the sales presentation, the potential customer will have some questions or concerns. In order to secure a sale, the salesperson must address these questions or concerns; this step is referred to as 'handling objectives.'

### **Closing the Sale**

The next step in the personal selling process is referred to as 'closing the sale'. 'Closing the sale' refers to finalizing the sale and persuading the potential customer to make the purchase. During the 'closing the sale' step, prices and payment options may be negotiated.

### **Follow Up**

The final step in the personal selling process is referred to as the 'follow up.' The follow up involves the salesperson contacting the customer after the sale to ensure that the customer is satisfied. If the customer has any existing issues with the product, the salesperson will address them. A successful follow up stage of personal selling can be very effective in ensuring repeat sales, evaluating the effectiveness of the salesperson, and obtaining additional referrals from the satisfied customer.

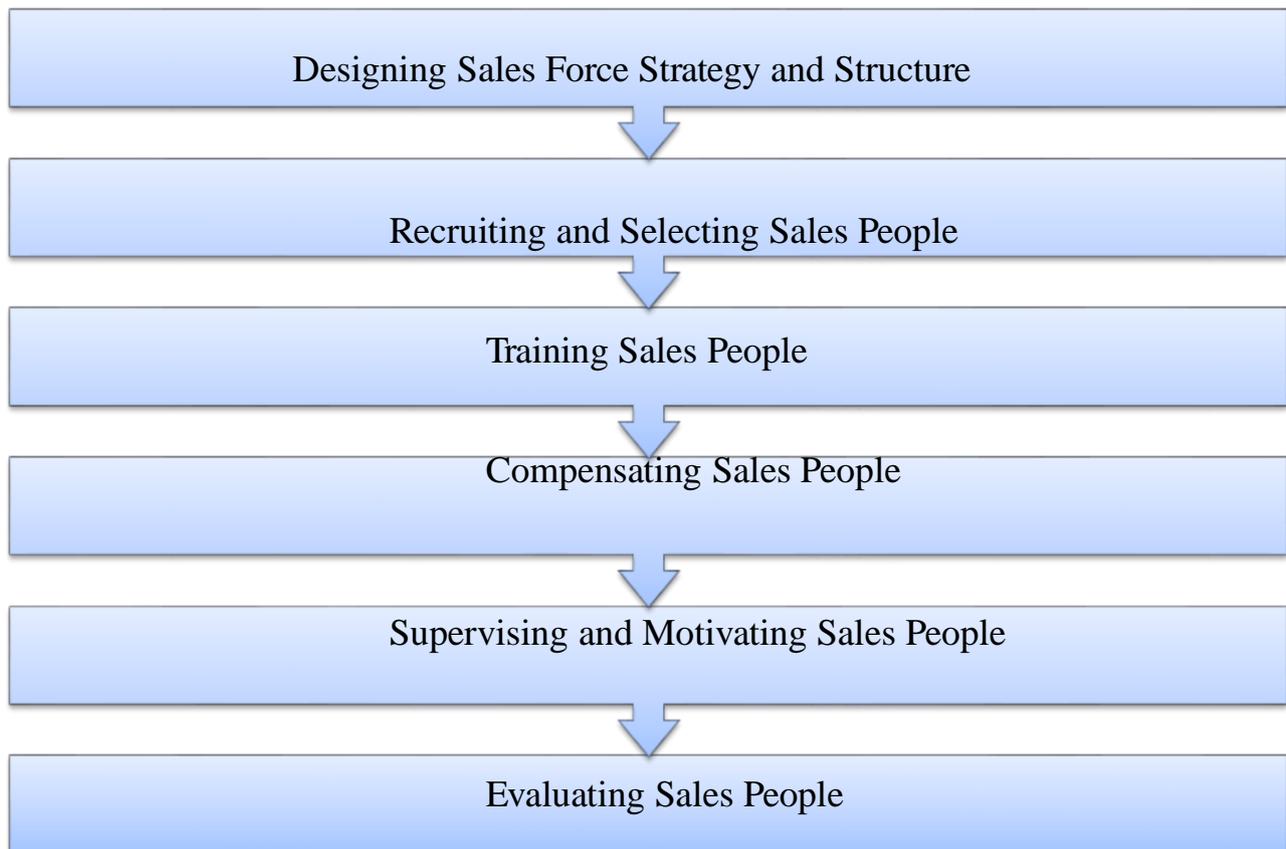
## **SALES FORCE MANAGEMENT**

Sales force management refers to the management of sales force.

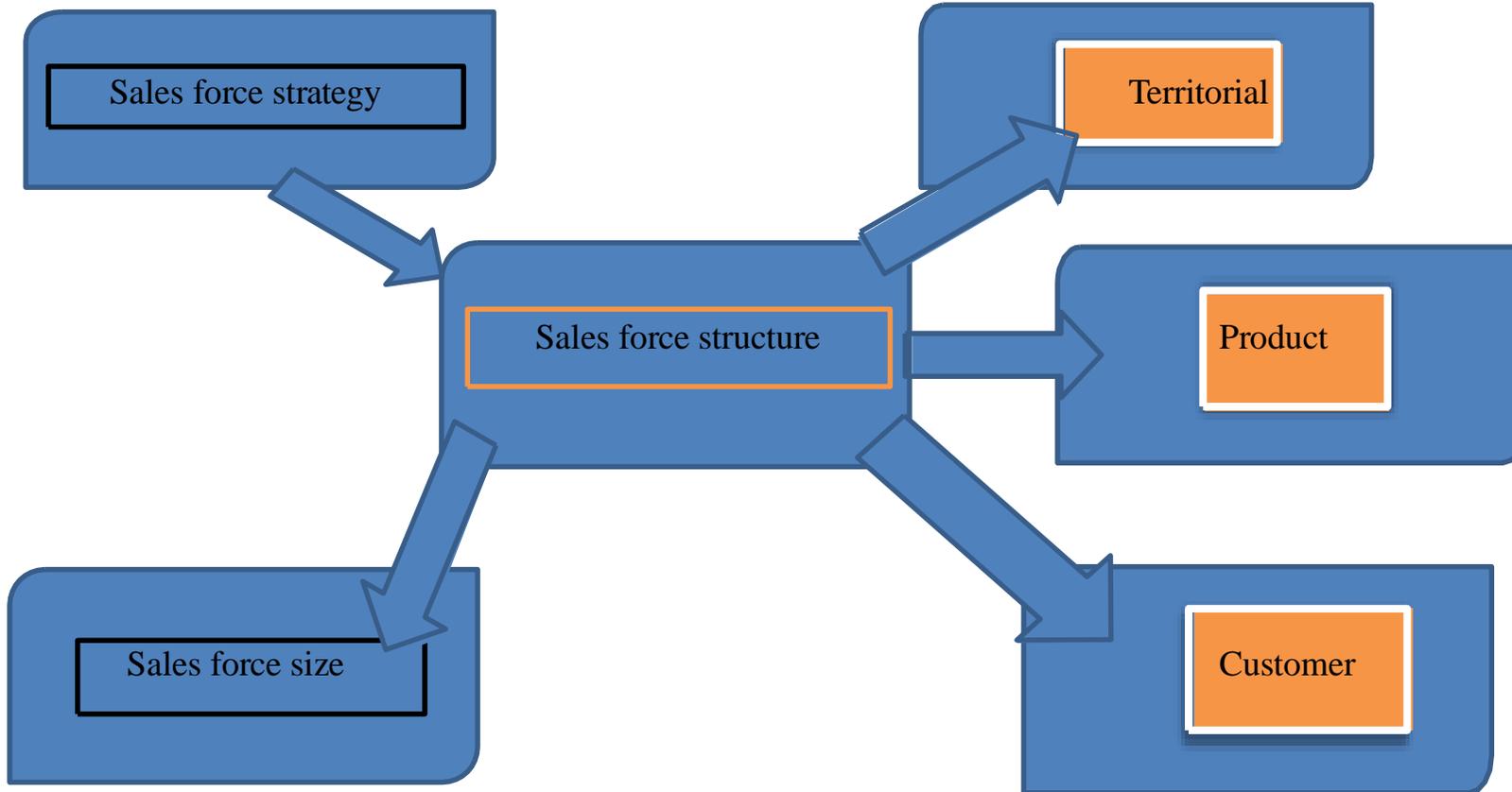
It is defined as analysing, planning, implementing and controlling sales force activities.

Managing the sales force involves six major steps which are as follows:

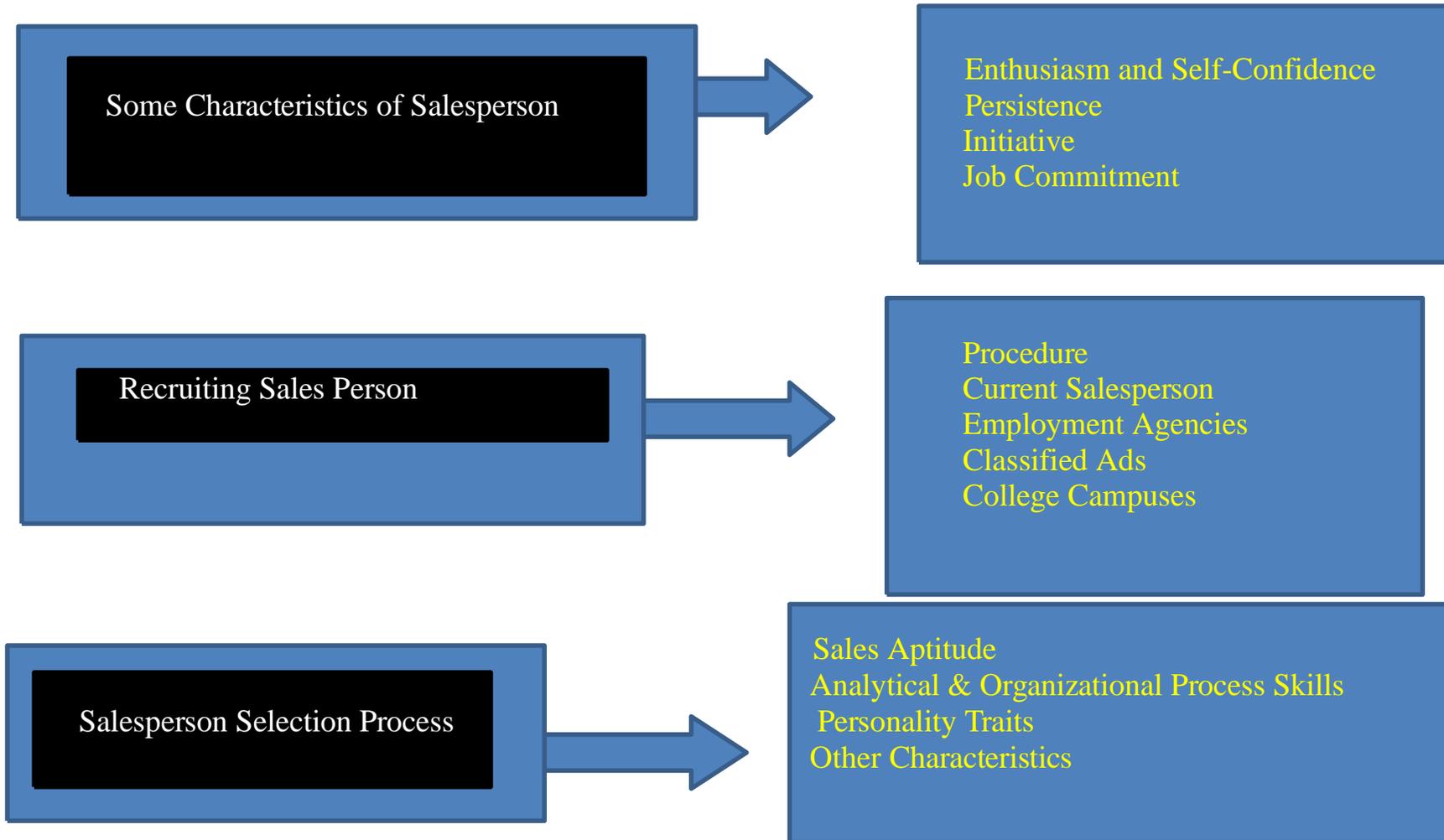
## MANAGING THE SALES FORCE



**DESIGNING SALES FORCE STRATEGY AND STRUCTURE**



## RECRUITING AND SELECTING SALES REPRESENTATIVES



## **TRAINING THE SALES REPRESENTATIVES**

Help sales people know & Identify with the company

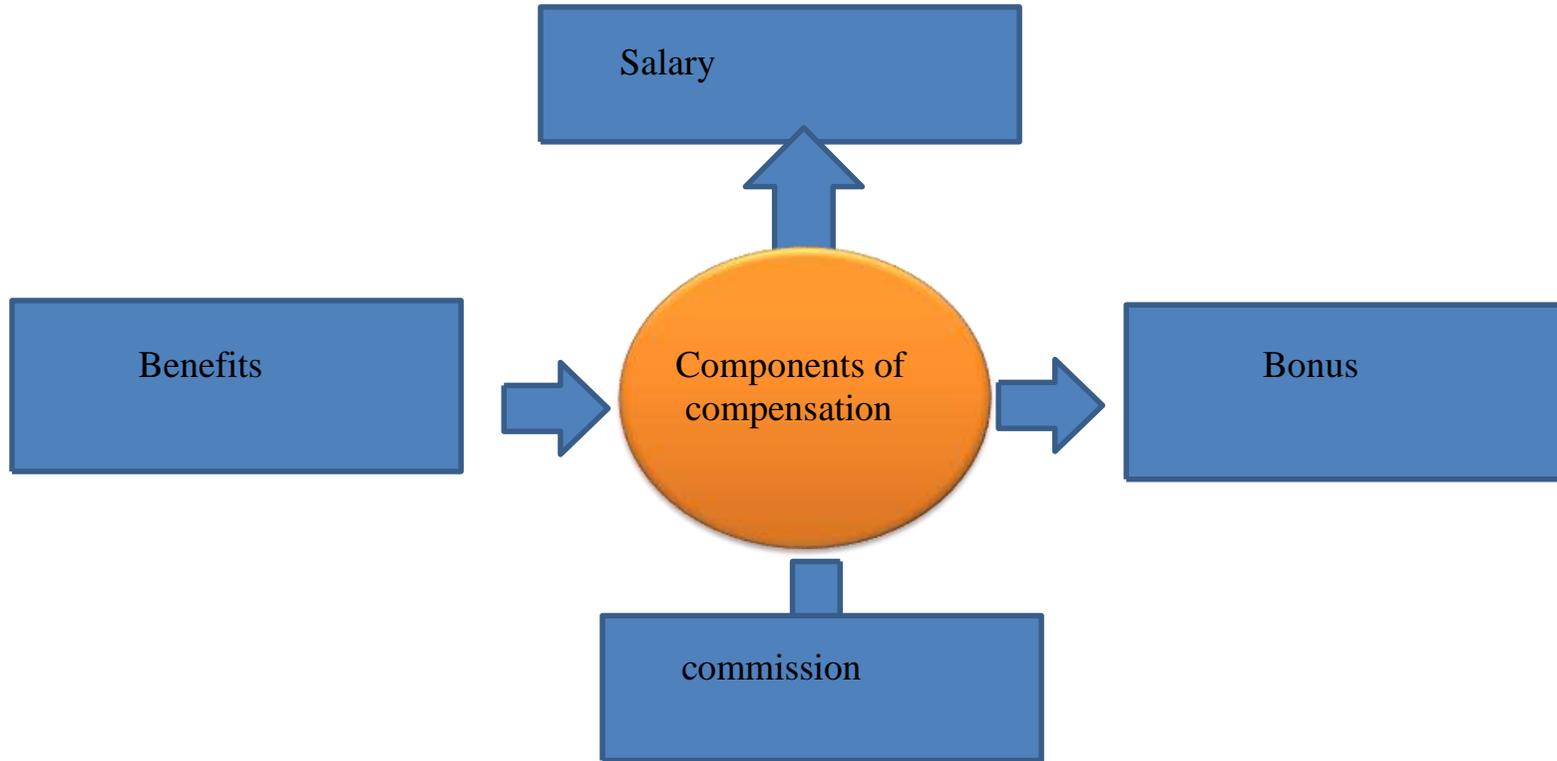
Learn How the product works

Learn about Competitors and Customers Characteristics

Learn How to make effective presentations

Understand field procedure and responsibilities

**COMPENSATING SALES REPRESENTATIVES**



## SUPERVISING AND MOTIVATING SALES REPRESENTATIVES

### Supervising Sales Force

- Directing the sales force
- Identify customer targets and set call norms
- Develop prospect targets
- Use sales time efficiently

Annual Call schedule

Time and Duty Analysis

Sales force automation

### Motivating Sales force

Organizational Atmosphere

Sales Quota

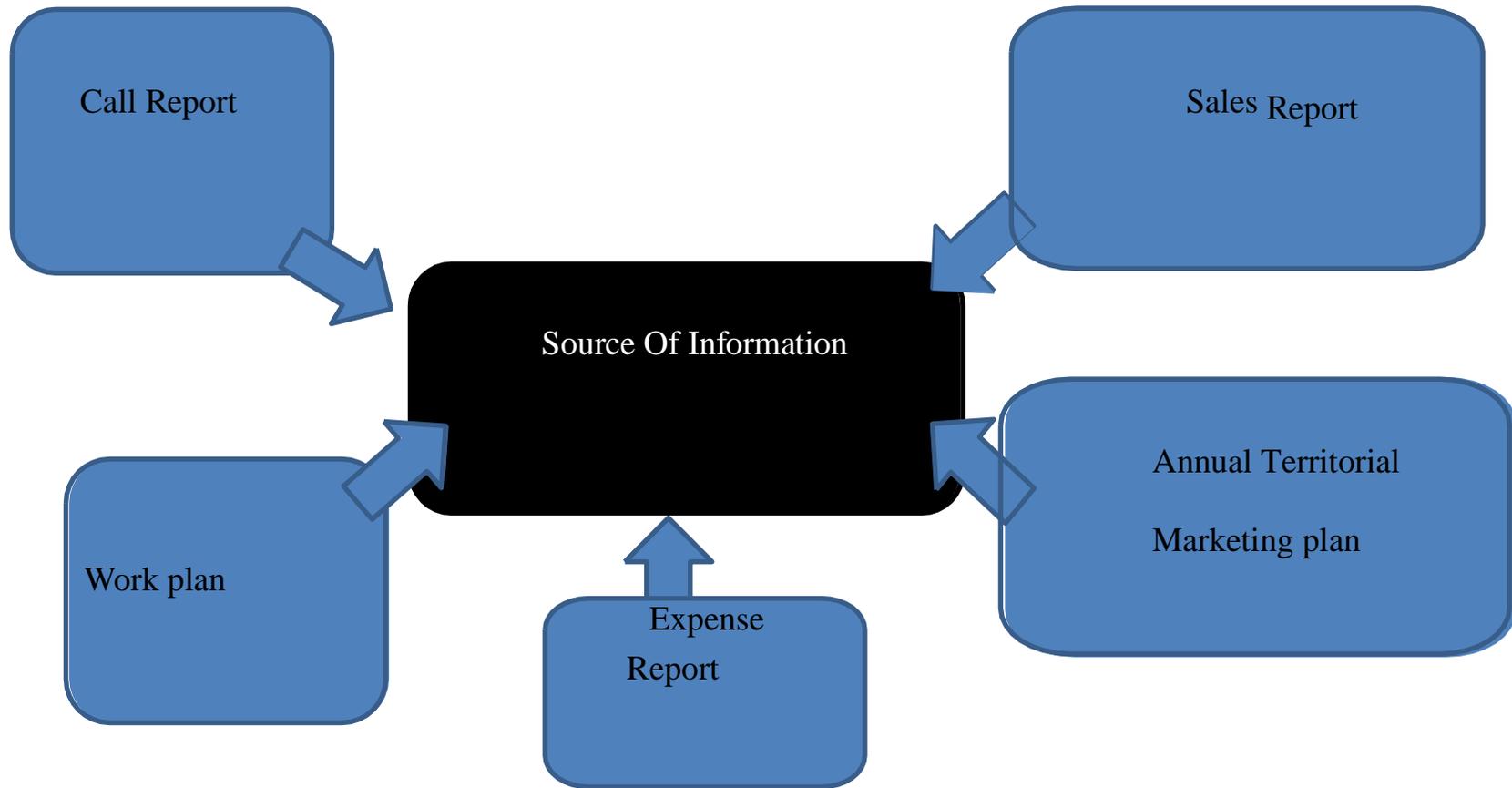
Positive Incentives

Trips

Honors

Merchandise/Cash – Awards

**EVALUATION OF SALES REPRESENTATIVES**



## **SALES TRAINING PROGRAM**

- Sales training is the effort an employer puts forth to provide sales people job-related culture, skills, knowledge, & attitudes that should result in improved performance in the selling environments.
- Main idea behind training is to extract the best out of a candidate in terms of performance on the job.
- Experience is the best teacher, undoubtedly.
- But training cuts short the time required to learn. It also supplements what one learns by experience & improves the effectiveness of the sales personnel.
- Training is therefore a supplement to experience and not its substitute.

## **AIM OF TRAINING**

### **■ Sales Techniques:**

Salespeople have an ongoing need to learn “how to sell”

### **■ Product Knowledge:**

Salespeople must know their product benefits, applications, competitive strengths & limitations

### **■ Customer Knowledge:**

Salespeople should know their customer needs, buying motives, buying procedures & personalities

### **■ Time and Territory Management:** Salespeople should learn to maximum work efficiency.

### **■ Competitive Knowledge:** Salespeople must know competitive offerings in terms of strengths & weaknesses.

### **■ Company Knowledge**

## **CHARACTERISTICS OF SALES TRAINING:**

1. Sales training is imparted to develop selling skills of the sales persons.
2. It develops principles and practice of selling.
3. Sales training is a planned and organized activity of the sales department.
4. The sales organization and the salesmen, both are benefited from the sales training.
5. Training programmes are organized for the interests of new and old salesmen.
6. Its aim is to provide maximum satisfaction to customers through the knowledge gained by salesmen.
7. Training is given to find out solutions to various problems related with sales.

## **IMPORTANCE OF SALES TRAINING PROGRAM**

- Increasing customer satisfaction.
- Helping salespeople become managers.
- Orienting new salespeople to the job.
- Improving knowledge in areas such as product, company, competitors, or selling skills.
- Lowering absenteeism and turnover.
- Positively influencing attitudes in such areas as job satisfaction.
- Improve morale
- Obtaining feedback from salespeople.
- Increasing sales in a particular product or customer category.
- Lowering selling costs.

- Increase productivity
- Improve selling skills
- Improve customer relations

### **OBSTACLES TO INTRODUCING TRAINING PROGRAM**

- Top management not dedicated to sales training
- Lack of buy-in from frontline sales managers and salespeople
- Salespeople's lack of understanding of what training is supposed to accomplish
- Salespeople's lack of understanding regarding application of training to everyday tasks

### **METHODS OF SALES TRAINING PROGRAM**

- On-the-job training (OJT)
- Class room training
- Role-playing
- Electronic training methods

### **ON THE JOB TRAINING**

- Teaming - Bringing together people with different skills to address issues.
- Meetings - Setting aside times when employees at different levels and positions can get together and share thoughts on various topics.
- Customer interaction - Including customer feedback as part of the learning process.
- Mentoring - Providing an informal mechanism for new salespeople to interact and learn from more experienced ones.
- Peer-to-peer communication - Creating opportunities for salespeople to interact together for mutual learning.

## **CLASS ROOM TRAINING**

- Trainee receives standard briefings in
  - product knowledge
  - company policies
  - customer and market characteristics
  - selling skills
- Formal training sessions avoid wasting executive time
- Classroom sessions permit use of audio-visual materials and technical resources

## **ROLE-PLAYING**

- Salesperson act out the part of a sales rep in a simulated buying session.
- Buyer may be either a sales instructor or another trainee.
- Role playing is widely used to developing skills but it can also be used to determine whether the trainee can apply knowledge taught via other methods of instruction

## **ELECTRONIC TRAINING METHODS**

- It uses internet for delivering quality learning experiences.
- This method isn't only effective but also very efficient.

## COMPENSATION PLANS

### INTRODUCTION: -

1. Compensation is the remuneration received by an employee in return for his/her contribution to the organization.
2. It is an organized practice that involves balancing the work-employee relation by providing monetary and non-monetary benefits to employees.
3. Compensation is an integral part of human resource management which helps in motivating the employees and improving organizational effectiveness.

### TYPES OF COMPENSATION PLANS

#### Straight Salary Plan

- Ⓜ It is simplest compensation plan
- Ⓜ Salespersons receives fixed sums.
- Ⓜ Usually one week or month
- Ⓜ Most prevalent in industrial goods company
- Ⓜ Commonly used for sales person engaged in trade selling.

#### Straight-Commission Plan

- Ⓜ Salesperson is paid on the basis of productivity.
  - Ⓜ Sales volume is best productivity measure.
  - Ⓜ It falls under 2 broad categories:
    - i) sales personnel paying their own expenses.
    - ii) company paying the expenses
- ⊗ Determining commission base ⊗ Drawing accounts

### **Commissions:-**

Commission to Managers and employees may be based on the sales revenue or profits of the company. It is always a fixed percentage on the target achieved. For taxation purposes, commission is again a taxable component of compensation. The payment of commission as a component of compensation is practised heavily on target based sales. Depending upon the targets achieved, companies may pay a commission on a monthly or periodical basis

### **Combination Salary/ Mixed Plans:-**

Companies may also pay employees and others a combination of pay as well as commissions. This plan is called combination or mixed plan. Apart from the salaries paid, the employees may be eligible for a fixed percentage of commission upon achievement of fixed target of sales or profits or Performance objectives.

### **Bonus:-**

The bonus can be paid in different ways. It can be fixed percentage on the basic wage paid annually or in proportion to the profitability. The Government also prescribes a minimum statutory bonus for all employees and workers.

### **USE OF BONUSES WITH 3 SALES COMPENSATION METHODS**

- ⊗ Straight Salary – Combination Plan
- ⊗ Straight Commission – Commission Plan+managerial control direction
- ⊗ Combination salary and commission plan- incentive income that is calculated differently from commission

### **Fringe benefits: -**

The provision of fringe benefits does not attract any explanation. These includes.,

- a) Company cars

- b) Paid vacations
- c) Membership of social/cultural clubs
- d) Entertainment tickets/allowances.
- e) Discounted travel tickets.
- f) Family vacation packages.

**Sickness benefits/pregnancy: -**

The expenses incurred due to injury or illness are compensated or reimbursed to the employees. In certain companies, the death of an employee is compensated financially.