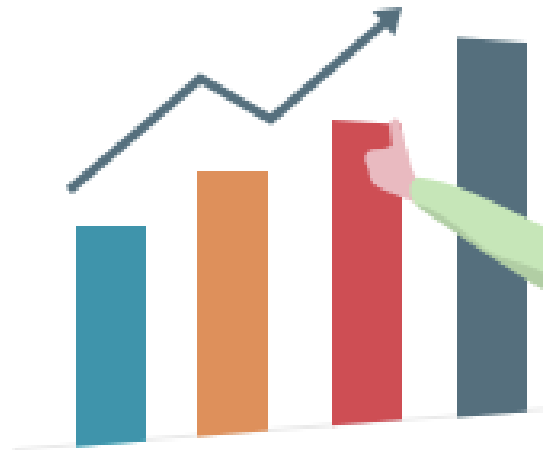


# Sales Organisation





# Sales organization

Concept of organization:

- Group of individuals working jointly
  - to achieve a defined goal and
  - bearing formal and informal relations with one another.

# Opening Case

- ▶ After developing a marketing plan, which included amongst other elements, marketing objectives and strategies, Suresh Kumar wondered what kind of **sales organization** the company should have to implement the marketing plan. Suresh Kumar was hired Marketing Manager by MM Textiles Ltd., a textile machinery manufacturing company, for launching and marketing a number of new consumer durable products, like a **table fan with a unique design and a water purification unit.**

# Opening Case

- ▶ As the company, SM Private Ltd., a subsidiary of MM Textiles Ltd., was new, Suresh Kumar was happy to have an opportunity to carry out all the marketing tasks from the very beginning. Suresh was hired in July 2011 for launch of a uniquely designed new fan, Pavan, in March 2012 in Mumbai, India. He had adequate time to develop and implement the marketing plan. As the company was new with only one product in the beginning, Suresh thought of adopting a **line sales organization** with salespeople reporting to him directly.

# Opening Case

- ▶ He himself would perform both sales and other marketing functions. The **size of the sales force** calculated, based on sales potential method, was five. In order to determine the job specifications for the salespeople to be recruited, Suresh conducted a **job analysis** and then prepared the **job description**. The job specifications for the sales people included the basic education of graduation, minimum two years of selling experience (as he did not have enough time and manpower to train fresh sales trainees), and traits of empathy (i.e. ability to feel as the customer does), team player, and selling ability. Since it was a new company, Suresh could not use internal recruitment sources.

# Opening Case

- ▶ He placed an advertisement in the Times of India's Mumbai edition. A large number of applications were received, many of them not matching the job specifications mentioned in the advertisement. Suresh had to carry out the screening of the resumes. He shortlisted 20 candidates for an initial interview and tests. Suresh Kumar himself conducted the initial interviews and used outside experts to carry out aptitude and personality tests. He further shortlisted 10 applicants after the initial interviews and tests.

# Opening Case

- ▶ These candidates were then interviewed by the Director of the company to finally select five applicants for the position of sales representative. As the company's HR manager was stationed at their factory at Baroda, in Gujarat, Suresh carried out the activities of making the job offer and getting the acceptance of the same by the candidates. Thereafter, it was the responsibility of Suresh Kumar to take care of induction and socialization of the newly recruited salespersons.

# Opening Case

- ▶ The opening case illustrates
  - ▶ how a marketing manager determines a sales organization
- ▶ After an organization decides its sales goals and strategies,
  - ▶ the implementation of strategies and action plans
  - ▶ takes place through the sales organization.



# Revision

► *Sales management is the*  
part of a company's  
*marketing plan*

# Revision

- ❖ Definition from American Marketing Association is:
- ❖ *“Sales management means the planning, direction and control of personal selling, including recruiting, selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks apply to the personal sales force.”*



# Sales organization

- With various tasks required to be performed the enterprise had to create a structure to ensure that work is done.
- Principles of structure:
  - Authority,
  - Responsibility,
  - Performance,
  - Support/co-ordinate.



# PURPOSES OF A SALES ORGANIZATION

- An organization structure defines relationship among jobs and amongst the people in a company.
- The aim is
  - to arrange the tasks or jobs in such a manner that
  - the people involved can perform effectively and efficiently and
  - act together rather than perform individually.



## PURPOSES OF A SALES ORGANIZATION

- An organization structure is a tool that managers use to employ resources for getting things done.
- A sales organization structure should be evolved in such a way as
  - to assist the sales manager and salespersons
  - to carry out the required tasks efficiently and effectively
- It gives a framework showing what tasks or activities are performed by whom in the sales organization.



# PURPOSES OF A SALES ORGANIZATION

- The purposes of a sales organisation<sup>1</sup> are:
  1. Determining a degree of centralization,
  2. Allowing a degree of specialization,
  3. Defining line and staff positions,
  4. Showing a market orientation,
  5. Achieving an effective co-ordination, and
  6. Ensuring a reasonable span of control.



# PURPOSES OF A SALES ORGANIZATION

## Determining a degree of centralization

- A centralized structure has authority and responsibility placed at higher levels of management.
- In a decentralized organization,
  - the responsibility and authority for carrying out tasks are delegated to lower-level managers.
- No company is totally centralized or decentralized.



# PURPOSES OF A SALES ORGANIZATION

## Determining a degree of centralization

In many companies

□ some activities like

- purchase of high value items and
- pricing decisions
- are centralized to minimize costs, and

□ some activities like

- evaluating and controlling salespeople are decentralized
- for better control and communication.



# Objectives of sales management

- ▶ 3 general underlying objectives:
  1. SALES VOLUME
  2. PROFITS
  3. GROWTH



# PURPOSES OF A SALES ORGANIZATION

## Allowing a degree of specialization,

- A general approach is that
  - each salesperson carries out all selling activities
  - each sales manager performs all sales management tasks.
- However,
  - this generalist approach becomes less effective as
  - the number of salespeople and complexity of the company's products and/or markets grow.



# PURPOSES OF A SALES ORGANIZATION

Allowing a degree of specialization,

□ Hence,

- some degree of specialization is required,
- so that individuals can concentrate on a few activities.
- E.g.?

□ By focusing on a few tasks,

- individuals can become experts on those activities,
- resulting in better performance of the organization.



# PURPOSES OF A SALES ORGANIZATION

## Allowing a degree of specialization,

- There is a trend towards specialization.
- The question is whether a company should go for
  - Geographic,
  - Product,
  - Market, or
  - Functional specialization?



# PURPOSES OF A SALES ORGANIZATION

## Defining line and staff positions,

- Sales management positions are grouped into line or staff.
- Line positions in sales management have line authority,
  - which means people in management positions have formal authority or
  - Power to direct and control immediate subordinates.



# PURPOSES OF A SALES ORGANIZATION

## Defining line and staff positions,

- Line sales managers have responsibility and authority
  - to direct and control subordinates reporting to them.
- Line sales managers are
  - involved in performing sales management activities and
  - are responsible for achieving certain sales targets or goals.



# PURPOSES OF A SALES ORGANIZATION

## Defining line and staff positions,

- Staff management positions have staff authority,
  - which means advising or recommending roles
  - in their respective areas of specialization or expertise.
- For instance,
  - training manager and marketing research manager have
  - advisory responsibility and not sales generating responsibility



# PURPOSES OF A SALES ORGANIZATION

## Showing a Market orientation,

- When markets are varied and complex,
  - the company gives an adequate response
  - by having a market orientated organization structure.
- Present and potential customers fall into many market segments,
  - such as consumer (e.g., individuals and households) and
  - business (e.g., OEMs, institutions, government).





# PURPOSES OF A SALES ORGANIZATION

## Showing a Market orientation,

- Each market oriented sales team develops suitable sales strategy for the segment it serves.
- As the sales organization is market-based,
  - each market-oriented sales team can adapt its selling strategy
  - to respond to the changing market conditions.

# Revision

- ▶ What is Key Account?



# PURPOSES OF A SALES ORGANIZATION

## Achieving an effective Co-ordination,

- ❑ In principle, all functions in the organization should interact harmoniously in order to achieve the firm's objectives.
- ❑ However, in practice, inter-departmental relations are not harmonious and have rivalries and distrust.
- ❑ In a typical organization, each function has a potential impact on customer satisfaction,
- ❑ All the departments should work together to satisfy customer needs and expectations.



# PURPOSES OF A SALES ORGANIZATION

## Ensuring a Reasonable span of control.

- A span of control refers to the number of individuals who report to each sales manager.
- For instance, if a sales manager's span of control is ten, it means he or she has ten subordinates to supervise.
- A general guideline is that the span of control should be six or eight.

# BASIC TYPES OF SALES ORGANIZATIONAL STRUCTURES

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- ❖ Many factors influence the structure of the sales organizations.
- ❖ Organizational planners should know major influencing factors, such as
  - ❖ Customers,
  - ❖ Competitors,
  - ❖ Products,
  - ❖ Company's personnel,
  - ❖ Company size and
  - ❖ Marketing channels.

# BASIC TYPES OF SALES ORGANIZATIONAL STRUCTURES

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- ❖ The four basic types of organizational structures are:
  - ❖ Line sales organization,
  - ❖ Line and staff sales organization,
  - ❖ Functional sales organization, and
  - ❖ Horizontal organization.

# BASIC TYPES OF SALES ORGANIZATIONAL STRUCTURES

## ❖ Line sales organization



# BASIC TYPES OF SALES ORGANIZATIONAL STRUCTURES

## ❖ Line and staff sales organization





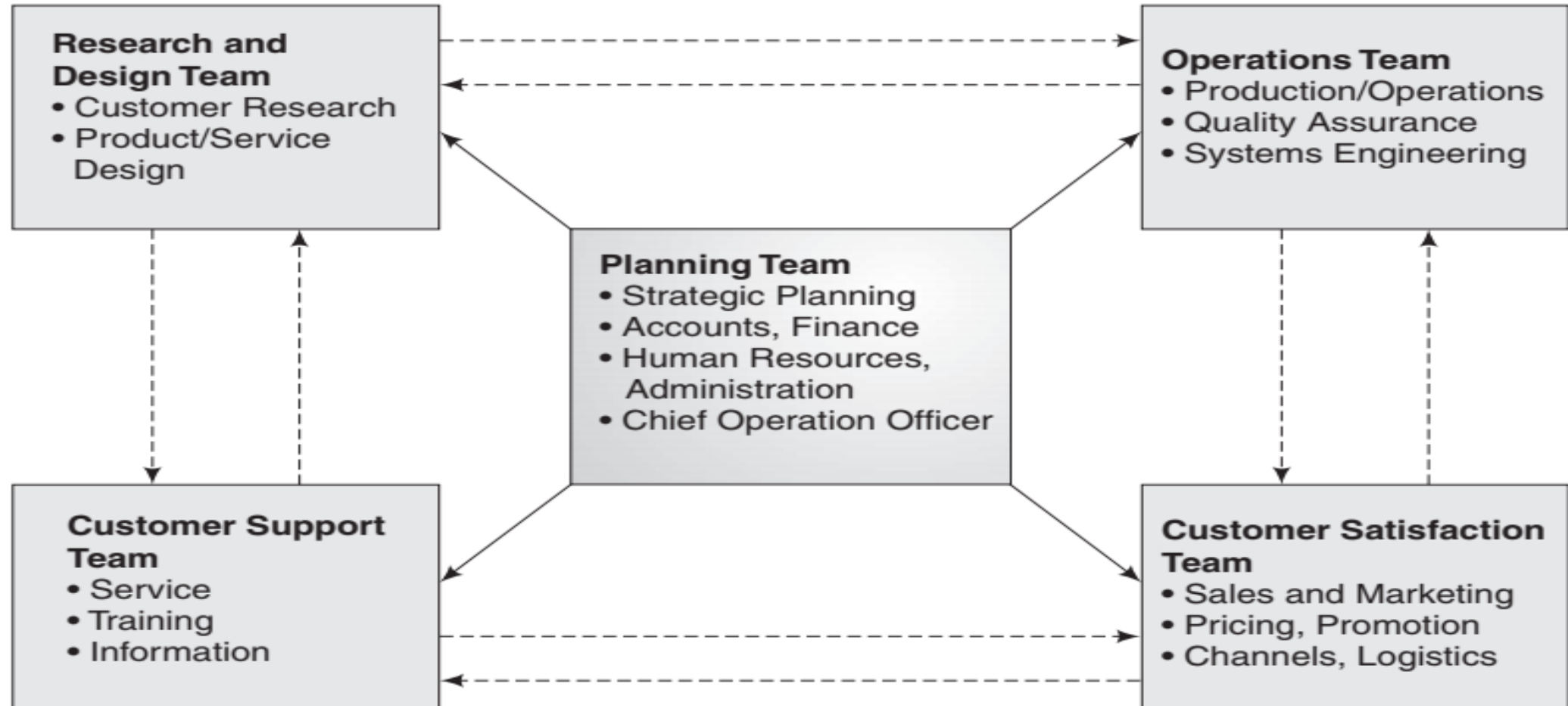
# BASIC TYPES OF SALES ORGANIZATIONAL STRUCTURES

## ❖ Functional sales organization



# BASIC TYPES OF SALES ORGANIZATIONAL STRUCTURES

## ❖ Horizontal Organization.



# SPECIALIZATION IN SALES ORGANIZATIONS

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- ❖ Generally many medium- and large - sized companies expand
  - ❖ one of the basic sales organization structures
  - ❖ in some specialized design,
  - ❖ in order to increase the effectiveness of their sales force.
- ❖ The bases of this specialization are factors such as:
  - (i) geography,
  - (ii) product,
  - (iii) market,
  - (iv) functional, and
  - (v) a combination of these factors.

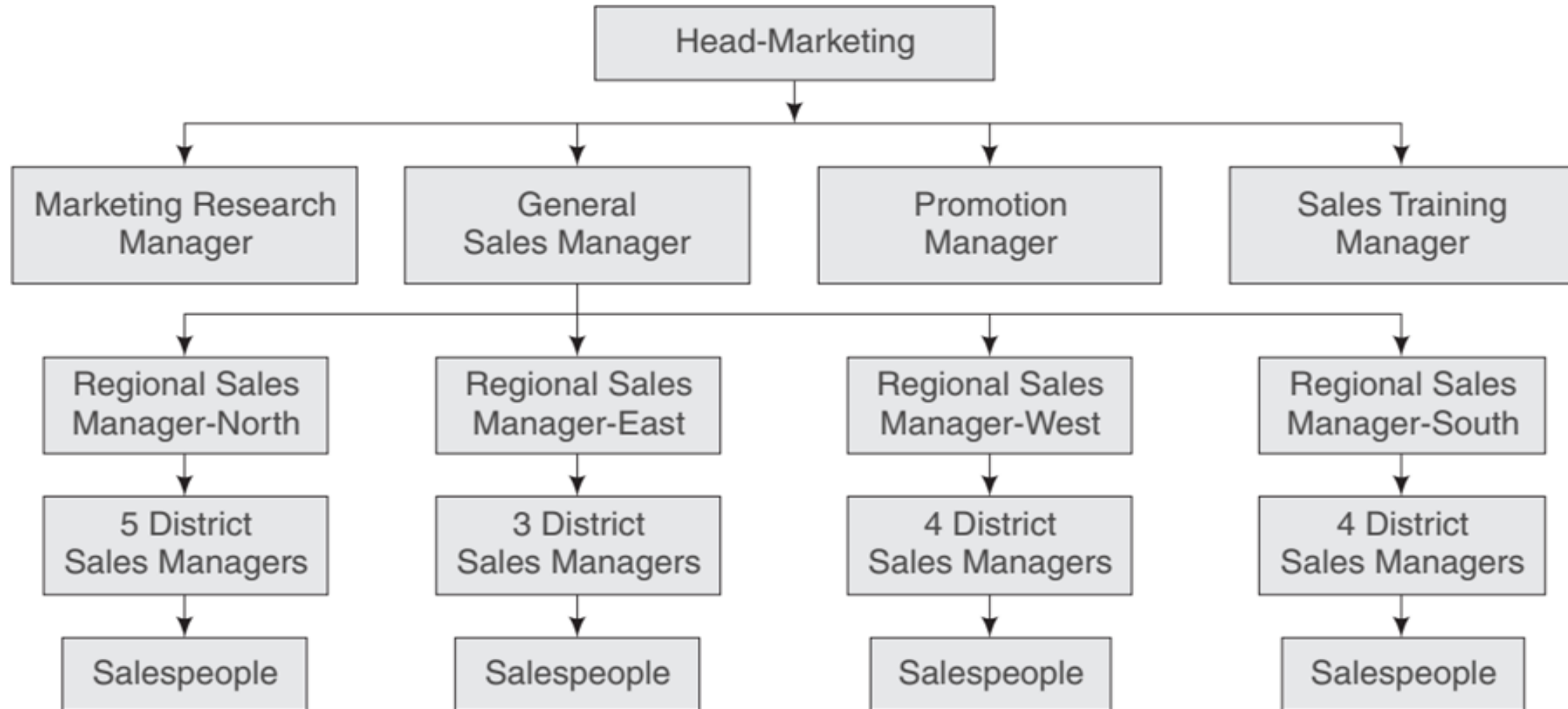
# SPECIALIZATION IN SALES ORGANIZATIONS

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- ❖ The criteria or factors to be used are:
  - (i) meeting customer needs,
  - (ii) nature and number of products,
  - (iii) abilities of the sales force,
  - (iv) sales costs.
- ❖ Based on these criteria,
  - ❖ a company decides to divide its sales force into groups
  - ❖ in order to increase the effectiveness of the sales efforts

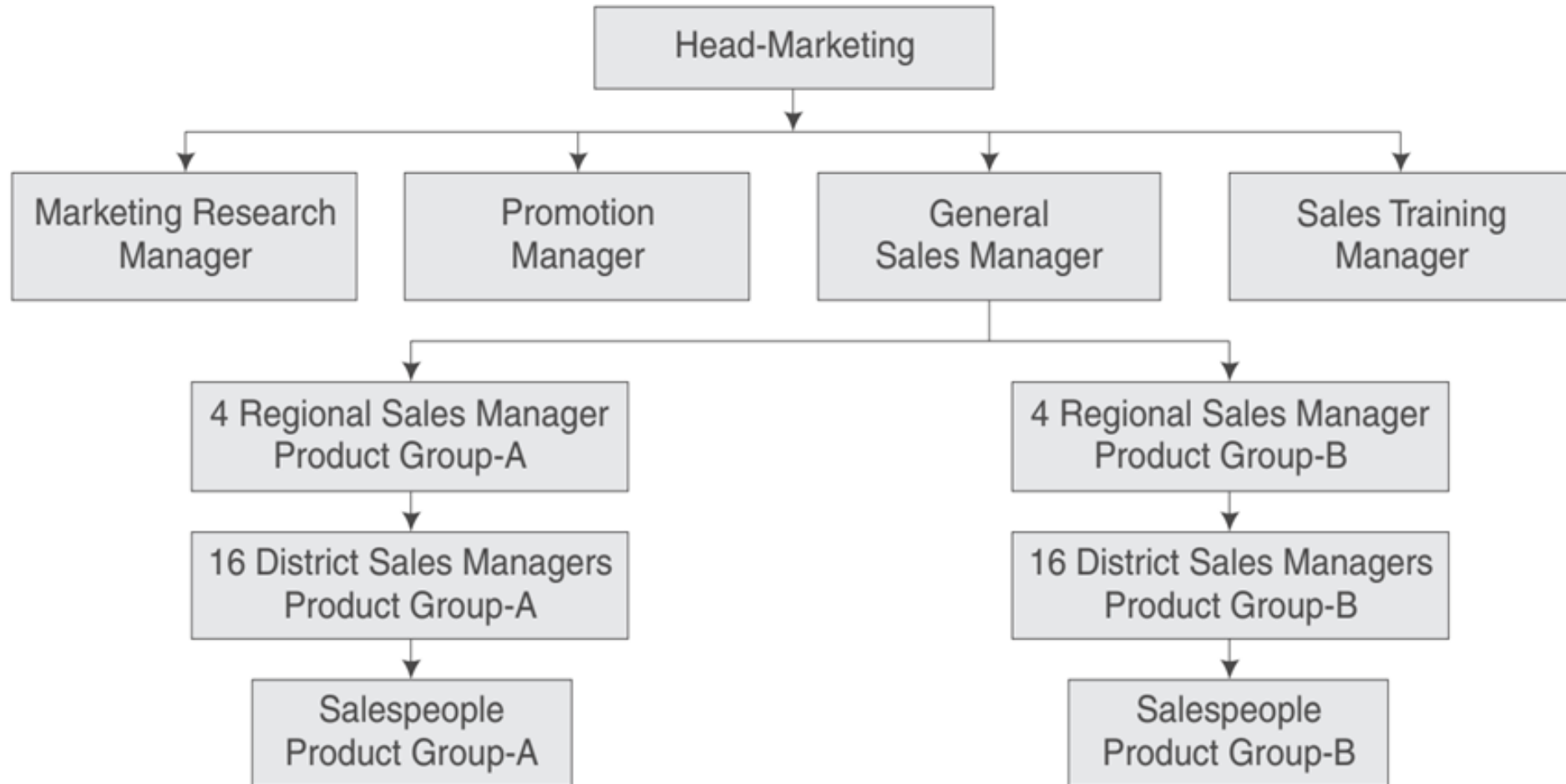
# SPECIALIZATION IN SALES ORGANIZATIONS

## Geographic Specialization



# SPECIALIZATION IN SALES ORGANIZATIONS

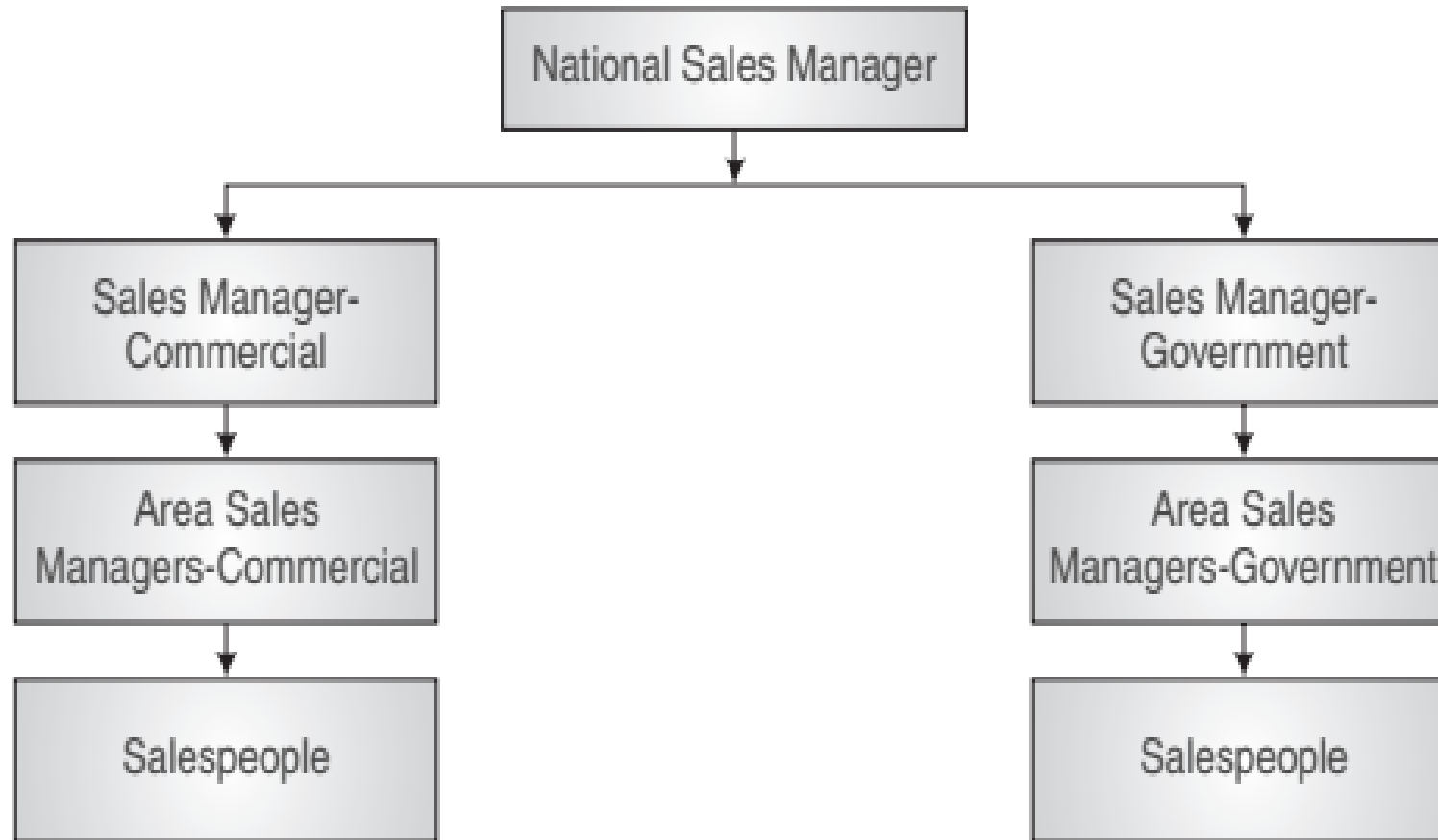
## Product Specialization



# SPECIALIZATION IN SALES ORGANIZATIONS

## Market Specialization

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# SPECIALIZATION IN SALES ORGANIZATIONS

## Activity/Function-based Organization

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### Activity

### Sales Method

\* Prospecting



Telemarketing/cold calls

\* Presentation



Face-to-face field sales

\* Service

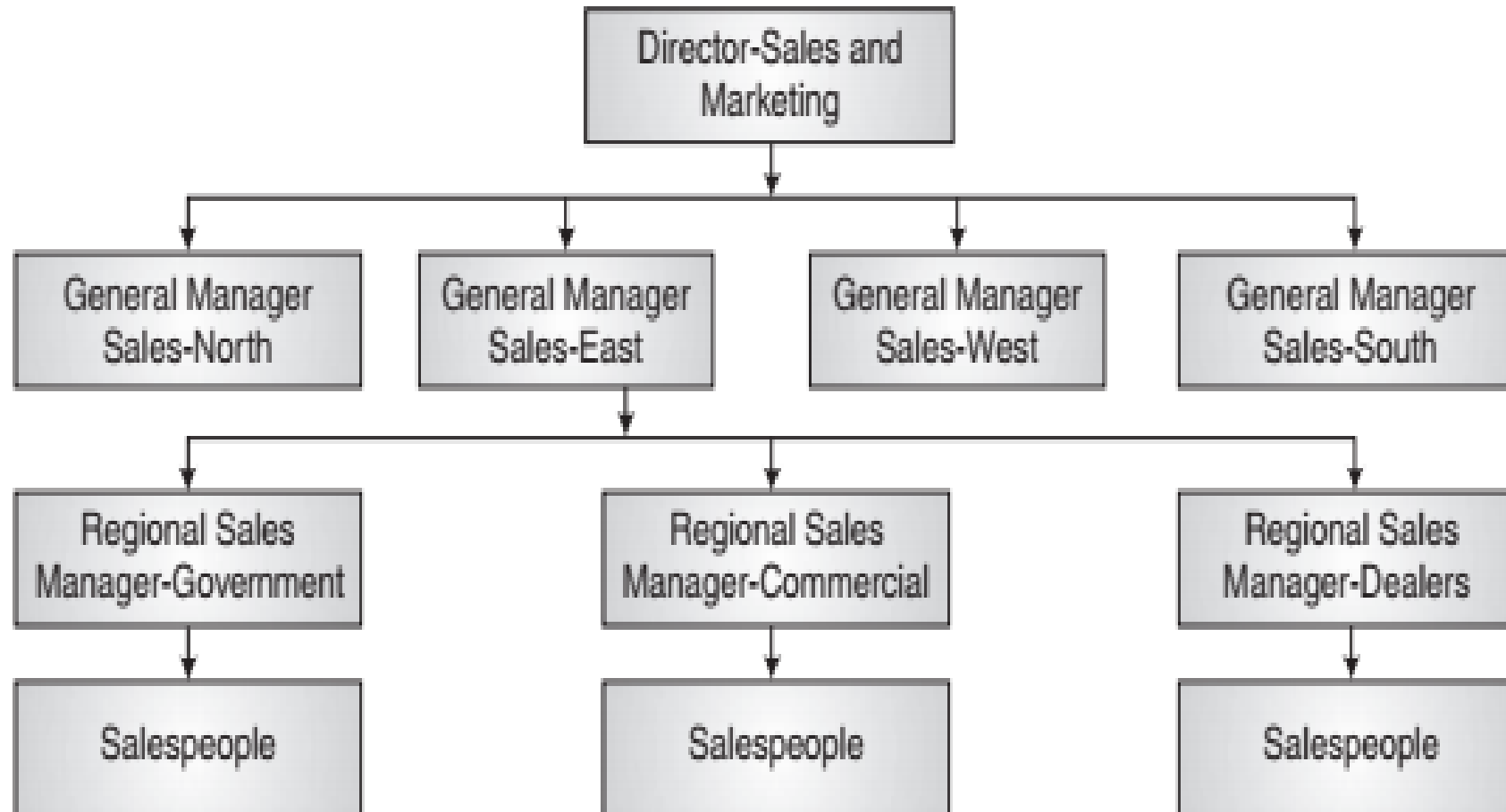


Personal visits



# SPECIALIZATION IN SALES ORGANIZATIONS

## Combination Sales Organization



# SPECIALIZATION IN SALES ORGANIZATIONS

## Comparison of Different structures of Sales Organization

Sales Organizations	Advantages	Disadvantages
Functional	<ul style="list-style-type: none"><li>• Simple to administer</li><li>• Qualified specialists guide salespeople</li><li>• High degree of division of labor</li></ul>	<ul style="list-style-type: none"><li>• Difficult task of coordination of functional heads.</li><li>• Sales force confused due to many bosses</li><li>• Geographic/Customer duplication</li></ul>
Geographic	<ul style="list-style-type: none"><li>• Better market coverage</li><li>• Better sales force control</li><li>• Superior customer service</li><li>• Quick response to local issues</li><li>• No geographic/customer duplication</li></ul>	<ul style="list-style-type: none"><li>• Limited specialization of marketing tasks</li><li>• Support of area market managers is needed to territory or district sales managers.</li></ul>
Product	<ul style="list-style-type: none"><li>• Each product gets attention from salespeople/territory managers</li><li>• Product managers develop cost effective marketing strategy for each product or brand</li></ul>	<ul style="list-style-type: none"><li>• High cost</li><li>• Geographic or customer duplication resulting in customer dissatisfaction</li></ul>
Market	<ul style="list-style-type: none"><li>• Customer needs are better met</li><li>• Market-centered philosophy implemented</li></ul>	<ul style="list-style-type: none"><li>• High cost</li><li>• Geographic duplication with different salespeople working in the same territory</li></ul>