

SALES MANAGEMENT

- **FIELD SALES CONTROL,**
- **RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT**
- **Lead Time**

EVALUATION OF SALES ORGANIZATION EFFECTIVENESS

- **MARKETING AUDIT**

- A marketing audit is a comprehensive, periodic, and systematic examination of a company's marketing plan, environment, objectives, strategies, tactics, performance, organization, and people with a view to find out opportunities and problems, and recommend an action plan to improve the company's marketing performance.
- It also evaluates the long-term business growth alternatives of the company.

EVALUATION OF SALES ORGANIZATION EFFECTIVENESS

MARKETING AUDIT

- A marketing audit covers a company's total marketing system.
- The audit concept can be applied to a company's major functions within marketing management.
- For example,
 - a company can audit the sales function,
 - And/or the marketing research department.
- Often, outside sources,
 - Like management consulting firms,
 - Are employed to carry out the marketing audit to ensure an unbiased approach

SALES AUDIT

Sales Audit

- A sales audit is a comprehensive, systematic, diagnostic, and prescriptive tool.
- The purpose of a sales audit is
 - to assess whether a firm's sales management process is adequate,
 - to give direction for performance improvement, and
 - to recommend the needed changes.

SALES AUDIT

Sales Audit

- Sales audit is a good method for evaluating the effectiveness of a sales organization.
- Because auditing should be objective,
 - it should be conducted by someone from outside the sales organization.
 - This could be someone from another functional area within the firm or an outside consulting firm.
- The sales audit is an expensive and time-consuming process,
 - but the benefits are much more than monetary and time costs.

SALES AUDIT

The Evaluation Process of a Marketing/Sales Audit

- ❑ Whether it is a marketing audit or a sales audit, the evaluation process is the same.
- ❑ It consists of three stages,

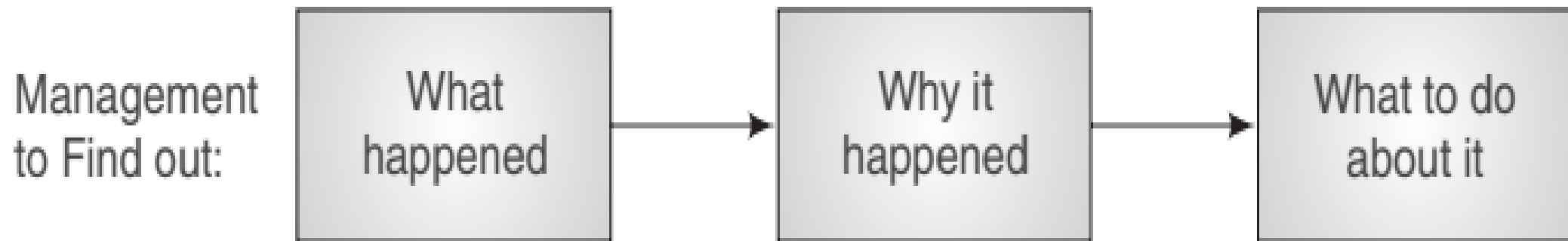


Fig. 7.1

The Evaluation Process of Marketing/Sales Audit

SALES AUDIT

The Evaluation Process of a Marketing/Sales Audit

- ❑ Since a full marketing audit is costly and takes a long time
 - ❑ many companies evaluate different elements of marketing.
- ❑ For instance,
 - ❑ one company may analyze its sales volumes only,
- ❑ but another firm may decide to analyze
 - ❑ sales,
 - ❑ marketing cost, and
 - ❑ profitability.

SALES AUDIT

EVALUATION OF EFFECTIVENESS OF A SALES ORGANIZATION

- Sales organizations have many goals and objectives.
- Therefore, many factors need to be analyzed
 - to evaluate the **effectiveness** of a sales organization.
- Here, the effectiveness means
 - an organization that gives **expected or targeted** results consistently.

SALES AUDIT

EVALUATION OF EFFECTIVENESS OF A SALES ORGANIZATION

- Four types of analyses that are usually needed
 - to develop a comprehensive model for evaluation of a sales organization.
- These are:
 - 1) Sales analysis,
 - 2) Marketing cost analysis,
 - 3) Profitability analysis, and
 - 4) Productivity analysis.

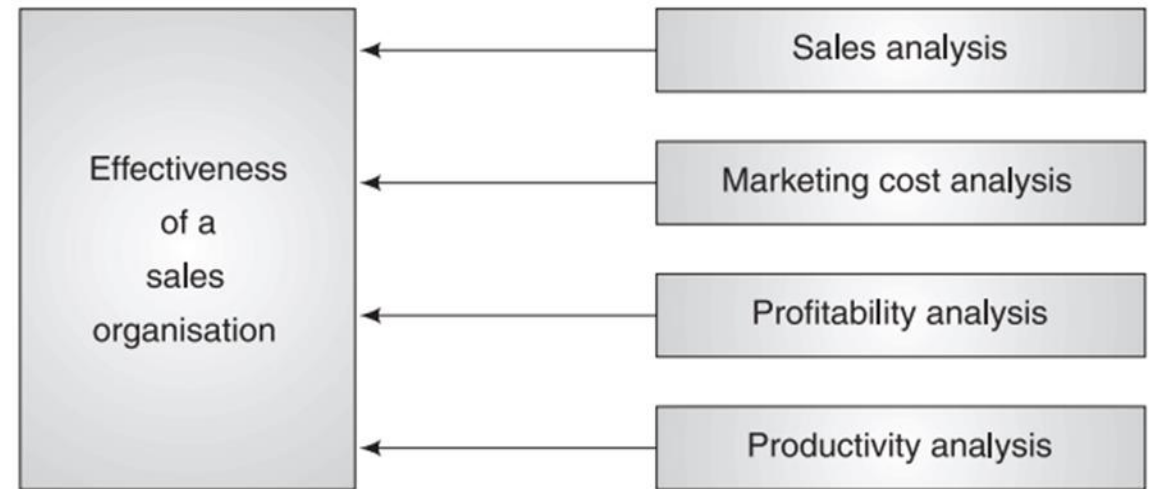


Fig. 7.2 Effectiveness Model of a Sales Organization

SALES ANALYSIS

Sales Analysis

- Sales analysis (or sales volume analysis)
 - is an important element for evaluating the effectiveness of a sales organization,
 - because the **purpose** of a sales organization is to generate sales.
- Sales managers use sales analysis
 - to evaluate current performance,
 - take corrective actions, and
 - do future planning.

SALES ANALYSIS

Sales Analysis

- Sales analysis is described as
 - a detailed inspection of a company's sales data,
 - which includes collecting, classifying, comparing, and drawing conclusions.
- All companies collect sales data
 - in the form of customer sales invoices or
 - cash register receipts,
 - which are needed for maintaining their accounting records.

SALES ANALYSIS

Sales Analysis

- Sales analysis should be done at different levels of the sales organization, such as
 - regions,
 - branches,
 - districts, and
 - territories.
- Many companies, in a study, use sales analysis for evaluating their sales organizations,
 - but few companies use reports on **marketing cost, profit contribution, net profit** or **return on assets analyses**.

SALES ANALYSIS

Sales Analysis

- **Definition of what is meant by a sale is necessary before starting a sales analysis**
- The company must decide when a sale takes place –
 - whether at the time an order is received,
 - shipped (and invoiced),
 - or paid for.
- Most companies define a sale
 - when an order is shipped or transported and invoiced.

SALES ANALYSIS

Sales Analysis

- **Definition of what is meant by a sale is necessary before starting a sales analysis**
- Another point companies have to decide is
- whether to concentrate on
 - **sales value (e.g., Rupees or Dollars), or**
 - **sales units (e.g., tons or numbers).**
- It is often useful to include both **sales value** and **units** in a sales analysis,
 - because each one gives different type of evaluative information.

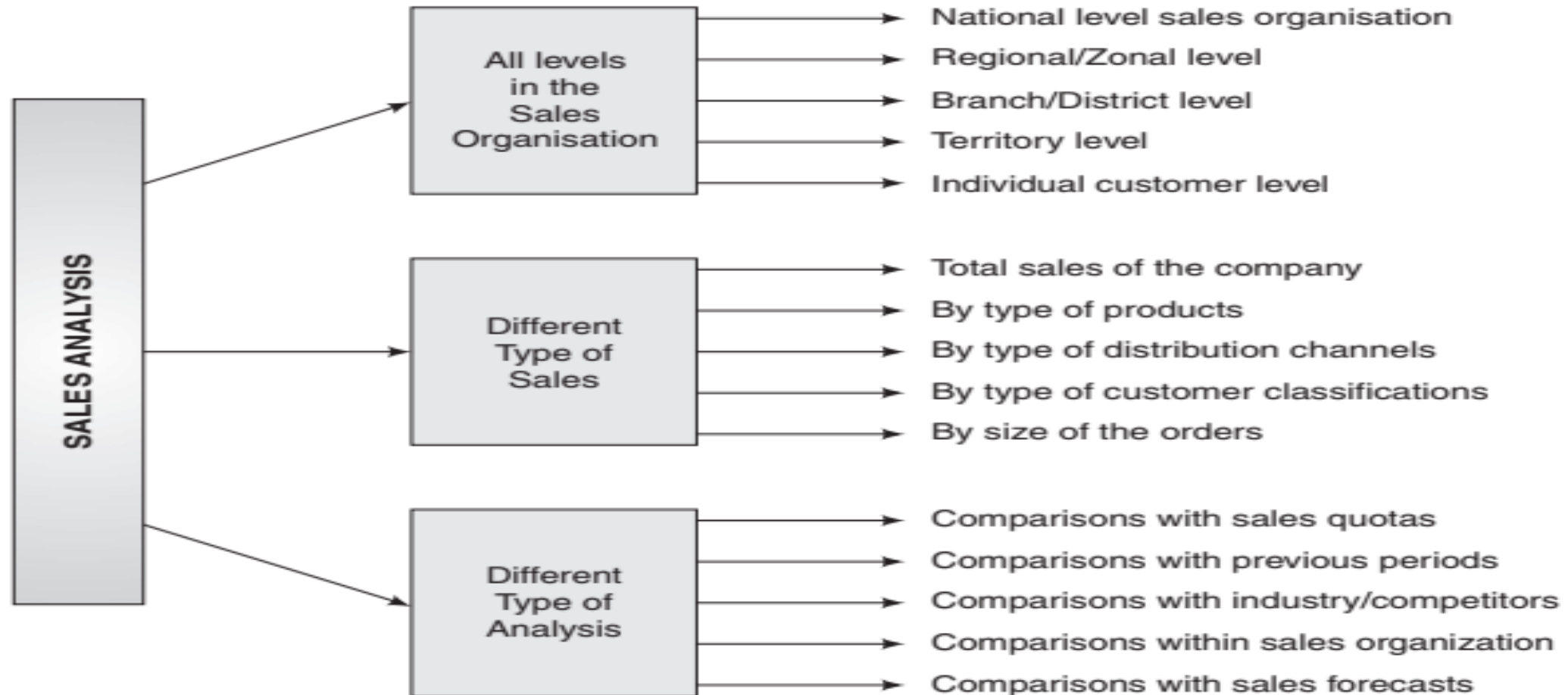
SALES ANALYSIS

Framework for Sales Analysis

- There are many alternatives available to a company for analyzing Sales Volume of a sales organization
- These alternatives are grouped in three important decision areas:
 - 1) all levels in the sales organization,
 - 2) different type of sales, and
 - 3) different type of analysis.

SALES ANALYSIS

Framework for Sales Analysis



SALES ANALYSIS

Sales Analysis by Branches

Regions	Sales Quota	Actual Sales	Difference (+/-)	Performance (% of Quota)
Delhi	400	376	-24	94
Kolkata	300	273	-27	91
Mumbai	410	418	08	102
Chennai	390	402	12	103
Total	1500	1469	-31	98

SALES ANALYSIS

Sales Analysis by Product Lines

Product Line	Sales Quota	Actual Sales	Difference (+/-)	Performance (% of Quota)
Ceiling Fans	425	415	-10	98
Table Fans	240	264	24	110
Exhaust Fans	175	190	15	109
Lamps and Accessories	360	353	-07	98
Total	1200	1222	22	102

SALES ANALYSIS

Sales Analysis by customer classification

Class of Customers	Sales Quota	Actual Sales	Difference (+/-)	Performance (% of Quota)
Class 'A'	970	922	-48	95
Class 'B'	315	343	28	109
Class 'C'	215	210	-05	98
Total	1500	1475	-25	98

(Note: All figures in above tables are in ₹ million)

SALES ANALYSIS

Different Types of Sales Analysis

	Northern Region	Eastern Region	Western Region	Southern Region
Sales (₹ million)	23	22	28.5	27
Sales Quota (₹ million)	25	20	30	25
Effectiveness Index	92	110	95	108
Sales Last Year (₹ million)	22.5	19	28	24
Sales Growth (%)	2	16	2	13
Industry Sales (₹ million)	250	200	300	250
Market Share (%)	9	11	10	11

SALES ANALYSIS

Sales Analysis

- Often, a sales analysis alone does not give complete information
 - for evaluating effectiveness of a sales organization.
- The benefits of extending the sales analysis to
 - marketing cost and
 - profitability analysis
 - are very much recognized.
- However,
 - the most widely used measure of evaluation of a sales organization continues to be sales analysis.

SALES ANALYSIS

Marketing Cost and Profitability Analysis

- ❑ A marketing cost analysis is a study of a company's marketing costs.
- ❑ The purpose of marketing cost analysis is
 - ❑ to determine the profitability of sales (or marketing) units,
 - ❑ like market segments, sales territories, and products.
- ❑ This is done by
 - ❑ subtracting the marketing costs from
 - ❑ the sales revenue,
 - ❑ associated with the particular sales unit.

SALES ANALYSIS

Marketing Cost and Profitability Analysis

- ❑ Marketing cost analysis is a managerial tool that is used for **planning** and **control** of a company's future operations.
- ❑ Often, an **analysis of past financial events** helps as a guide for future operations.
- ❑ Companies need
 - ❑ to measure the profitability of their
 - ❑ territories,
 - ❑ customer groups (or market segments),
 - ❑ products,
 - ❑ distribution channels, and
 - ❑ customers.

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT



RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

- Distribution management serves the primary function of ensuring that
 - the product or service is made available to the consumer within an arm's length of his desire.
- Distribution management takes care of the availability (physical distribution) and the visibility.
- It provides 'time', 'place' and 'possession' utility to the consumer.
- It is the sales manager who decides the organization which is responsible for the distribution effort.

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

- Sales management and the distribution
 - function together take certain actions
 - to ensure that the customer service objectives of the company are fully met.
- Some of these action points are as follows
- **Demand Management** A critical step in getting sales volumes and earning revenues.
- Both sales managers and their channel members help this activity through forecasts,
 - obtaining business and securing orders to meet set volume targets.

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

Supply Management

- The company depot or the carrying and forwarding agent on contract with the company
 - receives the orders from the field force and
 - processes them for dispatch to the primary customers of the company
 - distributors or institutions.
- They also collect the value of the sales made.
- This is the primary sales.

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

Supply Management

- The distributor/dealer/stockist/agent
 - receives orders from their customers (traders or institutions)
 - either directly or through the salespeople and
 - processes them for dispatch.
- They collect the value of the sales made.
- This is the secondary sales.
- Both the C&FA and the distributor provide storage space for **safe keeping** of the goods **till they are sold out**.

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

Supply Management

- The C&FA and the distributor may use own transport vehicles or
 - hired transport to move the goods from their premises
 - to that of the customers.
- The wholesaler or the retailer is the most important channel partner for mass based consumer products.
- Retailer is the one directly in touch with the end users.
- Retailer makes sure that he buys the products, stocks them, displays them and sells them to the end users.

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

Supply Management

- All these activities are possible only under the supervision of the salespeople.
- None of the channel partners (particularly, the ones on contract with the company)
 - acts without the knowledge and support of the company sales managers.
- There has to be a continuous and regular coordination
 - between the sales management and the distribution channels
 - to generate demand and manage it in a cost effective manner every day.

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

Sales Operations Planning

- The planning of the sales operations is always done jointly by the sales managers and the channel members.
- Some of the points in the operations planning exercise are
 - List of markets to be covered and the schedule
 - Market share objectives to be achieved and how
 - Tracking competition
 - Designing coverage beat plans/call plans using a milk run concept
 - Ensuring highest call productivity

RELATIONSHIP BETWEEN SALES MANAGEMENT AND DISTRIBUTION MANAGEMENT

Sales Operations Planning

Some of the points in the operations planning exercise are

- Market working methods and tools
- Sales promotion efforts
- New product/pack launches
- Shelf space maximization and merchandising
- Reports and records

LEAD TIME AND DELIVERY SCHEDULE





LEAD TIME

- Lead Time is the amount of time between process initiation and completion.
- For customers,
- Lead Time is the
 - time between a confirmed customer order and
 - its scheduled pick up or delivery
 - based on the organisation's terms and conditions.
- This varies based on the customer and the product.

LEAD TIME

What does each lead time measure along the supply chain?

- Depending on the part of the supply chain,
 - There are several different types of Lead Time.
- **Customer Lead Time** - The time between when a customer places an order and when the customer receives the product.
- **Material Lead Time** – The time when a company becomes aware of a need for raw materials and when the materials are physically obtained.
- **Factory/Production Lead Time** - Once materials have been received, the production lead time kicks off. This is the time between when a company has all the necessary resources on hand to manufacture a product and when it completes the manufacturing process.
- **Cumulative Lead Time** - Lead times above may be aggregated to create a fourth lead time, and companies may track different cumulative lead times.

LEAD TIME

What does each lead time measure along the supply chain?

- This concept can be divided into sections to understand how it affects each area.
- **Sales or commercial management:** knowing the precise lead time will allow you to commit to one delivery date or another with your customers.
- **Purchasing or procurement:** managing the lead time of raw material suppliers is the key to prevent production line shortages.
- **Manufacturing lead time:** this lead time simplifies manufacturing time calculations, which in turn influences logistics and sales management.

LEAD TIME

What does each lead time measure along the supply chain?

- This concept can be divided into sections to understand how it affects each area.

Logistics and distribution:

- a logistics lead time takes on a holistic dimension
- since you need to know
- other area's supply times
- to know how long it will take to produce them;
- when they will arrive at the warehouse; and
- how long will it take to process and deliver them to the customer?