

SALES MANAGEMENT

UNIT 5

SALES FORCE MANAGEMENT

Sales force management is the soul of the company. Establishing a world recognize brand does not only require marketing and advertise efforts, but it also requires the sales representatives or in simple words sale force along with all other promotional activities. Firms are now investing considerable funds, time and expertise to rain the sales force. In order to compete in the market and getting brand recognition; a quality product needs a quality sale force. The Sale Force is the FACE of the Brand or the Product. A very important aspect of marketing that yields business is the efficient and effective use of sales force management and companies are always looking for better ways to complete this task.

Managing Customer relations effectively needs a well-trained Sales Force, which is also known as sales force management. The Companies are now spending a considerable marketing budget on Customer Relation Management CRM and Sales Force Management Systems. Some firms are opting for Automated Sales Force Management System. The Sale Force is responsible for all the contacts that are made with the end users, keeps a record of all the data and tracks down the customers to generate sales.

However, sales force is expensive and companies are looking forward to managing them in an efficient and effective manner.

Designing of the Sales Force

Sales force is linking between companies and customer. Therefore, companies have to be careful in designing and structuring sales force.

1. The first step is setting out an objective for sales force. Earlier companies had a single objective increasing sale making it objective also for sales people. Sales people are asked to perform a search for prospective clients or lead. Sales people are asked to balance time between a prospective customer and current customer. Effective communication of product and services is essential to close the deal. Sales people also play an important role in after sales service and can make a difference for the company. Sales people are eyes and ears of the company in the market gathering information about competition and customer changing demands.
2. The second step is use sales people strategically. Sales people have to combine efforts with other team members to achieve the objective. Sales people should be aware how to analyze market data been provided and convert them into marketing strategies.
3. The third step is deciding the structure of the sales force. The structure of the sales is dependent on the strategy followed by the company. **Common sales force structures are as follows:-**

- **Territorial structure** is used where every sales representative is assigned specific geographical area. This structure is preferred for building relationships with locals.
- **Product structure** is used for complex and un- related product portfolio. Here the sales people are directly associated with research and development of the products.
- **Market structure** is used if the companies are operating different industry or market segments. Every sales force specializes in a definite market and helps push a product efficiently across the given market. However, the disadvantage would arise if customers are located over a wide geographical area.
- **Complex structure** is used when companies are in business of selling complex product to different customer across a large geographical area. Here sales force structure is a combination of other structures discussed.

Once the structure is designed companies need to make a decision with respect to the size of the sales force. The size of the sales force is dependent on the market size and number of customers.

4. The next step is to design compensation for the sales force. Compensation plays a big motivational factor for sales people. Companies follow a structure of a fixed amount plus a variable amount depending of success achieved in the market. Allowances play an important factor in the salary owing to continuous travel and market visits.

Elements of Sales Force Management

1. **Lead Generation:** The Sales Representatives generate the sales lead and then track the potential user by gathering the data and customer related info like phone numbers, tastes, and buying patterns.
2. **Sales Forecasting:** Predicting the company future sales based upon the previous sales for a particular period of time; is sales forecasting process. The Sales Forecasting is done for the next tax year or the fiscal year (or for a period of a time in the near future). This enables the company to take important business decisions regarding production, distribution, advertising budgets.
3. **Order Management:** The sales Force Manages and streamlines the product orders efficiently. A well-executed **Order Management System** or OMS results in Sales Boost, Improved Customer retention and Better Consumer Relations. Order Management System is quite a hefty term for a simple concept; delivering Goods and products without or minimum delay is order management.
4. **Product Knowledge:** The basic element for closing a deal or making a successful sale is having the complete knowledge of the product. To win the customer trust is of outmost important for the Sales representative. In order to convince the buyer to spend the money

on the product the Sale team must have the complete know how of the Product and its benefits.

Functions of Sales of Force Management

The sales force management plays an integral role in the success of the marketing plan. Executing the **marketing strategy** successfully requires efficient and well trained Sale Representatives. Integral part for success of marketing strategy is management of the sales force. The **management of sales consists of following:-**

1. Recruitment is at the centre of an effective sales force. One approach in the selection is asking a customer what characteristics they look for in a sales representative. Companies develop selection procedure where behavioral and management skills are tested. An essential part for the effective sales force management is recruitment. Over the decades companies have designed advances selection programs and procedures to test the behavioral, Managerial, and Personality Skill and expertise are identified. Some companies have developed research methods or execute surveys to look for the preferences and demands of the customers for the selection of Sales team.
2. Training is essential to remain ahead of the competition. Sales force needs training before entering the market as well as training at different stage of the product life cycle.
3. Supervision on sales force is decided on the profile of product portfolio. A general supervision is maintained with respect to sales people dealing with potential clients. Another supervision is related to efficient time management from preparation of client call to closing of the deal.
4. Motivation is a key aspect for management of the sales force. Here compensation plays an important in driving up the motivational level. Compensation can be assigned based on sales quota. Other motivational tools are social gathering and family outing.
5. Evaluation is essential to management of a sales force. Sales reports sent by the sales force serve a good starting point of evaluation.

RECRUITMENT AND SELECTION

Recruitment is a positive process in which a company attract a pool of talented people, whereas selection is a negative process through which they screen people and finally select desired number of personnel who are offered appointment. Attracting and selecting new sales personnel is an important aspect of the sales manager's job. Recruitment is the procedure to obtain a good number of people with the potential capability of becoming good sales personnel. After attracting a large number of people, it becomes feasible to select the individuals, which fit the needs of the organization. Appropriate recruiting and selection policies and procedures, and their skilful execution result in greater overall efficiency of sales department. Good selection fits the right person to the right job, thereby increasing job satisfaction and reducing the cost of personnel turnover. In addition training costs are reduced, either because those hired are more capable of absorbing training or because they require less formal training.

RECRUITMENT PROCESS

To ensure the new recruits have the aptitude necessary to be successful in a particular type of sales job, certain procedures should be followed in the recruitment process. The steps in this process are:

(a) Conducting a job analysis

Before a company can search for a particular type of salesperson, it must know something about the sales job to be filled. To aid in the process, a job analysis should be conducted to identify the duties, requirements, responsibilities, and conditions involved in the job. A proper job analysis involves following steps:

1. Analyze the environment in which the salesperson is to work. For example: (a) what is the nature of the competition faced by the salesperson in this job? (b) what is the nature of the customers to be contacted, and what kinds of problems do they have? (c) what degree of knowledge, skill, and potential is needed for this particular position?
2. Determine the duties and responsibilities that are expected from the sales-person. In so doing, information should be obtained from (a) salespeople; (b) customers; (c) the sales manager; and (d) other marketing executives, including the advertising manager, marketing services manager, distribution manager, marketing research director, and credit manager.
3. Spend time making calls with several salespeople, observing and recording the various tasks of the job as they are actually performed. This should be done for a variety of different types of customers and over a representative period of time.

(b) Preparing a job description

The result of a formal job analysis is a job description. Since a job description is used in recruiting, selecting, training, compensating and evaluating the sales force, the description should be in writing so that it can be referred to frequently. The written job description lets prospective job applicants, as well as current sales personnel, know exactly what the duties and responsibilities of the sales position are and on what basis the new employee will be evaluated.

The job description is probably the most important single tool used in managing the sales force. It is used not only in hiring but also in managing and sometimes as a basis for firing salespeople. It provides the sales trainer with a description of the salespeople's duties and enables him or her to develop training programmes that will help salespeople perform their duties better. Job descriptions are also used in developing compensation plans. Often, the type of job determines the type of compensation plan that will be used. Job descriptions aid managers in supervision and motivation, and they are used as an official document that is part of the contract between

management and a salesperson's union. Finally, a job description puts management in a position to determine whether each salesperson has a reasonable workload.

(c) Developing a set of job qualifications

The duties and responsibilities set forth in the job description should be converted into a set of qualifications that a recruit should have in order to perform the sales job satisfactorily. Determining these qualifications is probably the most difficult aspect of the entire recruitment process. One reason is that the manager is dealing with human beings; therefore, a multitude of subjective and very complex characteristics are involved. Specific qualifications such as education and experience should be included in the job qualification, thus making good candidates easier to identify. But most firms also try to identify personality traits that presumably make better salespersons, such as self-confidence, aggressiveness, etc.

(d) Attracting a pool of applicants

The next major step in the recruitment process is attracting a pool of applicants for the sales position to be filled. All large companies with a sales force have a continuous need to identify, locate, and attract

potentially effective salespeople. The candidates recruited become the reserve pool of sales staff from which new salespeople will be chosen. The quality of this group will predict the future successes or problems of the sales organization.

SOURCES OF RECRUITMENT

There are many places a sales manager can go to find recruits. Sales managers should analyze each potential source to determine which ones will produce the best recruits for the sales position to be filled. Once good sources are identified, sales managers should maintain a continuing relationship with them, even during periods when no hiring is being done. Good sources are hard to find, and goodwill must be established between the firm and the source to ensure good recruits in the future.

Some firms will use only one source; others will use several. The most frequently used sources are persons within the company, competitors, non-competing companies, educational institutions, advertisements, and employment agencies.

(a) Persons within the company

Companies often recruit salespeople from other departments, such as production or engineering, and from the non-selling section of the sales department. The people are already familiar with company policies as well as the technical aspects of the product itself. The chance of finding good salespeople within the company should be excellent because sales managers know the

people and are aware of their sales potential. In fact, most firms turn to non-sale personnel within the company as their first source of new sales recruits.

Hiring people from within the company can lift morale because a transfer to sales is often viewed as a promotion. But transferring outstanding workers from the plant or office into the sales department does not guarantee success. In some cases hostility can arise among plant and office supervisors, who feel their personnel are being taken by the sales department.

Recommendations from the present sales force and sales executive usually yield better prospects than those of other employees because the people in sales understand the needed qualifications.

(b) *Competitors*

Salespeople recruited from a competitor are trained, have experience of selling similar products to similar markets, and should be ready to sell almost immediately. But usually a premium must be paid in order to attract them from their present jobs.

Some sales managers are reluctant to hire competitors' salespeople because the practice is sometimes viewed as unethical. But is it? Is it really any different than attempting to take a competitor's customers or market share? No. But it is unethical if the salesperson uses valuable confidential information in competing against the former employer.

Recruiting competitors' salespeople may bring other problems. Although these people are highly trained and know the market and the product very well. It is often hard for them to unlearn old practices. They may not be compatible with the new organization and management. Also, recruits from a competitors usually are expected to switch their customers to the new business; if they are unable to do so, their new employer may be disappointed.

The potential for these problems to arise may be evaluated with one question: why is this person leaving the present employer? A satisfactory answer to this question frequently clears up many doubts and usually leads to a valuable employee. The difficulty arises, however, in determining the real answer. Often, it is almost impossible to assess accurately why someone is looking for another job. Good sales managers must be able to evaluate effectively the information they get.

(c) *Non-competing companies*

Non-competing firms can provide a good source of trained and experienced salespeople, especially if they are selling similar products or selling to the same market. Even though some recruits may be unfamiliar with the recruiting firm's product line, they do have selling experience and require less training.

Companies that are either vendors or customers of the recruiting firm can also be an excellent source of candidates. Recruits from these sources already have some knowledge of the company from having sold to or purchased from it; their familiarity reduces the time it will take to make

them productive employees. Another advantage of recruits from the sources is that they are already familiar with the industry.

(d) ***Educational institutions***

High schools, adult evening classes, business colleges, vocational schools, junior colleges, and universities are all excellent sources of sales recruits. Large firms usually are successful in recruiting from universities, but small firms tend to be more successful in recruiting from small educational institutions or from other sources.

While most college graduates lack specific sales experience, they have the education and perspective that most employers seek in potential sales managers. College graduates tend to adapt more easily than experienced personnel. They have not yet developed any loyalties to a firm or an industry.

A major problem in recruiting from college campuses used to be the unfavourable image of sales. Selling typically was associated with job insecurity, low status, and lack of creativity, but this situation has been changing in recent years. Colleges graduates are beginning to realize that selling provides challenge and a sense of accomplishment, that it is complex and exciting, that it allows them to be creative, that it rewards them well and in direct proportion to their level of achievement, and that it provides opportunity for rapid advancement. In short, many students today know that a sales career is a good use of a college education.

Small firms are less likely to recruit on college campuses because many graduates prefer large, well-known corporations with training programs and company benefits. College students tend to avoid small companies because these companies usually employ few college graduates, and students are afraid that people without college degrees will not understand or appreciate their needs and expectations.

(e) ***Advertisements***

Classified advertisements in newspapers and trade journals are another source of recruits. National newspapers and various trade journals are used in recruiting for high-caliber sales and sales management positions. However, most firms that use advertising, especially in local newspapers, are recruiting for low-level sales positions. Many businesses use advertising only as a last resort.

While advertisements reach a large audience, the caliber of the average applicant is often second-rate. This places a burden on those doing the initial screening. The quality of applicants recruited by advertisements can be increased by carefully selecting the type of media and describing the job qualifications specifically in the ad. To be effective, a recruiting ad must attract attention and have credibility. The following elements should be included to ensure an ad's effectiveness:

company name; product; territory; hiring qualifications; compensation plan, expense plan, and fringe benefits; and the way to contact the employer.

(f) ***Employment agencies***

Employment agencies are among the best and the worst sources. Most of the time it depends on the relationship between the agency and the sales manager. The agency should be carefully selected, and a good working relationship must be developed. Sales managers should make sure that the agency clearly understands both the job description and the job qualifications for the position to be filled.

In recent years agencies have steadily improved and expanded their services. They can provide a highly useful service to sales managers by screening candidates so that recruiters may spend more time with those prospects who are most highly qualified for the job.

3.4 SELECTION PROCESS

The recruiting process furnishes the sales manager with a pool of applicants from which to choose. The selection process involves choosing the candidates who best meet the qualifications and have the greatest aptitude for the job. There are numerous tools, techniques, and procedures that can be used in the selection process. Companies typically use initial screening interviews, application forms, in-depth interviews, reference checks, physical examinations, and tests as selection tools.

None of these should be used alone. Each is designed to collect different information. While successful selection of sales applicants does not necessitate the use of all the tools and techniques, the more that are used, the higher the probability of selecting successful sales personnel.

Selection tools and techniques are only aids to sound executive judgement. They can eliminate the obviously unqualified candidates and generally spot the more competent individuals. However, in regard to the majority or recruits who normally fall between these extremes, the current tools can only suggest which ones will be successful in sales. As a result executive judgement is heavily relied on in selecting salespeople.

(a) Initial screening interviews

The steps in the selection process vary from company to company, depending on the size of the company, the number of salespeople needed, and the importance of the position to be filled. The purpose of the initial screening interview is to eliminate, as soon as possible, the undesirable recruits. Initial screening may start with an application form, an interview, or some type of test. But no matter which tool is initially used, it should be brief. The shorter it is, the more it will cut down on costs. But it must not be so brief that it screens out good candidates.

(b) Application forms

Application forms are one of the two most widely used selection tools (the other is the personal interview). An application form is an easy means of collecting information necessary for determining an applicant's qualifications. Information requested on forms usually includes name, address, position applied for, physical condition, educational background, work experience, participation in social organizations, outside interests and activities, and personal references. Other important questions on an application form relate directly to the sales position for which the application is made. For example:

Why do you want this job?

Why do you want to change jobs?

What minimum income do you require?

Are you willing to travel?

Are you willing to be transferred?

Are you willing to use your car for business?

What do you want to be doing five years from now? Ten years from now?

Application forms will differ from company to company. On all forms, however, it is illegal to include questions that are not related to the job.

Some companies use a weighted application form that has been developed from the regular application form by analyzing the various items that help distinguish between good and poor salespeople. If companies can show that items such as educational level, and years of selling experience tend to be more related to success than are other items, then more weight (importance) can be placed on them in making hiring decisions. Thus, applicants who rate higher than an established minimum number of points on these items are considered, and those who fail to reach the cutoff point are usually rejected.

An important function of application forms is to help sales managers prepare for personal interviews with candidates for sales positions. By looking over the application form before the interview, the sales manager can get an initial impression of the applicant and can prepare a list of questions to ask during the interview.

(c) In-depth interviews

The interview is the most used of the various tools for selecting employees. A salesperson is seldom hired without a personal interview. In fact, as many as three or four interviews are usually conducted with the most desirable candidates. No other selection tool can take the place of getting to know the applicants personally.

The personal interview is used to help determine if a person is right for the job. It can bring out personal characteristics that no other selection tool is capable of revealing. The interview also serves as a two-way channel of communication, which means both the company and the applicant can ask questions and learn about each other.

The questions asked during an interview should be aimed at finding out certain things: Is the candidate qualified for the job? Does the candidate really want the job? Will this sales job help the candidate fulfill personal goals? Will the candidate find this sales position challenging enough? These questions, like those on the application form, are directed at examining the applicant's past behaviour, experiences, and motivation.

Every sales manager will use a different approach in attempting to elicit useful information. The approach used will depend on the sales manager's personality, training, and work experience.

Interviews differ, depending on the number of questions that are prepared in advance and the extent to which the interviewer guides the conversation. At one end is the totally structured, or guided, interview; at the other end is the informal, unstructured type. In the structured interview, the recruiter asks each candidate the same set of questions. These are standardized questions that have been designed to help determine the applicant's fitness for the sales position, structured interviews can be used for initial screening but are not useful in probing for in-depth information. A structured approach is particularly useful for inexperienced interviewers. Since it helps and guide the interviewer and ensures that all factors relevant to the candidate's qualifications are covered.

At the other end of the continuum is the unstructured interview, which is informal and non-directed. The goal of the unstructured interviewing approach is to get the candidate to talk freely on a variety of topics. Frequently, the recruiter begins the interview by saying to the candidate. Tell me about yourself", or by asking questions such as "Why did you decide to interview with our company?"

Several problems are associated with unstructured interviews. One is that they do not provide answers to standard questions that can be compared with other candidates' responses or with the company's past experiences. Also, considerable time may be spent on relatively unimportant topics. However, personnel experts say this technique is the best for probing an individual's personality and for gaining insight into the candidate's attitudes and opinions. To administer and interpret unstructured interviews, interviewers must be well trained.

Therefore, many firms use a combination of structured and unstructured approaches, usually referred to as a semi-structured interview. In semi-structured interviews the interviewer has a preplanned list of major questions but allows time for interaction and discussion. This approach is flexible and can be tailored to meet the needs of different candidates as well as different interviewers.

(d) *Reference checks*

A company cannot be sure it has all the information on an applicant until references have been thoroughly checked. Reference checks allow a company to secure information not available from other sources. References usually are checked while the application form is processed and before the final interview takes place.

In general, the quality of reference checks as a selection tool is questionable. Checking on the names supplied by a candidate is often seen as a waste of time because it is unlikely that serious problems will be uncovered. Therefore, many firms try to talk with people who know the applicant but were not listed on the application form. For reference checking to be a useful selection tool, the sales manager must be resourceful and pursue leads that are not directly given. If only one significant fact is uncovered, it usually makes the effort worthwhile.

References from teachers and former employers are generally more helpful than other types of references. Teachers can usually give an indication of intelligence, work habits, and personality traits. Former employers can be used to find out why the person left the job and how well he or she got along with others. Reference checks can uncover information about an applicant that may alter a sales manager's perceptions of the person's sales ability.

(e) *Physical examinations*

Many sales jobs require a degree of physical activity and stamina. Poor physical condition can only hinder a salesperson's job performance; therefore, a company should insist on a thorough medical examination for all its sales recruits. The results from the examination should be interpreted by a doctor who is familiar with the demands of the sales job, and the sales manager should be notified of the results. Because of their expense, physical examinations usually are not given until a recruit has passed most of the steps in the selection process.

(f) *Tests*

Tests are the most controversial tools used in the selection process. The need for application forms, reference checks, and personal interviews is seldom disputed, but there are differences of opinion about whether tests are necessary in the hiring of salespeople. Questions regarding the legality of testing have increased the complexity and the controversy surrounding the use of tests as a screening tool. But research has shown that test profile data can be useful to management in the process of selecting and classifying sales applicants who are likely to be high performers.

There are some basic tests used in the selection process of sales personnel.

Intelligence tests: These tests measure raw intelligence and trainability. Recent research has indicated that a salesperson's cognitive ability or intelligence is the best indicator of future job performance. Thus, although once looked down upon, the intelligence test is slowly regaining status as the most effective tool for selecting salespeople.

Knowledge tests: These tests are designed to measure what the applicant knows about a certain product, service, market, and the like.

Sales aptitude test: These tests measure a person's innate or acquired social skills and selling know-how as well as tact and diplomacy.

Vocational interest tests: These tests measure the applicant's vocational interest, the assumption being that a person is going to be more effective and stable if he or she has a strong interest in selling.

Personality tests- these tests attempt to measure the behavioural traits believed necessary for success in selling, such as assertiveness, initiative, and extroversion.

Sales Training and Development

Training and Development is about imparting specific skills, abilities and knowledge to an employee.

Training and Development is any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his/her skills and knowledge. The need for training and development is determined by the employee's performance deficiency/lack/shortcoming .

Training and Development need = Standard performance (minus) Actual Performance)

There is a distinction between training and education. Training refers to the process of imparting specific skills, whereas, education is about theoretical learning in classrooms. Following are the inputs of training and development:

Skills: A worker needs skills to operate machines, and use other equipments with proper care. This is a basic skill without which the operator cannot function. Motor skills refer to the performance of specific physical activities. Intra-personal/people skills are needed to understand one's own self and others better, and act accordingly.

Education: The purpose of education is to teach theoretical concepts and develop a sense of reasoning and judgment. Most training programmes have university professors or resource persons enlightening participants about theoretical knowledge of the topics proposed to be discussed.

Development: This is less skill oriented but stresses on knowledge. Knowledge about business environment, management principles & techniques, human relations, specific industry analysis, etc, are useful for better management of a company.

Techniques/Methods/Ways/Means of Training: Training techniques represent the medium of imparting skills and knowledge to the employees. Training methods can be categorized into two:

- **On the job:** Methods applied at the workplace.
- **Off the job:** Methods used away from the workplace.

On the job methods: Some of the most common methods used are as follows:

- **Apprenticeship training:** It is a structured process by which people become skilled workers through a combination of classroom instruction and on the job training. It is widely used to train individuals for many occupations. It traditionally involves having the learner/apprentice study under an experienced worker.
- **Orientation training:** It involves orienting new employees to the organization and its culture.
- **Job Rotation:** It means moving management trainees from department to department to broaden their understanding of all parts of the business and to test their abilities. The trainee may spend several months in each department.
- **Coaching:** Here the trainee works directly with a senior manager or with a person he/she is to replace. That person is responsible for the trainee's coaching.
- **Action Learning:** These programs give managers and others released time to work full-time on projects, analyzing and solving problems in departments other than their own. It normally consists of carefully selected teams of about 25 members and the teams are assigned real world problems.

- **On-the-job Training(OJT)**: Most of the industrial trainings are OJT. It is conducted at the work site and is related to the job. It is very effective as a trainee learns by experience(watching and doing). An experienced worker shows the trainee how to do a job. The trainee is highly motivated to learn since he is aware of the fact that his success on the job depends on the training received. It is least expensive as no formal training is organized.

Off the job methods: Some of the most common methods used for training are as follows:

- **Lectures**: It is a verbal presentation of information by an instructor to a large audience. The advantage of this method is that it can be used for very large groups, and hence the cost per trainee is very low. But the disadvantage is that quite often it is just a one-way communication.
- **Audio-visuals**: These include television, overheads, video-types, films, etc. These can be used to provide a wide range of realistic examples of job conditions and situations. The quality of presentation can be controlled and remains the same for all the groups.
- **Programmed Instruction(PI)**: Here training is given without the intervention of a trainer. Information is provided to the trainee in blocks, either in the form of a book or a teaching machine. After reading each block/lesson of the book, the learner must answer a series of questions. PI involves:

--Presenting questions, facts and problems to the learner.

--Allowing the person to respond.

--Providing feedback on the accuracy of his/her answers.

--If the answers are correct, the learner moves to the next block.

- **Computer-Assisted Instruction (CAI)**: This is an extension of the PI method. Here a computer is used to train as it offers more speed, reliability and data-manipulation. A CAI programme can also be modified easily to reflect technological innovations in the equipment for which the employee is being trained. CAI is also flexible as the trainees can use a computer any time they want.
- **Simulation**: It means duplicating(as nearly as possible) the actual conditions encountered on the job. Here, a realistic decision making environment is created for a trainee, and the responses are noted. The results of those decisions are reported back to the trainee with an explanation of what would have happened if those decisions had actually been made in the live working environment.

- **Case Study**: Here, a written description of an actual business situation/event/condition is presented to the trainee/learner. It arises some thoughts/feelings and the learner responds accordingly. Trainees study the cases to determine problems, analyze causes, develop alternatives, select the best one and implement it. It is a good technique to promote decision-making abilities.
- **Role Playing**: It focuses on emotion issues rather than actual ones. Role-playing creates a realistic situation and the trainees take on the roles of specific personalities in the situation. It helps promote interpersonal relationship. Case studies and role-plays are mostly used in MDPs.
- **Vestibule Training**: It utilizes equipments, which closely resemble the actual ones used on the job. But this training takes place away from the work environment. A special area or room is set aside from the actual production area, and equipped with tools, machines, etc, similar to the actual production area. The trainee is then allowed to learn under these simulated conditions without affecting the real operations.
- **Sensitivity Training**: It uses a small number of trainees who meet with a passive trainer and gain insight into their own and others' behaviour. Meetings have no agenda and are held away from the work place. The objective is to provide the participants with increased awareness of their own behaviour and how others perceive them, i.e. greater sensitivity to the behaviour of others, and increased understanding of the group processes.

SALES COMPENSATION

Successful sales managers have three primary concerns in managing the sales force- attracting outstanding salespeople, motivating them to work both effectively and efficiently, and holding on to good sales people. Among the most important tools for accomplishing these three objectives is the organisation's compensation plan. The sales force of any company needs to be compensated adequately to keep its morale high and to enable it to contribute to its maximum. A sales force is the representative of the company's philosophy and business principles. The building and maintenance of sales force is possible through proper compensation plan.

Motivation is derived from the Latin term *movere* meaning to move. Motivation stimulates the movement of an individual. It can be defined as a dynamic process set in motion by creating or arousing internal needs that activate goal-directed efforts and determine their intensity and persistence. In simple words motivation is goal-directed behaviour, underlying which are certain needs or desires. It is generally regarded as the process of getting people to work towards the achievement of an objective. Sales force cannot be controlled, administered in the way factory workers can be monitored. The salesforce is required to be self starters, highly ambitious, result oriented and go-getters. Thus, the salesforce has to be kept highly motivated and committed.

REQUIREMENTS OF A GOOD SALES COMPENSATION PLAN

A good sales compensation plan meets seven requirements. First, it provides a living wage, preferably in the form of a secure income. Individuals worried about money matters do not concentrate on doing their jobs well. Second, the plan fits with the rest of the motivational program-it does not conflict with other motivational factors, such as the intangible feeling of belonging to the sales team. Third, the plan is fair-it does not penalize sales personnel because of factors beyond their control-within the limits of seniority and other special circumstances, sales personnel receive equal pay for equal performance. Fourth, it is easy for sales personnel to understand- they are able to calculate their own earnings. Fifth, the plan adjusts pay to changes in performance. Sixth, the plan is economical to administer. Seventh, the plan helps in attaining the objectives of the sales organization.

DESIGNING A SALES COMPENSATION PLAN

Whether contemplating major or minor changes or drafting a completely new sales compensation plan, the sales executive approaches the project systematically. Good compensation plans are built on solid foundations. A systematic approach assures that no essential step is overlooked.

The first step is to re-examine the nature of the sales job. Up-to-date written job descriptions are the logical place to start. Other aspects of company operations are considered in relation to their impact upon the sales job. Sales department objectives are analyzed for their effect on the salesperson's job. The impact of sales-related marketing policies is determined. Distribution policies, credit policies, price policies, and other policies affect the salesperson's job. Current and proposed advertising and sales promotional programs assist in clarifying the nature of the salesperson's goals, duties, and activities.

Most large companies, and many smaller ones, use job evaluation system to determine the relative value of individual jobs. Job evaluation procedure is not scientific; it is an orderly approach based on judgement. It focuses on the jobs, without considering the ability or personality of individuals who do the work. Its purpose is to arrive at fair compensation relationships among jobs.

Traditionally, sales executives have opposed using formal job evaluations to determine the compensation levels of sales personnel. They contend that compensation levels for sales personnel are more closely related to external supply-and-demand factors than to conditions inside the company.

Because compensation levels for sales personnel are related to external supply-and-demand factors, it is important to consider prevailing compensation patterns in the community and industry. Management needs answers to four questions- (1) What compensation systems are being used? (2) What is the average compensation for similar positions? (3) How are other

companies doing with their plans? and (4) What are the pros and cons of departing from industry or community patterns?

A programme for setting compensation of sales personnel is sound only if it considers the relation of external compensation practices to those of the company. Effective sales executives maintain constant vigilance against the possibility that the pay of sales personnel will get out of line with that paid for similar jobs in the community or industry.

Management must determine the amount of compensation salesperson should receive. Although the compensation level might be set through individual bargaining, or on an arbitrary judgement basis, neither expedient is recommended. Management should ascertain whether the caliber of the present sales force measures up to what the company would like to have. Management weights the worth of individual persons through estimating the sales and profit that would be lost if particular salespeople resigned. Another consideration is the compensation amount the company can afford to pay.

A sales compensation plan has as many as four basic elements: (1) a fixed element, either a salary or a drawing account, to provide some stability of income; (2) a variable element (for example, a commission, bonus, or profit-sharing arrangement), to serve as an incentive; (3) an element covering the fringe or plus factor, such as paid vacations, sickness and accident benefits, life insurance, pensions, and the like; and (4) an element providing for reimbursement of expenses or payment of expense allowances. Not every company includes all four elements. Management selects the combination of elements that best fits the selling situation.

Management should consult the present sales personnel. Management should encourage sales personnel to articulate their likes and dislikes about the current plan and to suggest changes in it. Criticisms and suggestions are appraised relative to the plan or plans under consideration.

For clarification and to eliminate inconsistencies the tentative plan is put in writing. Then it is pre-tested. The amount of testing required depends upon how much the new plan differs from the one in use. The greater the difference, the more thorough is the testing. Pretests of compensation plans are almost always mathematical and usually computerized.

The plan is then revised to eliminate trouble spots or deficiencies. If alternations are extensive, the revised plan goes through further pretests and perhaps another pilot test.

At the time the new plan is implemented, it is explained to sales personnel. Management should convince them of its basic fairness and logic. The sales personnel are made to understand what management hopes to accomplish through the new plan and how this is to be done. Details of changes from the old plan, and their significance require explanation. Provisions for follow-up are made. From periodic checkups, need for further adjustment is detected. Periodic checks provide evidence of the plan's accomplishments, and they uncover weaknesses needing correction.

TYPES OF COMPENSATION

Direct: The direct compensation package for a salesman is more or less the same in all companies. However, as you must have also seen in your experience, a company employing technical person as salesman for selling, say, industrial or electronic products may offer a high basic salary. Sometimes, when the product is in the introductory stage the function of the salesman is to create new markets and make customers understand how to use the product as in the case of a new consumer durable product like vacuum cleaners or a new electronics products used by certain industries; the basic salary of the salesman may be on the higher side. The direct compensation package of a salesperson thus consists of the basic pay plus allowances covering all travel and entertainment expenses etc. In case, the salesman has to stay overnight his boarding and lodging allowances are also provided for. The basic salary and other allowances are revised from time to time. They also increase with promotion of the salesman.

Indirect: It consists of financial as well as non-financial incentives.

Financial incentives

(i) Salary plus commission on sales above a certain amount-

Herein, the salesman receives direct salary and a commission in addition to it. Every salesman is assigned a fixed quota. The commission is awarded on achievement of the targeted quota. A fixed percentage of sales achieved over and above the target is also set. This type of compensation scheme ensures a direct salary as well as an in-built motivation system through incentives.

- (ii) **Salary plus share in profits-** This is not a very prevalent method. It is generally suggested for a company selling high value items with high profit margins. The incentive here is based on profits earned. The selling expenses to sell a product may also be large and this is incorporated in the profit sharing scheme as it acts as a control mechanism. Also salespeople working to obtain contracts are generally given a share in profits rather than awarded on direct sales.

Non-financial incentives

- (a) **Training programme-** Most companies offer training programmes for their salesmen. On an average a salesman has to undergo a training course every one or two years. These programmes enable interaction between salesmen of different territories as well as provide them with latest developments in the field. These training programmes are viewed as an indirect benefit by the salesmen.
- (b) **Awards, recognitions and prizes-** In addition to training programmes the award ceremonies for outstanding achievements in sales are held in exotic locations like hill stations or five-star hotels. The awards are presented through foreign

dignitaries or important people in the field, thus providing the salesman with the much needed recognition.