

Sales Force Management

Meaning

Sales organization is a structural framework, specifying the formal authority and responsibility between persons working in the organization. It consists of group of individuals working jointly to attain qualitative and quantitative selling objectives.

Effective sales executives appreciate the importance of sound organization. Today's sales executives recognize that sales organization must be shaped to achieve both qualitative and quantitative personal selling objectives.

A sales organization is an organization of individuals either working together for the marketing of products and services manufactured by an enterprise or for products that are procured by the firm for the purpose of reselling. A successful sales organization is one where the functions of each department are carefully planned and coordinated and the efforts of the individuals supervised.

A successful organization also organizes resources towards the goal of delivering products and services in the hands of the customer for profit. Such an organization is a point of orientation for individuals for cooperative efforts aimed at establishing relationships both within enterprises and with the customers outside the organization.

A sales organization defines the duties, roles, and the rights and responsibilities of salespeople engaged in selling activities meant for the effective execution of the sales function. This demands a coherent and unified effort of individuals in the organization for achieving a common goal. A sales organization is designed to execute functions which go beyond just achieving sales through the department.

A sales organization thus undertakes managerial functions such as the selection and recruitment of quality manpower, their induction and training for better performance, and the effective supervision of subordinates in the field force. The organization also motivates them to stay loyal and committed to achieve organizational goals and adequately compensates them for their efforts.

Characteristics of Sales Organization

1. Sales organization is a part of the total enterprise dealing with sales activities.
2. It consists of a group of people engaged in selling activities.
3. It works for the attainment of common objectives of selling.
4. There exist formal and informal relationships between persons engaged in selling activities.
5. It defines the duties, responsibilities and rights of people in the selling jobs.
6. It establishes departmentalization of selling activities separately.
7. It is a means to the efficient execution of the sales functions and accumulation of resources to perform those functions.
8. The success of sales organization depends on the unified and coordinated efforts of salespersons.
9. The selling organization acts under the direct control the sales manager.

Types of Sales organization

1. The line sales organization

- This is the oldest type used in smaller firms and in firms where there is a small selling force. This limitation restricts them to narrow product line in limited geographical area.
- All executives have line authority and each subordinate is responsible only to one higher-up.
- They have fixed responsibilities and sales personnel reports directly to the chief sales executive
- Lines of authority and responsibility are clear and logical, and it is difficult for individuals to shift or evade responsibilities
- Not appropriate when there is a large sales staff

2. The line and staff sales organization

- Found in large and medium sized firms selling diversified product lines over a wide geographical area
- Provides the top sales executive with a group of specialists and experts in dealer and distributors relations, sales analysis, sales organization, sales personnel, sales planning, sales promotion, sales training, service, traffic and warehousing
- Staff sales executives do not have authority to issue orders or directives.
- Staff recommendations are submitted to the top sales executives and after approval, transmit necessary instructions to the line organization
- Gives time to the staff executives time to study problems before recommendations.

3. Functional sales organization

- Based upon the concept that each individual in an organization, executive and employee, should have as few distinct duties as possible
- Salespeople receive instructions from several executives but on different aspects of their work
- All specialists have line authority and they have a function authority
- There is a great improved performance
- Not feasible for small and medium sized firms

4. Committee sales organization

- The executive group plans policy formulation while implementation of plans and policies is done by individual executives
- Many firms have a sales training committee

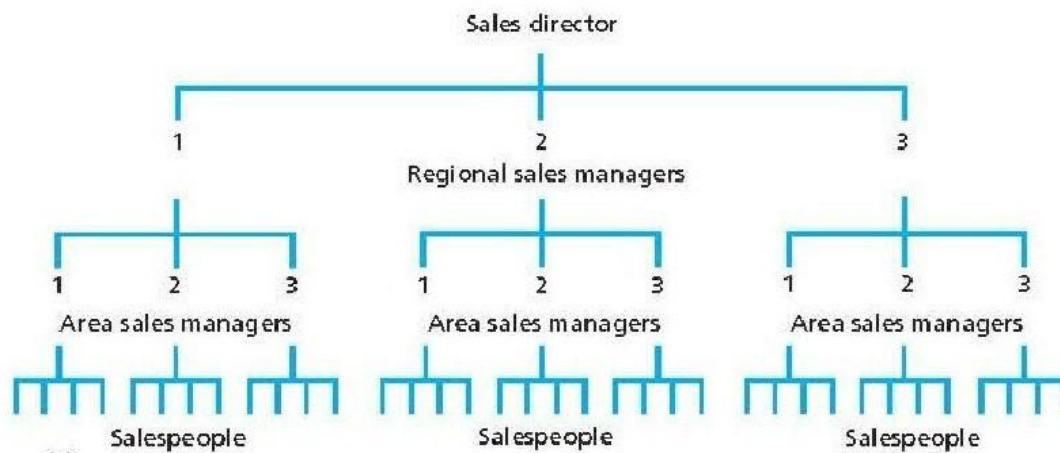
- Before policies are made and action is taken, important problems are deliberated by committee members and are measured against varied viewpoints.

Various Structures of sales organizations

1. Geographical Structure

An advantage of this form of organization is its simplicity. Each salesperson is assigned a territory over which to have sole responsibility for sales achievement.

Their close geographical proximity to customers encourages the development of personal friendships which aids sales effectiveness. Also, compared with other organizational forms, e.g. product or market specialization, travelling expenses are likely to be lower.



A potential weakness of the geographical structure is that the salesperson is required to sell the full range of the company's products. They may be very different technically and sell into a number of diverse markets.

In such a situation it may be unreasonable to expect the salesperson to have the required depth of technical knowledge for each product and be conversant with the full range of potential applications within each market. This expertise can only be developed if the salesperson is given a more specialized role.

Advantages:

- Low cost
- Proper territory management leads to low geographic duplication of effort
- Low duplication of effort with customers (unless buyers are organizations that cross territories)

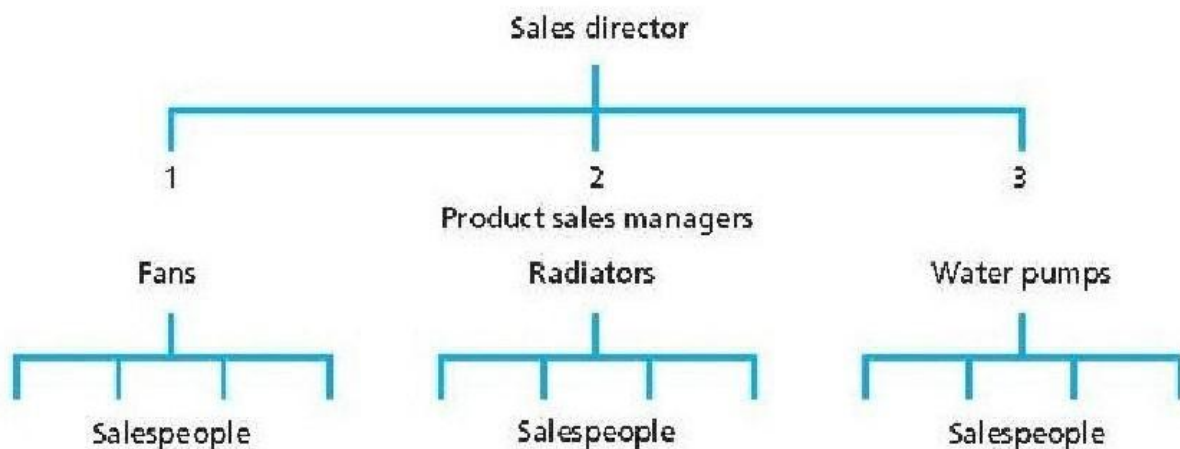
Disadvantages:

- Sales reps have a hard time developing product or market specialization (unless the organization commits to specialized sales forces allocated by geography)
- Territory sizing can be a challenge, resulting in uneven revenue/opportunity across geographies

2. Product Specialization Structure

One method of specialization is along product lines.

Conditions that are conducive to this form of organization are where the company sells a wide range of technically complex and diverse products and key members of the decision-making unit of the buying organizations are different for each product group.



If the company's products sell essentially to the same customers, problems of route duplication (and hence higher travel costs) and customer annoyance can arise.

Inappropriate use of this method can lead to a customer being called upon by different salespeople representing the same company on the same day.

Advantages:

- Sales reps develop product expertise
- Management can guide selling efforts

Disadvantages:

- Higher costs due to duplication of efforts within geographies and customer accounts
- Coordination required when more sales reps have the same geography/accounts

3. Customer-based Structures (Industry-Based Structure)

The problem of the same customer being served by product divisions of the same supplier, the complexity of buyer behavior, which requires not only input from the sales function but from other functional groups (such as engineering, finance, logistics and marketing), centralization of purchasing, and the immense value of some customers have led many suppliers to rethink how they organize their sales-force.

Companies are increasingly organizing around customers and shifting resources from product or regional divisions to customer-focused business units.

Another method of specialization is by the type of market served. Often in industrial selling the market is defined by industry type.

Thus, although the range of products sold is essentially the same, it might be sensible for a computer firm to allocate its salespeople on the basis of the industry served, e.g. banking, manufacturing companies and retailers, given that different industry groups have widely varying needs, problems and potential applications.

Specialization by market served allows salespeople to gain greater insights into these factors for their particular industry, as well as to monitor changes and trends within the industry that might

affect demand for their products. The cost of increased customer knowledge is increased travel expenses compared with geographically determined territories.

Advantages:

- Sales reps understand the needs of their customers and build stronger relationships
- Management control can be strategically allocated to different markets

Disadvantages:

- Higher costs
- Geographic duplication

4. The island

The island model of sales organization leads to a more traditional, “sell-or-die” environment that people typically associate with sales reps. There’s actually very little organizational structure that goes into it. You provide your team with some basic back-end services: some training, a range of products they can sell, a commission structure, maybe an office—and that’s it.



In this model, every sales rep is essentially responsible for each step of the sales process on their own. They have to generate leads by themselves, qualify them, and close them. Reps within this framework tend to be more aggressive. They’ve got their elbows out in fierce competition—not just with the larger market, but their own teams as well.

Each member of your sales team essentially becomes their own entrepreneur.

This way of structuring your sales team dominates traditional sales operations, like real estate or financial services. Think about your average real estate agent. She’ll walk into her office each

day, and nominally represent a larger real estate agency, like Coldwell Bankers, or the Corcoran Group. But she'll promote her listings mostly on her own, by posting them online, calling prospects on the phone, and running open houses—all in hopes of a close.

Advantages:

- Very little managerial oversight required on a one-on-one basis
- Good for simple sales processes, like a one or two call-to-close product

Disadvantages:

- Creates a very aggressive sales environment
- You have much less control over how your brand is represented in the market, because it's highly dependent upon each individual rep's style.
- Because everyone does everything, it's difficult to keep track of key sales metrics and benchmarks

5. The assembly line

The assembly line drove the Industrial Revolution, and built Ford's famous Model T. It essentially specialized the labor force, and sequentially arranged production processes for max efficiency.

You can apply the assembly line structure to your sales team. Your raw materials are essentially your prospective customers, who are cultivated and refined during the sales cycle. The assembly line typically breaks down a sales force by function into four different groups:

- **Lead generation team:** Responsible for developing leads, and gathering names, phone numbers, emails, and data.
- **Sales Development Representatives (SDRs):** Also commonly referred to as Qualifiers/Prospectors. SDRs reach out to prospects and qualify them by asking questions that focus on customer needs, and identify the decision-making process.

- **Account Executives (AEs):** Responsible for closing the deal. They call up qualified leads, give demos, manage objections, move the deal forward, and ultimately try to close the deal.
- **Customer Success team:** Once a deal is closed, new customers are passed on to this team. They're focused on account management and keeping customers happy, increasing lifetime value (LTV) for each customer. They also help upsell customers to higher plans.

If you want to more help managing your team better, download our free sales management toolkit. In his book, Predictable Revenue, Aaron Ross breaks down one assembly line model you can use to structure your sales team:



The assembly line allows your sales team to specialize among different functions and roles. Each step of the sales cycle has a dedicated team. As customers walk through the funnel—from leads, to qualified opportunities, to new customers—they're passed on to the next team. Because each unit of the assembly line is so specialized in function, you can hold each team accountable to the various sales metrics they're responsible for.

Advantages:

- This sales team structure creates predictability for your business
- Makes it easy to isolate problems in the funnel, and laser in on them
- More specialization in your sales organization equals more efficiency

Disadvantages:

- When you're starting out with two sales reps, it's difficult to split them into four different teams—you just won't have enough manpower for the job.
- By splitting up the funnel into different stages, there can be friction between the hand off of customers as they travel through the funnel.
- Because teams are highly specialized, each team member becomes increasingly disconnected from the overall business goals of the company. They're focused on their own specific numbers and metrics instead.