# Integration of Sales and Distribution Strategy

The business application software vendor called SAP relies on its **sales and distribution (SD)** function, to interact with its customer base. This integration process involves providing price quotes, taking telephone, online and **Electronic Data Interchange (EDI)** purchase orders, shipping goods and billing customers. SAP delivers scalable solutions that help customers respond to dynamic market conditions and maintain competitive advantages.

Sales Organization Structure

A good sales organizational structure chart enables you to know how the sales process develops at a glance. Free download professional sales organizational chart to improve the eork efficiency in your sales team.

Basic Sales Organizational Chart

Companies can have many organization structures, but the most typical sales organizational structure consists of the shareholder, board of directors, the sales supervisor, distribution manager, business manager, promoting supervisor, logistics supervisor and employees. This following image represents a basic sales organization structure for an enterprise.
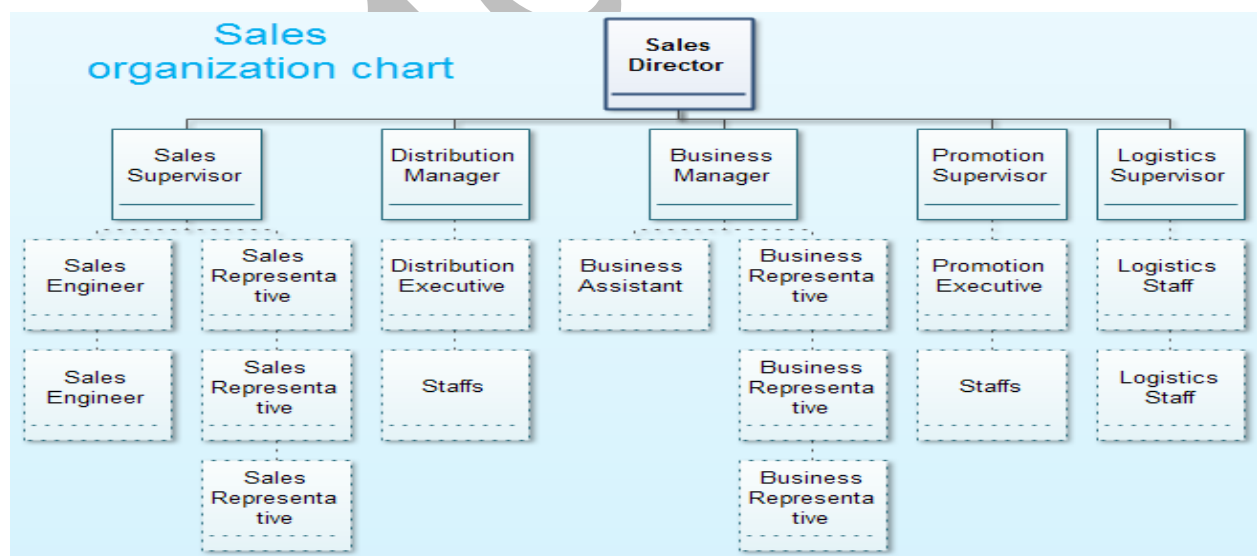
SAP boasts a high-level sales structure, responsible for the sale and distribution of goods and services. The sales organization may sell products on behalf of multiple plants, offering

distribution channels for wholesalers, distributors, and retailers, in order to help companies of all types increase sales, capture greater market share and cut down on costs.

Sales Documents

SAP offers copious documents that track the many elements of the sales and distribution process. These may include customer inquiries, price quotes, sales orders, credit memos and return data. For example, a sales order document specifies the items to be delivered, the quantities, and delivery dates. A sales scheduling agreement is similar to a sales order, but adopts a more holistic, long-term view of items to be delivered over greater periods of time.

Customers occasionally return items, due to a number or reasons. Depending on the return policy, a company may require customer to obtain a return merchandise authorization (RMA) number. When returns are processed, a credit is then issued to customers in the form of a "credit memo", which can me applied to future purchases. Contrarily, "**debit memo**" may be created if a sales department inadvertently undercharges a customer for items on the sales order.

We'll take a quick look at each of these sales document types in the following sections.

1. Inquiries and Quotations

An inquiry is a request that a buyer places on the seller to get the required information about the seller's products. It is an indication of the buyer's interest toward the seller's products. A customer inquiry may contain questions about the cost of a product, its availability on a particular date, use of a product, and so on. You reply to the customer's inquiry by sending a quotation. A quotation usually contains information about the product price, any applicable terms and conditions, and the answers to any other question from the buyer's inquiry. Standard SAP provides document type IN for inquiries and QT for quotations, with the item categories AFN and AGN controlling the item data for inquiries and quotations, respectively. You can create an inquiry and quotation document for both goods and services. You can also use structured materials, such as bill of materials, in inquiries and quotations. While creating any of the two documents (IN or QT), you can give the choice to your customer by providing one or more alternatives for a particular product. To maintain an alternative for an item in an inquiry or a quotation document, enter the alternative item just below the main item with the reference

number of the main item in the alternate item field on the alternate item line. this, where item 20 is the alternative for item 10.

If the customer quotation converts into a confirmed order and the customer has agreed on the alternative item, you can copy the alternative item into the sales order with reference to the quotation. To do so, you have to use the selection list function from the dialog box that appears when you copy a document with reference to another document. You can also maintain a validity period for your inquiry or quotations and thus can monitor the processing time of your inquiry and quotation process in SAP against the benchmarks that exist in your organization. A quotation is copied from an inquiry or can be created stand-alone. Copy controls exist in standard SAP for IN-QT, IN-IN, and QT-OR for allowing the copy between an inquiry to a quotation, from an inquiry to an inquiry, and from a quotation to an order.

2. Sales Returns

A sales return or goods return is a process where the buyer sends back the goods to the seller and the seller credits the customer for the value of the goods by creating a returns billing document. The process involves creating a sales return document type followed by a returns delivery and a returns invoice/credit note. You can create returns in SAP with or without reference to a billing document. If you want to create them with a reference to a billing document, make sure that you have copy control set up between the billing and sales documents to allow this copy for your sales document.

In standard SAP, sales document type RE with the default delivery document type LR and a default billing document type RE represents the sales return cycle. The SD document category is H, and the screen sequence group is RE. The document is under the default billing block that ensures the validation of the return document by an authorized person before giving credit to the customer. Since it is an inward movement of goods, the return documents are not relevant for credit checks. The item category REN for returns processing is a standard return item relevant for delivery, billing, and pricing, and it allows schedule lines.

3. Invoice Corrections

Invoice corrections (document type RK) represent the process of adjusting or correcting the customer's invoice. Unlike debit and credit sales documents where you create two separate documents (one for debit and one for credit), the document type RK allows you to create a single correction document for your invoice. The structure of the document consists of a header and item data. The item data always consists of two items. The first item is always a debit item, and the second is the credit item. The net invoice correction amount is a sum total of both the lines leading to an upward or downward revision of the original invoice amount.

A combination of the document category (value K) and the indicator field (value D) categorizes document type RK as an invoice correction document. The reference mandatory field in customizing for document type RK contains value M. This forces the document type to be created only with reference to an invoice document. The document type RK is not relevant for delivery and creates an order-relevant billing, G2. A default billing block exists in customizing for document type RK, which ensures proper validation by an authorized person before the RK document can be billed. The item categories G2N and L2N are available in standard SAP for use with the document type RK.Free-of-Charge Delivery and Subsequent Free-of-Charge

4. Delivery

Certain sales scenarios demand free-of-charge delivery of goods, such as samples. In standard SAP, you can send free-of-charge deliveries to your customer using sales document type FD (free-of-charge deliveries) and document type SDF (subsequent free-of-charge deliveries). You use transaction code VA01 for entering these documents into the SAP system.

5. Free-of-Charge Delivery (FD)

You use sales document type FD with default delivery type LF to send samples of your products to your customer. The sales cycle for FD only involves the order and delivery step and is not relevant for billing. In customizing, the document type FD is set up with document category I, which categorizes the sales document type FD as a free-of charge order. For a free-of-charge delivery, the order reason is compulsory and is part of the incompletion procedure 13 assigned to the document type FD.

The item category is KLN and is set up as a standard item with schedule lines allowed so that you can perform an availability check and maintain schedule lines for free-of charge deliveries. The item category is not relevant for pricing or credit checks and is also not relevant for billing. Since no billing is involved, the copy control setting exists only for copying a sales document to a delivery (copying FD to LF).

Ethical and legal issues in sales and distribution Management

Everyone, at some time or the other, must surely have been sold a product that he or she did not need. Selling is a profession that has been widely criticized for the unethical dimensions associated with it. Ethics is the set of rules or standards that govern the conduct of a person or members of a profession. Ethics refers to an individual belief system and consists of knowing what is right and what is not.

It forms a very important part of sales and is essential for lending integrity to a salesperson's behavior. No discussion on ethics is complete without a reference being made to social responsibility. Social responsibility exemplifies ethical behavior and is defined as an individual's or institution's concern for the consequences of his/its actions as these might affect the interests of others in the society.

Companies doing business with no regard to social responsibility run the risk of attracting the attention of environmental groups, earning negative publicity, and losing the goodwill of society.

Therefore, companies try to install a sense of ethics in their employees and conduct business in a socially responsible way. Indian companies are now more concerned with corporate social responsibility than ever before. Companies in the past were concerned more about making profits than anything else.

But in recent times, firms have realized the importance of corporate social responsibility. Corporate social responsibility has been defined as the commitment made by businesses to contribute to sustainable economic development, to work with employees, their families, the local community, and society at large to improve the quality of life. CSR is a process that helps a firm to function ethically and make a positive contribution to the welfare of society.

All companies are expected to imbibe values pertaining to corporate social responsibility in their mission and make CSR a part of the organizational policies. In order to fulfill their social responsibility, companies need to effectively communicate to the public about the company's ethical policies, set high ethical standards for themselves, and evaluate themselves on ethical performance from time to time through means of ethical audits.

Several countries have passed declarations and policies regarding CSR. The Indian Government has amended the Indian Companies Act, 1956, making it mandatory for companies to conform to certain provisions of this law in order to be accepted as responsible corporate. Although Indian companies have been indulging in philanthropic activities of some kind or the other, corporate social responsibility is a totally different field altogether.

There is a much wider scope for corporate social responsibility in the Indian corporate scenario with its coverage extending to human rights, labor standards, as well as environmental issues. Companies in the current scenario are operating in an intensely competitive environment. Especially during the past 20 years, competition has been rapidly increasing due to globalization.

According to the US Chamber of Commerce, companies may conduct business on any of the following four levels of social responsibility – obeying the law, meeting public expectations, anticipating new social demands, and leading the way. The ethical behavior of an individual is influenced by that individual's stage of moral development. An individual passes through three levels of moral development — preconvention, conventional, and principled.

In organizations, the management is largely responsible for the ethical or unethical behavior of its employees. A sales manager faces ethical issues that cover the ethical dilemmas of his sales people as well as the ethical aspects pertaining to his decisions regarding hiring and evaluating of salespersons, assigning territories, etc. The ethical issues facing a sales manager may be studied with regard to the sales manager's relationship with his subordinates, the company, customers, and competitors. On the other hand, the ethical issues facing a salesperson pertain to the salesperson's accountability to the top management, and his relationship with other salespeople and with customers.