Sales Force Size

In most companies, the sales force is the most critical part of the business; thus determining the sales force size is critical in planning for sales governance. Although the corporate sales team is one of the most valued assets of the company, it can also be expensive to maintain. Increasing the size of the sales force may increase sales volume but at a higher cost to the company. It is therefore necessary to determine the optimal sales force size. The size of the sales force will also affect territory design.

Sales Force Sizing Sales analytics should go beyond commonly used financial decision rules for determining sales force size. A customer-focused approach that examines the linkages between customer coverage and sales results leads to better-informed and more profitable sales force sizing decisions.

Methods of Determining Sales Force Size

1. Equalized Workload Method:

For this method, the workload means the calls the salesmen have to make. The method depends on total workload (i.e., calls). Here, salesmen's duties, functions, or activities are said as 'calls.' A call may include a number functions like pre-approach, approach, and sales presentation, abjection handling, and closing sales.

However, a call can be defined by the company as per its requirements or expectations.

The method can be applied only if a company is in position to decide on:

(1) Different groups of customers based on size of purchase,

(2) Number of calls required by the different groups of customers, and

(3) Average number of calls a salesman can make in a year.

Steps:

Equalized workload method involves following steps:

i. Classification of Customers:

Customers are classified into several groups on the basis of their average annual consumption.

ii. Deciding Desirable Call Frequency:

Number of calls for each of the groups of customers is determined.

iii. Calculating Total Workload:

To calculate total workload, different customer groups are multiplied by corresponding call frequency.

iv. Determining Average Number of Calls:

Average number of calls a salesman can make in year is determined.

v. Determining Sales Force Size:

Sales force size (number of salesmen) is determined by dividing total workload (calls) by average number of calls a salesman can make in a year.

2. Incremental Productivity Method:

The incremental method is the most precise method to calculate the sales force size. The underlying concept is to compare the marginal profit contribution with the incremental cost for each sales person. The optimal sales force size as per the incremental method is when the marginal profit becomes equal to the marginal cost and the total profit is maximized. Beyond the optimal sales force size, the profit reduces on addition of an extra sales person. Therefore, sales people need to be added as long as the incremental profit exceeds the incremental cost of adding sales people. The main shortcoming associated with this approach is that it is difficult to estimate the additional profit generated by the addition of one salesperson and is therefore difficult to develop.

Thus sales force needs to be properly organized, motivated and compensated in order to have the right size to do the workload, alignment to cover all needs, and keeping them happy and selling.

At the end of the day, they are the ones who get the customer to give up their money for the company's product or service.

3. Arbitrary Fixation Method:

Here, sales force size is determined arbitrarily or randomly. A sales manager doesn't relate sales efforts to any other aspects, neither takes opinion of experts. He can determine any number of salesmen that seems appropriate according to his views. His experience, assumptions, and calculation play important role.

4. Affordable Methods:

In real sense, this is not a method. The number of salesmen depends on a company's financial capacity to spend. Obviously, a company with sound financial position appoints more salesmen and vice versa. Its actual needs are not taken into account.

The fact is, a company's financial position depends on sales and profits; sales and profits depend on selling efforts. Ironically, a company with poor financial position needs more salesmen, instead of less, to increase sales and profits!

5. Methods of expert opinion:

Here, experts are asked to suggest the correct number of sellers that the company demands. Experts may be internally such as general managers, marketing director, sales managers, senior sellers, marketing research officer, etc., or external such as marketing consultants, advertising agencies and marketing research firms.

Experts are provided with the required details about the company's goals, market share, profitability, financial position, competition and other related aspects. Based on their experience and research, they suggest a certain number of vendors that the company should hire. These are not scientific methods because their opinions depend on their awareness. There is a possibility of bias. The company must follow the expert opinion carefully taking into account its own positions.

6. Breakdown Method:

This is the simplest method among the three. In this method, each member of the corporate sales team is assumed to possess the same level of productivity. In order to determine the size of the sales force needed, the total sales figure forecasted for the company is divided by the sales likely to be generated by each individual.

However, this method fails to account for differences in the ability of salespeople and the difference in potential of each market or territory. It treats the sales force as a function of the sales volume, and does not take profitability into account.