

# **SALESMANSHIP**

## **CLASS - XII**

Study Material

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Unit 1 – Sales Organization

Unit 2 – Inside Selling / Store Based Selling

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Salesperson

## **UNIT I: Sales Organization**

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- \* Functions and Factors affecting Sales Structure
- \* Classification of Sales Organization

### **Introduction**

An organisation is a tool on which a managerial philosophy is translated in action. With the philosophical changes organisations, organisational goals are revised and changes are made in the organisation to keep into tune with environmental changes. Once sales plan and sales strategy have been finalised, next step is to structure the organisation to achieve firm's objectives. Decisions must be made regarding sales tasks to be performed so that sales people could be grouped to ensure efficiency and effectiveness. Sales activities can be well coordinated provided sales responsibility; line authority and accountability are defined. In this unit, we shall talk of organisational structure, define work-relationships between sales employees and their superiors.

The main task of a sales organisation is to effect sales. It involves transfer of ownership of merchandise on terms satisfactory to both the consumer and the marketer. It requires to be done at lowest possible cost to achievement of profit through service. A sales organisation comprises people working together to market product or service. In a large firm, sales organisation may have different sections like instalment payment system, mail order transacting through post, retail section controlling shops, consignment sales and online sales.

### **Importance of Sales Organisation**

1. The purpose of sales department is not to sell goods to distributors but to get them to use by ultimate consumers. The sales organisation must study the distribution of wares and the consumers can easily get them.
2. To attain the above objective, the head must see to plan and organise different functions necessary to take product from the factory to the consumer,
3. The sales organisation must look at easy distribution of products through all channels, It works in dual capacity, first, to motivate Wholesalers and

Retailers to stock the products and motivate the consumers to buy these products.

4. Due to lack of proper sales organisation large scale production is impossible. Mass production and mass sales are intertwined.
5. A sales organisation aims at economic distribution of goods and services. Sales organisation stimulates demand and reaches out to potential customers. The potential customers are willing and able to pay for the goods and services.
6. A properly working sales organisation reduces risk to other departments. If the sales department works inefficiently, the purchase and finance departments will be at risk.
7. The sales department provides jobs to many people.
8. The want may remain dormant unless the means of satisfying it are offered.
9. In a small firm, the need for formal organisation may not be pressing. But, once the sale increases, sales promotion manager, advertising manager and market research managers are to be appointed. Thus, there is need for coordination among them and coordination is provided by an efficient sales organisation.
10. Sales organisation helps divide and fix authority.
11. It is possible to avoid repetitive duties.
12. Executive development is possible.
13. Individuals may have a scope of being given promotion.
14. Sales organisation ensures proper supervision of sales force.
15. Sales organisation enables the working of policy formulation and implementation.

#### Assessment I

1. The main task of a sales organisation is to effect -----
2. The purpose of sales department is not to sell goods to distributors but to get them to use by ultimate -----
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7. The sales department provides jobs to many -----

8. The want may remain dormant unless the means of satisfying it are -----

9. In a small firm, the need for formal organisation may not be -----

1. Sales
2. Consume
3. to plan and organise
4. Products
5. production
6. Department
- 7 people
8. offered.
9. pressing

### **Functions and factors affecting sales structure**

The sales structure is affected by various factors such as product and service-related factors, organisation-related factors, marketing mix-related factors and external factors.

1. **Product and Service-related Factors:** The Sales Structure is determined by the nature of the product or service. FMCG (Fast Moving Consumer Goods) products like Shampoo, Oils, Creams, and Soaps, the organisation's size is large and flat at the lower level since it caters to a large consumer base and frequently demanding products. Per period quantity of goods to be marketed and quantities in each sale would determine the organisation structure of sales. Where the product-mix and the size of sale per category are large, the organization would be complex and large-sized. In the same way, if the service requirements are large, like water purifiers, the organisation would be larger and complex as it is to control over service staff or franchisees offering services.
2. **Organisation-related Factors:** If the firm is small, it will offer a limited number of goods to a limited number of consumers, the organisation of sales will also be simple. The enterprise offering niche market and highly specialised products would have a simpler sales organisation. On the other way, if the size of a firm is large with greater volume of production and sales to be done through multiple channels, the sales structure would be large and complex. Thus, the size of the company will have effect on the sales organisation.

If the managers are competent and innovative to initiate new sales plans and policies to be in tune with the developments in the market, the sales organisation would be large and complex

If the organisation has sufficient financial resources, this organization would directly sell to consumers, the sales organization would be large and complex. The sales organization would be simple, provided the organization markets through intermediaries because of limited financial resources.

In case management adopts a centralised policy, most of the sales-related decisions and functions are done at the level of corporate head office, the sales organisation would be very simple. On the contrary, if the management adopts a decentralised policy, the function to take decision is transferred to divisions or local offices, the sales organisation would be large and complex. Ability of executives is also a factor to determine the structure. Capable Executives will keep organisation line type. In case of less capable executives, authority will be dispersed.

3. Marketing Mix-related Factors: About product of marketing mix, if the product mix is large and the product mix is marketed overseas, or India, a diverse national market, the sales organisation would be very large and complex.

The place aspect of marketing-mix, i.e., methods of distribution also affect the sales organizational structure. Firms busy with intensive distribution strategy would have complex and large sales organisations, best suited to serve markets with wider and deeper pockets.

About price policy, in case of low-priced products, the sales organisation would be large. However, in case of cars, TV sets, etc. the sales organisation would be small.

The firms, selling aggressively will have a complicated structure of sales organisation. If

the firm caters to various segments, the sales organisation will be large and complicated. If the firm sells through sole selling agents or clearing and forwarding agents, the sales organisation will be small and less complicated.

4. External Factors: The customs and traditions used during the past years also determines the size and structure of sales organisation. Due to level of channel conflict, it will not be possible to develop alternative channel as was visible when IBM and Compaq did to beat Dell Computers. Because of Competition, the organisation may decide to enter new areas or new markets.
5. Others: A company's profit goal is of great importance to the sales organisation. A company desires a place for itself through market share,

quality, price, competition, disposition toward change, relationships with suppliers and social philosophy.

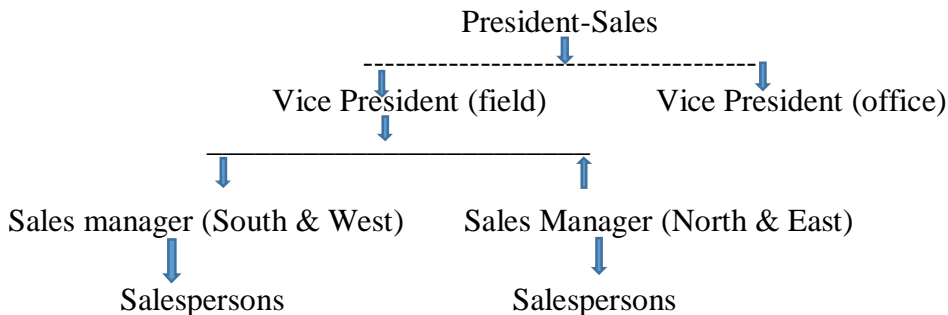
**Assessment II**

1. The Sales Structure is determined by the nature of-----
  2. If the firm is small in size, it will offer a limited number of goods to goods to -----of consumers, the organisation of sales will also be simple.
  3. In case of cars, TV sets, etc. the sales organisation would be -----
  4. -----used during the past years also determines the size and structure of sales organisation
  5. A company's -----is of great importance to the sales organisation.
- 
1. product or service
  2. a limited number
  3. small.
  4. The customs and traditions
  5. profit goal

**Classification of sales organisation**

Sales organisation is not a whole tree but a branch of whole tree. It would vary from firm to firm. The sales organisation of a manufacturer will be different from that of a trader. A small firm's sales organisation will be different from that of a large organisation.

Here the authority is centered in one person, i.e., President-Sales. Authority goes downward in a straight line. It can be seen in the following chart:



**Advantages**

1. No delay in policy formulation as well as implementation.
2. There is no confusion of authority.
3. The responsibility cannot be shifted.
4. It enables develop strong executives and gives opportunity to capable men to rise up.

### Disadvantages

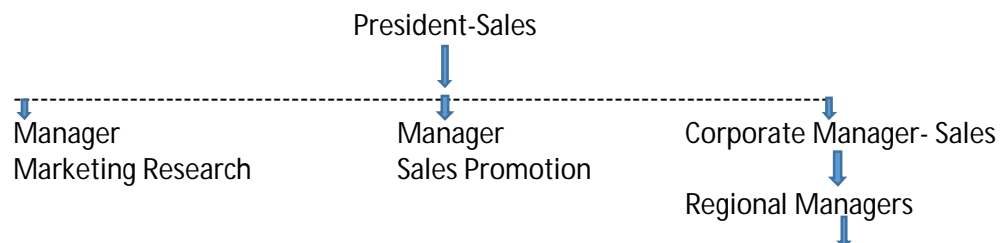
- 1, Line type of sales organization fosters generality, rather than specialism.
2. There is too much responsibility on one person.
3. One person can be good either in planning or implementation.
4. It leads to develop ‘yes man’.
5. With too much authority concentrated in top man, business is being held up due to loss of the man.
- 6, Subordinates don’t get an opportunity to grow and develop.

### Suitability

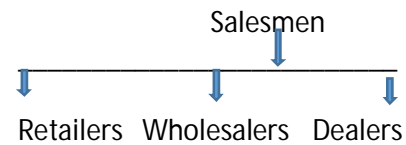
Line type of organisation is most suitable for one-man firms or the ones grew out of the beginning, made by one person.

### Line & Staff type Sales Organisation

In medium sized or large sized firms offering various type of products, this type of sales organisation is most suitable. It is also known with the name of ‘Organisation Design on the basis of the Management Function’. The line function flows from the head of the sales force to company salespersons. The President-Sales takes advice of staff of specialists, as part of enjoying staff authority. The Line authority means people in management have formal authority to direct and therefore to control immediate subordinates. Staff authority means right to advice or counsel. Under this type of organisation every possible attention is given to all aspects of sales activities, which give rise to profitability. The President-Sales along with line authority also enjoys the staff authority over marketing research and sales promotion,







### Advantages

1. Due importance given to specialists.
2. Each operation can be taken care by planning.
3. Experts can be developed.
4. Coordination and cooperation are improved.

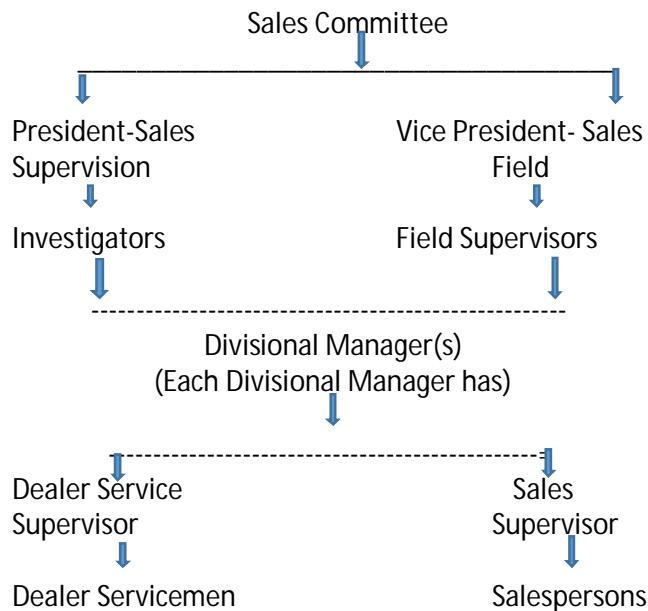
### Disadvantages

1. Organisation appears to be costly.
2. Decisions are taken slowly as staff official concerned is consulted
3. Interdepartmental rivalry and non-cooperation emerge and inefficiency in one department affects the other departments.

### Committee Type Sales Organisation

Here a committee is given the job of sales planning. The implementation is left to Vice President-Sales Field. The person may be a member of committee. The committee will have its members the Managing Director or the President-Sales, Vice President-Sales Field, persons representing finance, production, advertising, etc.

Following Chart will give an idea of the Committee type of sales organisation.



## Advantages

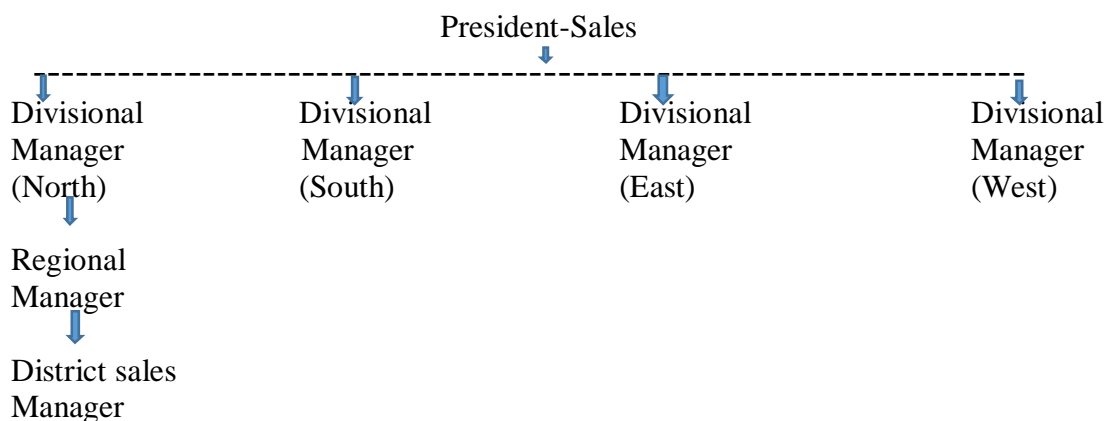
1. Taking along with all departments.
2. Better coordination among various departments.
3. Cooperation is developed among different units of the firm as every department is represented. Entire sales force works like a family.

## Disadvantages

1. Wastage of time of people having no concern.
2. The chairman dominates the proceedings.
3. Slow action, because consensus is always acquired.
4. There is scope of internal politics.
5. No scope of individual responsibility.

## Territorial Sales Organisation

The division may be overseas and Internal in case of a firm selling both internally and overseas. Indian Railways uses territory as the basis of its organisation, Central Railway, Eastern Railway, East Central Railway, East Cost Railway, Konkan Railway, Northern Railway, North Central Railway, North Western Railway, North Eastern Railway, Northeast Frontier Railway, Southern Railway, South Central Railway, South Eastern Railway, South East Central Railway, South East Central Railway, South Western Railway, Western Railway, West Central Railway and Kolkata Metro. The sales organisation does have many problems which can be solved through close supervision, hiring better skilled executives, better incentive structure, providing professional training and technical support from the service staff. Territorial type of sales organisation is also known as geographical type.



↓  
Salespersons

(City-wise)

For south, East and West the same structure follows the North.

### Advantages

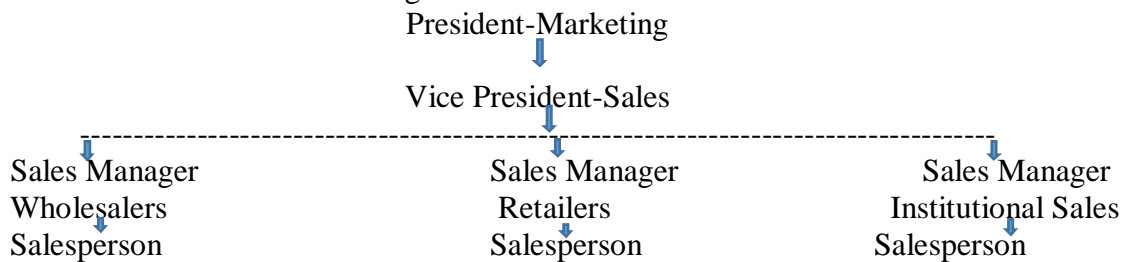
1. Better control over salespersons.
2. Better service to consumers.
3. Transport costing is reduced.
4. Meeting competition effectively.
5. It involves manufacturer to understand local problems.

### Disadvantages

1. Expense increases due to bigger organisation and duplication
2. Control becomes a problem area, due to distance.
3. Salespersons have to sell every product to all type of customers and the brands turn into me-too products.
4. High probability of conflict across territories over resource allocation.

## Trade Type Sales Organisation

It is based upon type of customer, such as institutional sales, departmental stores, retail stores, wholesalers, cooperative societies, industrial stores, etc. It enables better attention towards them and special problems of different customers. But, such an organisation is suitable only for large firms, who serve different customer segments.



### Advantages

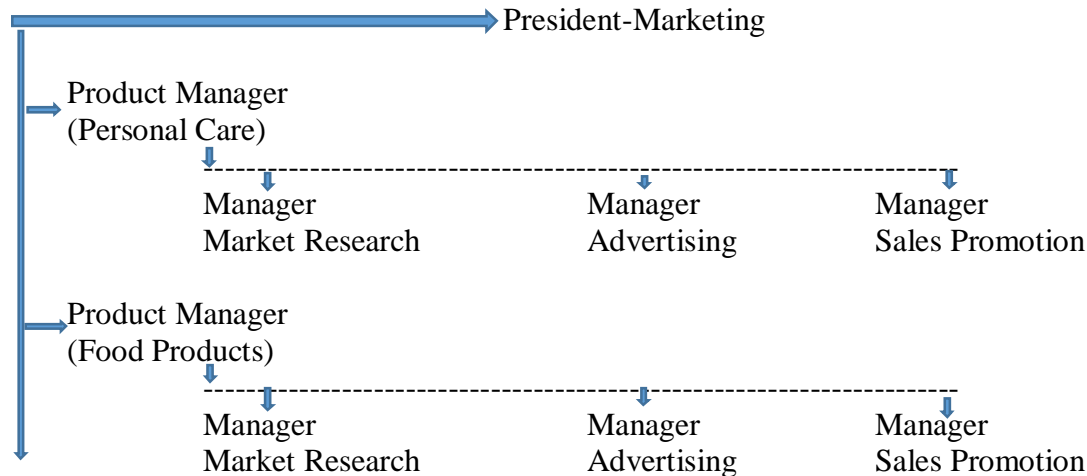
1. Build successful customer relationships.
2. Depending upon customer requirements and consumer behaviour sales and market planning can be developed.
3. Increased customer loyalty.

### Disadvantages

1. Expensive organisations.
2. Duplication of efforts.
3. Coordinating and controlling sales across different customers is difficult in large firms.

## Product Type sales Organisation

Firms with a large product portfolio design sales organisation on the basis of product type. Hindustan Unilever Limited deals in number of products from personal care to toiletries to food products. Hence the sales organisations are designed on the basis of products. This is done to salespersons specialise on each product line.



### Advantages

1. Fine attention to each product in the portfolio of products.
2. The interference of other functionary eliminated.
3. Comparative evaluation of employees easy.
4. Customer receives complete attention, hence most satisfied.

### Disadvantages

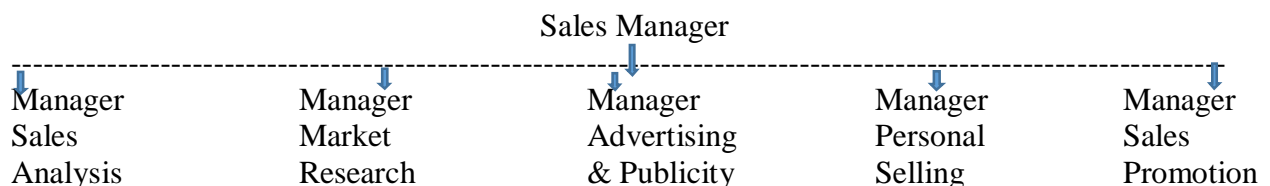
1. Difficulty in coordination across product categories.
2. Duplication of efforts as company representative meets again and again.
3. Increased costs in serving the same customer and large number of employees.

### Suitability

For large scale FMCG companies like Godrej, Marico, large chemical companies like Reliance, and pharmaceutical companies like Novartis, Sun Pharma, it is most suitable.

## Functional Type Sales Organisation

The authority in this organisation is divided and sub divided on the basis of functions. It looks like:



### Advantages

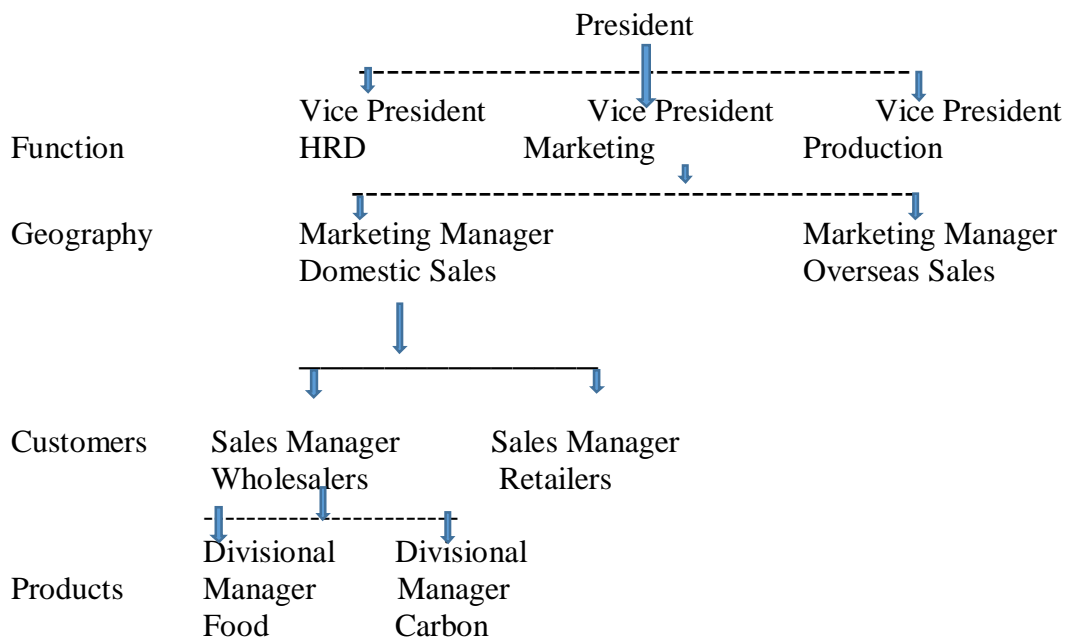
1. Within his own department the Sales manager will be responsible for the sale of all the products,
2. Makes supervision easier, since every manager is supposed to be expert in only a narrow level of skills.

### Disadvantages

1. Quick decision making is not possible.
2. There will be buck passing the responsibility. If a new product fails, who is to blame – Sales Analysis or Market Research or Advertising & Publicity?
3. Every department may feel isolated from the other departments, hence have difficulty working with others. Thus, Coordination may be a big problem among different departments.

### Hybrid Organisation

Many large sales organisations may show a combination of product, function and geography. It has been shown in the following chart:



### Assessment III

1. Sales organisation is not a -----but a branch of whole tree
2. Authority goes -----in a straight line.
3. The advantages of line type of organization are-----  
-----
4. The disadvantages of line organization are-----  
-----
5. In medium sized or large sized firms offering various type of products, t-----  
-----is most suitable.

6. In medium sized or large sized firms offering various type of products, this type ----- is most suitable.
  7. The implementation of-----is left to Vice President-Sales Field.
  8. The Territory is used into a -----of units of divisions
  9. It is based upon type of customer, such as institutional sales, departmental stores, retail stores, wholesalers, cooperative societies, industrial stores, etc.
  10. The authority in this organisation is divided and sub divided on the basis of -----.
  11. Many large sales ----- may show a combination of product, function and geography.
1. \whole tree 2. Downward 3.i) No delay in policy formulation as well as implementation.
    - (iii) .here is no confusion of authority.
  - iv )T he responsibility cannot be shifted.
  - v )It enables develop strong executives and gives opportunity to capable men to rise up.
    - i) 4. It enables develop strong executives and gives opportunity to capable men to rise up.
5. Line and Staff 6. Committee 7.number 9. trade type of Sales Organisation 10.functions 11. organisations

### Questions

1. State in brief, with reasoning, whether following statements are True or False:
  - (i) An organisation is a tool on which a managerial philosophy is translated in action.
  - (ii) The main task of a sales organisation is to effect sales.
  - (iii) FMCG (Fast Moving Consumer Goods) products like Shampoo, Oils. Creams, and Soaps, the organisation's size is not large and not flat at the lower level since it does not cater to a large consumer base and frequently demanding products.
  - (iv) Financial resources do not affect sales organisation.
  - (v) If the firm is small in size, it will offer a limited number of goods to a limited number of consumers, the organisation of sales will also be simple.
  - (vi) If the product mix is marketed overseas, or India, a diverse national market, the sales organisation would be very simple and small.
  - (vii) In case of low-priced products, the sales organisation would be small.
  - (viii) The customs and traditions used during the past years also determines the size and structure of sales organisation.
  - (ix) A company's profit goal is of great importance to the sales organisation.

{ANSWER: (i) True (ii) True (iii) False (iv) False (v) True (vi) False (vii) False (viii) True (ix) True }

2. What is a Sales Organisation?
3. What are types of sales organisation?
4. What factors affect sales organisation?

**Class- XII**

**UNIT - II**

**UNIT TITLE: Inside Selling / Store Based Selling**

<b>Unit Code</b>	<b>UNIT TITLE:</b>			
<b>Location:</b>	<b>Duration:</b> Marks: 12			
Class Room	<b>Learning Outcome</b>	<b>Knowledge Evaluation</b>	<b>Performance Evaluation</b>	<b>Teaching &amp; Training Method</b>
	<b>Session 1:</b> Introduction to Store based Selling			
	1. Describe the meaning and importance of retail and store based selling	1. Describe the meaning of store based selling 2. Understand the concept of store based selling environment 3. Identify different popular retail store formats.	1. Student should be able to identify different types of store formats on the basis of size, location and merchandise offered.	<b>Interactive Lecture:</b> Discussing the concept of store based selling <b>Activity:</b> Take 2 stores each of all different formats visit them and identify their store layout, display and no. of sales



				persons involved
<b>Session 2: Salesman as a Filitator and careers in Store</b>				
<ul style="list-style-type: none"> <li>• Functions of Salesman</li> </ul>	1.Understand the role of salesman as a facilitator 2. Key responsibilities of instore demonstrator 3. Sales Career in Store	1. Student should be able to identify different roles per formed by a salesman in different formats of stores	1. Interactive Lecture: Discussion of Functions of sales personnel in different stores 2. Activity: During visit to different stores. Identify the roles performed by the salesman a) Facilitator b) Demonstrator c) administrator	

## Unit 2

### *Learning Objectives*

After reading this unit, students will be able to:

- Meaning of store based selling environment
- Types of Stores
- Salesman as a Facilitator
- Sales Career in Store

## INTRODUCTION

Everything we use in our daily lives from the food we eat to clothes we wear and anything we need for ourselves is bought from a retailer. Retail establishments are often called shops or retail stores. When a product is bought from a retail store it is called as inside store selling or store based retailing. Nowadays the retailer might be present in physical retail store form (brick and

motor) or might have an online presence (click and motor) or even might have a presence in both ways but it is ultimately serving the end consumer.

Even a manufacturer engages in retailing when they make direct-to-consumer sales of their products through their own stores. For example Bata and Liberty are shoe manufacturers D.C.M., Raymonds and Bombay Dyeing are cloth manufacturers but they have their retail stores too. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling. The chapter starts by understanding the concept of in-store selling and retailing in India. Session two comprises of types of retail stores. Session three leads to salesman as a Facilitator and sales career in retail store.

## **Session I : Retailing in India**

The world is changing and India is keeping pace with it. Liberalization and the steady economic growth has mainly driven a vast change in India. Industrial and technological growth has made a significant impact on the lives of consumers. The lifestyle of consumer is changing due to increase in mobility, increase in disposable income, media exposure, and increase in International Exposure. Today's consumer is more knowledgeable and more demanding and one such industry, which has made a phenomenal impact on our daily lives, is Retail. This industry touches our lives as an end consumer by providing us with the products and services that are needed for personal use.

India is a country where retailing exists in the form of hawkers and peddlers, who have no permanent place, kirana shops also called Mom and pop shops they comprise of unorganized segment of retail that predominates with 92% share of retail. In contrast organized retail has also started showing presence with mere 8% at present and expected to reach 24% by 2020. The Organised retailing refers to the trading activities undertaken by licensed retailers that is those who registered themselves for sales tax, income tax etc. Organized retailing is based on the principle of unity and unorganized retailing is based on the principle of singularity. Both organized and unorganized retailing is found in most of the countries throughout the world. India and China are strong examples of countries in which unorganized retailing dominated their markets. Organized retail is constantly growing with settled retail shops/stores like chain stores,

hypermarkets, departmental stores, etc. and many more. The modern retail or organized retail exists in different formats which are discussed in present chapter in detail.

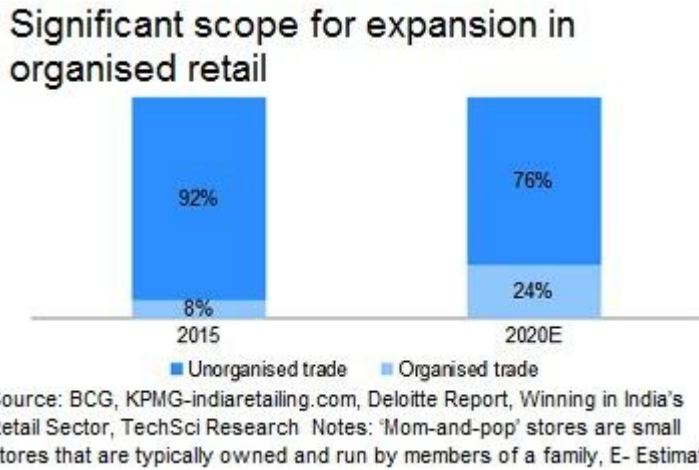


Figure 2.1: Significant Scope for Expansion of Organized Retail in India

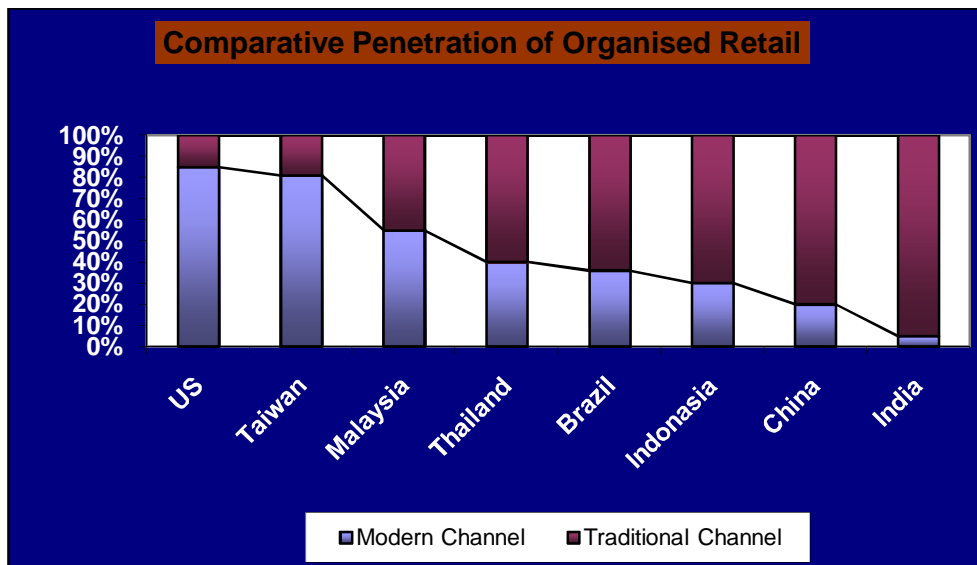


Figure 2.2: Comparative penetration of Organized Retail

Source: Winning with Intelligent Supply Chains-, FICCI-Ernest& Young Report, 2016, p. 8

Globally if we compare the penetration of organized retail USA tops the chart with presence of 85% organized retail, followed by Taiwan and Malaysia where India has just 8% presence of modern organized retail channels and it has a far road to go ahead.

Before we move to formats in organized store based retailing lets understand basic definition of retailing. The word Retailing originates from the French word 'retailer' which means 'a piece of 'or to 'cut up' (Brown, 1992). This implies breaking -of -bulk function of retailer ". Any business that directs its marketing efforts towards satisfying the final consumers base upon the organization of selling goods and services as means of distribution"(Gilbert, 2003). "Retailing is last stage in the movement of goods and or services to the consumer." (Prahdhan, 2004). Retailer is an important part of supply chain for a product. He is the final link between the manufacturer and the consumer. "Retailing encompassed the business activities involved in selling goods and services to consumers for their personal, family, or household use."(Berman and Evans, 2007). "Retailing is conclusive set of activities or steps used to sell a product or service to consumers for their personal or family use"(Bajaj and Tuli, 2007). Retailing consists of those business activities, which are involved, in the sale of goods or services to consumers for their personal, family or household use. It is the final stage in the distribution process for goods and services from manufacturers to final consumers.

Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store or shop, or by post, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery at door step. Purchasers may be individuals or businesses. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain.

It is in retailing that drastic changes have occurred during the last two decades. Some institutions have disappeared whereas newer ones have been added. This process of deletion or addition still continues in newer forms. There are large-scale retailing shops together with very small units, both working simultaneously. They have from hawkers and peddlers, who have no permanent place, kirana shops (Mom and pop shops) as unorganized to well organized, settled retail shops

like chain stores, departmental stores, etc. Today these countries have a growing economy because of the influx of organized retailers into their markets. The institutions carrying on the retail business can be classified as under in Retail formats in India where store based selling play an important role.

**Retail Formats in India**

Retailing in India is still evolving and it is witnessing a series of experiments with new formats being tested out, the old one weakened out are just discarded. The popular retail formats successfully operating in Delhi and NCR are discussed here. This chapter is limited to popular store based retail formats. The key store based retail formats prevailing in India on the basis of product (merchandise) offered are Store based retailing and Non-store retailing. Store based retailers have an shop or store establishment while non-store retailers are those who operate through fixed point of sale outlets located and designed to attract a high volume of walk-in customers at their homes or offices through direct selling, telemarketing and e-commerce.

<b>Store based Retailing</b>	<b>Non store based Retailing</b>
<ol style="list-style-type: none"> <li>1. Convenience store</li> <li>2. Supermarkets</li> <li>4. Hyper markets</li> <li>5. Department stores</li> <li>6. Factory Outlets</li> <li>7. Discount Stores</li> </ol>	<ol style="list-style-type: none"> <li>1. Direct Selling</li> <li>2. Telemarketing</li> <li>3. Online Retailing</li> <li>4. Automatic vending</li> <li>5. Direct Marketing</li> </ol>

**Table 2.1: Popular Retail Formats In India**

Store based retail formats are as follows:

**1. Convenience store:**

Convenience stores are now getting popular at fuel stations where people can avail of the regular shopping while their vehicles get refueled. They are small outlets, which are near residential areas to serve the needs of the locality. Convenience stores are targeted to those customers who want to make quick purchases in small quantities. They offer

limited products but are open of long hours some of them are also open 24/7. As the store is small only 2-3 employees handles the store. The salesperson handles both backend operations and front end operations.Store Size is 300 sq feet.

For Example : In & Out stores at HP petrol pumps, Spencer's Express.



**Figure2.3: Convenience Store**

## **2. Supermarkets**

Super markets as their names suggests are typically located in busy market or residential localities of the metros and other large cities. They are generally midsizedand their typical layout enables free access to merchandise. The size of supermarket is upto 30,000 sq feet.

For Example: Apna Bazaar, Food World, Food Bazaar, Sabka Bazaar, Haiko, Subhiksha, Bombay Bazar, etc are famous supermarkets in India. These stores focus on variety, quality and service as their key drivers.



**Figure 2.4: Supermarkets**

### **3. Hypermarkets**

The hypermarket format is the latest and most appealing concept that has hit the Indian consumer. They sell fresh fruits, vegetables and other products for household. This format is generally a drive-away destination and is normally very large in size as compared to the other store formats. Hypermarkets offer various divisions of products and services, often in bulk quantities, which is similar to a wholesale format. The size of store minimum 50,000-2 lakh & contribution of food & grocery is 40%.

In India, the prime examples of such format are Spencer's (formerly Giant) of RPG group and Big Bazaar of Future Retail, and Vishal Megamart. Of the recent entrants to this format of retailing in India, and serious ones at that, are the German retail metro Cash and Carry and South African Shoprite. Cash and Carry model of Metro, the hypermarket is normally family oriented and the bulk buyers are mostly their loyal customers. Metro, though a B2B model has opened store in Mumbai & Delhi. These hypermarkets are a class apart since they offer variety and price advantage as their key value drivers to gain footfalls and conversions.



**Figure 2.5: Hypermarkets**

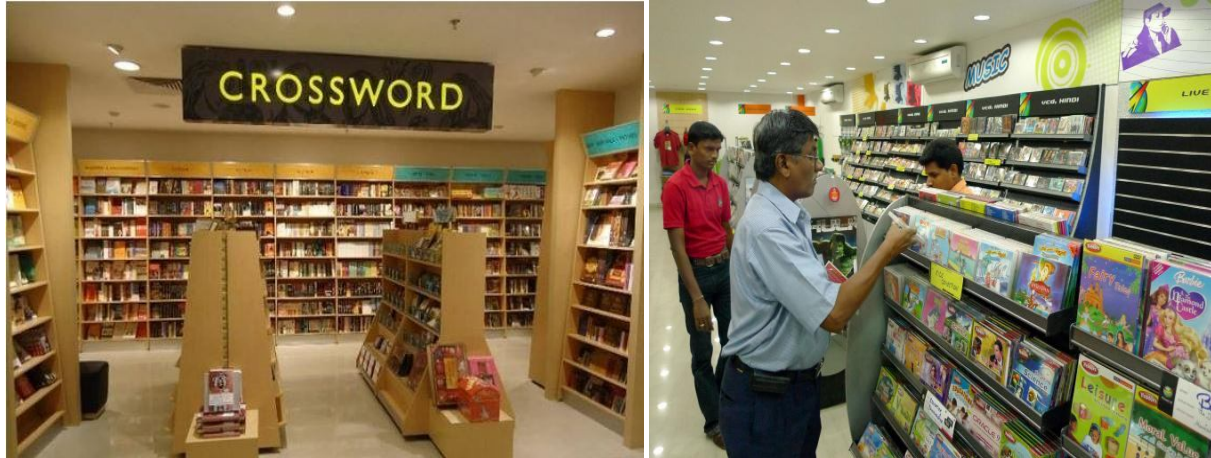
#### **4. Specialty Stores**

The specialty stores have narrow product line but deep assortment of product line. The size of the store is between 800-5000 sq. feet. Their main focus is customer service, personal attention and an attractive store layout. They concentrate on garments, jewellery, furniture, etc.

Specialty stores have clear defined target market. The salesperson knows at specialty store must understand the customers thoroughly as the merchandise collection is specific for making customers visit the store again and again. The take out from this is simple. It is necessary for specialty stores to have a robust customer loyalty program. This is necessary as products and services tend to be similar in nature in the competing stores.

Chains such as Bangalore based Kids Kemp, the Mumbai based books retailers Crossword, RPG's Music World and the Times group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors. More recent developments are the specialty malls like Gold Souk, and the Auto mall.





**Figure 2.6: Specialty Stores-Crossword & Planet M**

## **5. Department Stores**

This format sells a number of brands under one roof and store is divided into departments. These can be 3000 sq.ft and can extend up to 20,000sq.ft or beyond, depending upon the company, city in which the store is present and the location within the city. Key characteristics of department stores are that they have largest covered area (among all retail formats) with a number of categories and brands on offer. They attract the highest number of walk-ins per day and are often service oriented, with a knowledgeable sales staff and a systematic, organized set up behind them. Department stores try to offer an enjoyable shopping environment that may lead to increased time spent within the store, and hence, more sales.

An average department store stocks 50,000 to 1,00,000 Stock keeping units (SKU's) and their merchandise range is generally focused towards addressing a wider audience with service as a main differentiating factor. They do not offer fresh fruits and vegetables. The salesperson must understand each brand and differentiate one brand from another to sell properly.

For Example: Large department stores like Shopper's Stop, Pantaloon, Lifestyle, Westside, Globus, Piramyd etc that primarily deal in clothing, fashion accessories and home décor products are the main anchors in most of the malls and their numbers will continue to grow due to ongoing upsurge in malls and development of quality retail space.



**Figure 2.7: Departmental Stores**

6. **Factory Outlets:** a store in which goods, especially surplus stock, are sold directly by the manufacturers at a discount. A Factory Outlet is a manufacturer-owned store selling that firm's stock directly to the public. The stock can either be first-quality merchandise or discontinued, irregulars, cancelled orders at a very low price. Recently these outlets have transformed into Shopping centre that groups more retailers in one location and mega companies that own many labels sell via these Factory Outlets. The discounts can range anywhere from 25 % to 75 % .all the year round. The main advantages of running factory outlets are an opportunity to sell surplus stock direct to the public via a branded shop and Increase in market share and brand awareness.



**Figure 2.8: Factory Outlet**

## 7. Discount Stores

Discounting is not a dominant format of retailing in India as compared to international standards where around 60 per cent of the business comes from this format. Internationally, the largest retailer in the world, Wal-Mart, is a discounter. These discounters have advantages of price, assortment dominance, quality assurance, and have the ability to quickly build scale and pass on the benefits to their customers

Indian retailers have lagged behind in this field mainly because, unlike their Western counterparts, they have much less bargaining power vis-à-vis the manufacturers. However, the scenario is now changing. Increased investments and the entry of big business houses in retailing is leading to the emergence of big retailers who can both bargain with the suppliers, as well as reap the benefits of economies of scale.



**Figure 2.9: Discount Stores**

### KNOWLEDGE ASSESSMENT 1

**Note: Multiple choice Questions:**

1. When a product is bought from a retail store is called as \_\_\_\_\_.
  - a) Inside store selling
  - b) Selling
  - c) Non store based selling
  - d) All of above

2. The hypermarket format is the latest and most appealing concept that has hit the Indian consumer. This format is
- a) drive-away destination
  - b) is normally very large in size
  - c) similar to wholesale format
  - d) All of above
3. A \_\_\_\_\_ store sells number of brands under one roof and store is divided into departments
- a) Hyper market
  - b) Department store
  - c) Convenience store
  - d) Super market
4. Walmart is the largest \_\_\_\_\_
- a) Super market
  - b) Hypermarket
  - c) Department store
  - d) Discount store
5. \_\_\_\_\_ store has narrow product line but deep assortment in product line. The size of the store is between 2000-5000 sq. feet.
- a) Super market
  - b) Hypermarket
  - c) Speciality
  - d) Discount store
6. \_\_\_\_\_ retail comprises of 92% in India.
- a) Organised
  - b) Unorganized
  - c) Both
  - d) None
7. \_\_\_\_\_ dominates with 85% organized retail.
- a) India
  - b) Europe

- c) China
  - d) United States of America
8. The lifestyle of consumer is changing due to \_\_\_\_\_.
- a) increase in mobility,
  - b) increase in disposable income,
  - c) media exposure,
  - d) increase in International
  - e) All of above
9. Retail formats in India are divided into \_\_\_\_\_ and \_\_\_\_\_.
- a) Store based
  - b) Non store based
  - c) Both a and b
  - d) none
10. Kids Kemp, Crossword, RPG's Music World and the Times group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors with \_\_\_\_\_ format.
- a) Specialty
  - b) Hypermarket
  - c) Department store
  - d) All of above

[Ans: 1. a, 2. d, 3. b, 4. c, 5. c, 6. b, 7. d, 8. e, 9. c, 10.a

## Session II: Functions of Facilitator

Often, people think retailing as sale of a product or merchandise in stores but retailing involves various important functions of interpreting needs of the consumers, developing good assortments of merchandise, presenting, promoting and pricing goods or services in an effective manner so that consumers find it easy and attractive to buy. A retailer's business is to sell to consumer's products or services or both for personal or family use. A retailer makes an attempt to satisfy the consumer needs by having the right merchandise, at right time, right place, and right price.

Retailers are the ones who provide markets for producers to sell their merchandise. Retailers, though final link in a distribution channel that links manufacturers to consumers yet play an important role in influencing the whole supply chain process. Big retailers even get goods produced according to their requirement.

If we think that working as a retail salesperson is a walk in the park, we need to think again. As a retail salesperson, we are going to have a wide range of important duties and responsibilities. It acts as a **facilitator** for successfully running a retail store. However, it can be a very rewarding position for the right person. Those who enjoy interacting with others and who have energy to spare tend to make the best salespeople. Before we go looking for work, it's smart to get a basic idea for the types of things that one will be doing. Although duties vary from one store to the next, we can expect to be responsible for all or most of the functions that are outlined below.

#### ➤ **Working with and Engaging Customers**

As mentioned above, it pays to have plenty of energy when one is a retail salesperson. That energy will come in handy when it comes to turning prospective customers into paying customers. While we shouldn't breathe down people's necks, but should make yourself themselves available. Be prepared to interact with customers in a way that will entice them to buy something. Better still, work on developing strategies that will encourage customers to buy more than they intended to – that's what will really make the difference.

#### ➤ **Educating Customers**

Customers expect retail salespeople to be knowledgeable about the products that are in their stores. If we do not have the faintest clue about the merchandise that is on the shelves of the store, we can't hope to be a very successful salesperson. In some cases, a person may come into the job with a lot of knowledge about a company's products; other times, you might be completely uninformed and may have to take a crash course. If possible, it is better to use and handle the merchandise that one sells so that the person has a clear understanding of it. The salesperson will be more valuable to customers that way.

#### ➤ **Conducting Transactions**

Unless one lands in a position that keeps you strictly on the sales floor, he will probably have to man the register from time to time. While technology and point-of-sale systems have streamlined

this process by a great degree, they haven't made it 100% perfect. In fact, the sales personal may be puzzled the first time when he lay eyes on the register that he is going to use. Many times, he will need to learn various codes and techniques in order to use the technology effectively.

➤ **Restocking Shelves and Setting up Displays**

Nothing is less appealing than disorderly or mostly empty shelves in a retail store. The presentation of a store's merchandise is important; as a salesperson, one of your duties will be to keep the shelves stocked and to set up displays. In the latter case, it helps to have a flair for interior design. If one doesn't have that, he will have to try and mimic other displays. Over time, one is sure to get the hang of setting up merchandise in a way that is visually pleasing. It is to be made sure that the shelves don't go empty on your watch.

➤ **Performing Inventory**

It is crucial to stay on top of inventory control when running a retail shop. Nothing is worse than telling a customer that the store doesn't have an item in stock –Furthermore, keeping up with the inventory will help to keep shoplifting to a minimum. If you have no clue about what's on your store's shelves, it's a lot easier to lose track of things. On top of all of that, performing inventory regularly will make it easier to reorder in a timely manner; that way, your shelves don't get too bare or too full.

➤ **Opening and Closing the Store**

Depending on your level of seniority, you may be tasked with opening or closing the store for the day. Special duties usually go along with performing either one of these tasks, and you should be trained accordingly. There will probably be an alarm that you will have to deactivate upon arrival; you will have to set it before leaving if you close the store, too. At the end of the day, you may also have to perform some light cleaning to keep the place looking nice.

As you can see, there's very little chance for downtime when you are a retail salesperson. Even when there is a lull in foot traffic, there's sure to be something else to do. If nothing else, you can use quiet times to straighten up so that the store stays continually clean, neat and appealing. The longer you do this kind of work the more efficient you will become. In the beginning, it may seem overwhelming and daunting; after a while, though, it will become like second nature to

you. Perform your tasks well enough and you will be on the fast-track to a management position in no time.

### **Sales career in Retail**

As mentioned above retail salesperson job is not easy it acts as a facilitator to successfully run a retail store. It has to perform various tasks on daily basis for keeping the store up right. Except retail store sales persons other career opportunities in retail career are

**Retail In-store Product Demonstrators** (a) showcases products, (b) display the products and (c) engage the customers (d) allow customers to test sample. These demonstrations are performed at supermarkets, hypermarkets and department stores. These items include not only food but also cleaning products and personal care products etc. This act of sampling of product and engaging customers leads to shopping experience for customers which finally help in generating sales which finally leads to increase in profits for the retailer.

Key Responsibilities of a Retail In-Store Product Demonstrator:

1. **Direct communicator:**As a retail in-store product demonstrator, you will be communicating directly with customers in a marketing and public relations capacity. By showcasing the benefits, value, and usefulness of certain products, you will persuade them and generate interest in the product. This leads to boost insales at a retail store byfacilitating in-store demonstrations. Three primary areas of responsibility for retail in-store product demonstrators are product promotion, customer interaction, product preparation, and communication.
2. **Great Communicator:**In-store product demonstrators must have excellent verbal and non-verbal communication skills in order to effectively communicate with customers individually and in groups. You must also be clear and succinct in your communications and provide potential customers with a detailed picture of a product in a short amount of time.
3. **Develop Report:** To be successful, an in-store demonstrator must be able to establish a quick rapport with a wide variety of people, and communicate in a style that is likable,



relatable, and persuasive. The best in-store demonstrators are well-spoken, energetic, and intuitive about the desires and needs of the average consumer. You must be respectful and have a pleasing personality when interacting with customers at all times. Normally all retail in-store product demonstrators are responsible for informing consumers about the positive attributes of a product, some in-store demonstrators are also responsible for sales of the items.

4. **Product Preparation:** Certain in-store demonstration products are ready to use. Other products, like food items, need to be prepared as part of the in-store demonstration. In-store product demonstrators in grocery stores often prepare food on a hot plate or other cooking device and allow shoppers to taste the finished food products.
5. **Product Display:** Setting up the stage or in other words setting up product display is sometimes a part of demonstration, and in-store product demonstrators are often responsible for creating and assembling work stations and product displays.
6. **Product Experience:** Retail in-store product demonstrators sometimes need no prior experience. But when the demonstration of a product requires specific expertise, the in-store product demonstrators must hands-on experts, with product experience or training. Prior experience in a position with direct customer contact is extremely desirable for in-store product demonstrators.
7. **Product Ambassador:** In-store product demonstrators are expected to be professional and articulate, and be an ambassador of the product, the brand, and the retail stores in which they are working, whether they are hired and paid by the store or not. Patience, enthusiasm, and energy are important qualities for retail in-store product demonstrators. One may be communicating the same information hundreds of times in a typical shift, but they must be able to keep their communications fresh and sharp for each potential customer.

In retail, career may start through a sales person, in store sales demonstrator but it moves ahead to department manager in department store where further responsibility increases to merchandise presentation, customer service, and inventory control. The next level is a position of a group manager—responsible for executing merchandising plans and achieving sales goals for several departments, as well as supervising training, and

developing department managers. After these positions, they might become a general manager or store manager and eventually end up at corporate headquarters.

## KNOWLEDGE ASSESSMENT 2

**State TRUE or FALSE for the following statements:**

1. **Retail In-store Product Demonstrator** showcase products, display the products and engage the customers along with test sampling.
2. In-store product demonstrators need to just have excellent verbal skills.
3. In spite a brand has its brand ambassador but at retail store the sales person acts as a ambassador for the brand.
4. A salesperson should gracefully back off when the customer does not seem interested in the product.
5. Retailing is final stage in a life of a product.
6. When a manufacturer opens its own retail store is called backward integration.
7. A department store provides least services to its customers.
8. A hypermarket has been derived from a word 'hypermarche' which means a combination of super market and department store.
9. Keeping up with the inventory will help in shoplifting so a store must have less stock.
10. Opening and closing of stores can be a part of salesperson's responsibility.

[Ans : 1. True, 2. False, 3. True, 4. True, 5. True , 6. False, 7. False, 8. True, 9. False 10. True

## KNOWLEDGE ASSESSMENT 3

Short questions:

1. Define Retailing and functions performed by him.
2. What is store based retailing and how is it different from non store based retailing?
3. State the present status of retail in India.
4. Organised retail will eat away small players.

5. Customer service has become an integral part of retail now days. Is it possible to have a low price and improved customer service. Comment

### **SUMMARY:**

1. When a product is bought from a retail store is called as inside store selling or store based retailing.
2. Retailing encompassed the business activities involved in selling goods and services to consumers for their personal, family, or household use. It is the final stage in the distribution process for goods and services from manufacturers to final consumers.
3. The **Organized retailing** refers to the trading activities undertaken by licensed retailers that is those who registered themselves for sales tax, income tax ,etc. **Organized retailing** is based on the principle of unity and unorganized retailing is based on the principle of singularity.
3. The various formats of organized retail area)Convenience store b)Supermarkets  
c) Hyper markets d) Department stores e) Factory Outlets f) Discount Stores
4. Chain store: One of a number of retail stores under the same ownership and dealing in the same merchandise.
5. Brick and Mortar: Brick-and-mortar store are retail shops with permanent physical locations..
6. Department Stores: Retailers that carry a broad variety and deep assortment, offer considerably good customer service, and are organized into separate departments for displaying merchandise.
7. SKU: The stock keeping unit(SKU) is a number assigned to a product by a retailer to identify the price, product options and manufacturer.
8. Department Stores: Retailers that carry a broad variety and deep assortment, offer considerably good customer service, and are organized into separate departments for displaying merchandise.
9. SKU: The stock keeping unit(SKU) is a number assigned to a product by a retailer to identify the price, product options and manufacturer.
10. Retail In-store Product Demonstrators (a) showcases products, (b) display the products and (c) engage the customers (d) allow customers to test sample.

11. Approaches to personal selling include stimulus response, mental states, need satisfaction, problem solving, and the consultative approach.

**UNIT III:**

<b>Unit Code:</b>	<ul style="list-style-type: none"> <li><b>UNIT TITLE: Field Selling</b></li> </ul>			
	Duration:			
<b>Location:</b>	<b>SESSION1: COMPONENTS OF MOTIVATION</b>			
Classroom or Retail outlet or Company's premises	<b>Learning Outcome</b>	<b>Knowledge Evaluation</b>	<b>Performance Evaluation</b>	<b>Teaching and Training Method</b>
	1. Meaning and definition of motivation, dimensions of motivation, characteristics of motivated salesmen, importance of motivation in salesmanship	1. Understanding meaning and definition and importance of motivation 2. Knowledge of dimensions of motivation 3. Recognition of motivated sales force	1. Justify need for motivated salesmen in business 2. Explicate meaning and dimensions of motivation 3. Information collection regarding motivated sales persons	<b>Interactive Lecture:</b> Imparting the knowledge of motivation and its significance in salesmanship Discussion of how to get motivated sales force to achieve business objectives <b>Activity:</b> Identify motivated/unmotivated sales people at different levels in manufacturing and service industries. and gather information regarding them.
<b>SESSION 2: COMPENSATION REWARDS</b>				
	Meaning and importance of different types of compensation rewards to motivate sales force	1. Meaning of compensation rewards for salesmen 2. Straight salary 3. Straight commission 4. Performance Bonus 5. Salary plus incentive commission	1. Distinguish and validate compensation rewards and non-compensation rewards 2. Explicate various Types of compensation rewards 3. Substantiate their use advantages and disadvantages to the firm as well as salesmen.	<b>Interactive Lecture:</b> Discussion of different compensation rewards with their advantages and disadvantages to salesmen and firms. <b>Activity:</b> Prepare a list of different types of compensation rewards offered salesmen engaged

				in sales of products/ services in different industries
<b>SESSION 3: NON-COMPENSATION REWARDS</b>				
	1. Meaning and benefits of non-compensation rewards in salesmanship	1. Enumerate different types of non-compensation rewards and their significance in sale process 2. Opportunity for promotion 3. Sense of accomplishment 4. Opportunities for personal growth 5. Recognition 6. Company's perks 7. Job-security 8. Knowledge for result 9. Recommendation for special training	1. Differentiate and assess the significance of different types of non-compensation rewards 2. Knowledge of implications as well as benefit of non-compensation rewards to the firm and salesmen	<b>Interactive Lecture:</b> 1. Acquaint with different types of non-compensation rewards offered by firms to the salesmen and their benefits.  <b>Activity:</b> Identify different types of non-compensation rewards offered by the manufacturing or service industries to their salesmen under motivation plan. Note down their results in form of new orders or increased sales.

*(Note: The location would depend upon the topic under discussion, wherein it will be the classroom for the theoretical interactions and the student will be required to visit field/retail outlet or the marketing department of an organization to observe and comprehend the concepts related to salesmanship.)*

## **Sales Territories**

Sales territories facilitate matching selling efforts with sales opportunities. The Sales personnel are allocated the duty of serving specific groups of customers and prospects and provide contact points with the markets. The sales territories aid the management in understanding the company's strength and weaknesses in serving different markets. This knowledge is used by the organization for planning sales operations, managerial efforts to improve competitive position and become increasingly effective. Sales planning can be done in a realistic way through territory-by-territory basis. Customers and prospect characteristics differ from one sales territory to another, and in certain cases they differ from one region to the other. A territory is a more similar unit than the market as a whole.

A Sales territory consists of a group of consumers, prospects or geographical areas assigned to a salesperson. The sales manager after allocation of sales territory can match sales efforts and sales opportunities as monitoring the entire market by one person is difficult. Hence it is divided as per territories to manage effectively.

Most of the times it also observed that sales executive refers to sales territories as geographic areas for example, the Northern region or the Southern territory. In the case of big companies with huge market share, division based on sales territories is often seen. Small and medium scale companies do not use geographically defined territories as the market share is not high. In the case of technical / industrial products the sales personnel are allocated entire classes of customers, regardless of their locations.

### **Purpose of establishing Sales Territories**

Sales territories are set up, and consequently revised as per the prevailing market conditions. The main motive of establishing sales territories is to simplify the planning and controlling of the selling function. Some of the prominent reasons for establishing sales territories are:

#### **(1) Obtaining Proper Market Coverage**

Business to competitors is lost because of inadequate market coverage. The restricted coverage could be because of the differences between selling efforts and sales opportunities while competitors might have a better match, and they obtain the orders. Hence to overcome such problems the management decides division of sales territories and assigns activities to

salesperson. This helps in better market coverage and assists the sales manager to monitor and take updates from different sales personnel.

### **Establishing salesperson's job and responsibilities**

Sales territories help in assigning task and ensure their responsibility and accountability n completion of the same. Once the task is assigned frequent checks help in determining the work of each salesperson and in case the sales manager finds the work unmanageable, the work can be divided and reassigned equally.

### **Adding to Sales Force Morale**

Sales territories help in maintaining sales force morale. Well-designed territories are suitable for sales personnel to cover; they represent attainable workloads, and sales personnel find that their hard work delivers results.

Good territorial design plus smart sales person assignment help in building confidence, and result in higher job satisfaction

### **Evaluating Sales Performance**

Well- designed sales territories assist management in evaluating sales performance. Selling problems vary geographically, and the impact of competition differs widely. When the total market is divided into territories, gathering data and evaluation becomes easy. The comparison to evaluate performance can be undertaken based on

- Individual to District
- District to Region
- Region to entire organization

This will enable the organization to evaluate and determine its strengths and weaknesses in different areas, and make appropriate adjustments in selling strategies.

### **Controlling Sales force**

The performance of sales personnel can be measured based on their customer calls, the routes taken and the schedules they follow. The sales person is expected to work in accordance to the plan and deliver results. The deviations with respect to plan can considered and corrective measures can be taken. This results in better control of sales personnel.

### **Improving customer relations**

The sales person must spend most of their time on the road to sell products. In case the sales territory is designed in an efficient manner, the sales person can s[end more time with the current



and prospective customers which will help in understanding their need and wants better and also build lasting relations with the customer.

### **Reducing selling Expenses**

The company gets a proper picture regarding the areas that can be assigned to salespersons once the geographical areas are decided. Knowledge of the area to be covered also eliminates duplication of work. Good territorial designs along with meticulous salesperson assignment results in low selling expenses and high sales volumes. These savings lead to increased profits.

### **Co-ordinating of Selling and other marketing functions**

Management may set up sales territories or revise existing territorial arrangements to improve the coordination of selling or marketing efforts. In most situations, selling or marketing alone cannot accomplish the entire task efficiently or economically. By combining the functional areas management takes advantage of a synergistic effect and obtains a performance greater than the sum of its parts.

### **Procedures for Setting up or Revising Sales Territories**

In setting up or in revising sales territories, there are four steps:

- (1) Selecting control unit,
- (2) Undertaking an Account Analysis,
- (3) Developing work load analysis of sales person
- (4) Combining control units into Sales territories,
- (4) Adjusting for coverage difficulty and redistricting tentative territories.

### **Selecting Control Unit**

The beginning in territorial planning is the selection of a basic control unit. The most commonly used geographical control units are Countries Pin code numbers, Cities, States and Regions. The control unit should be of optimal level. Large control units may hide the areas with low sales potential while a small control unit can precisely identify the sales potential. Changes required in future in case of low units can be easily done. Sales territories are put together as consolidations of basic geographical control units.

### **Undertaking an Account Analysis**

The next stage is to plan an audit of each geographical unit. The reason for analyzing include identification of customer prospects and find the sales volumes for each account. The sources of data for recognizing the accounts include the yellow pages, online trading sites and past sales of the company. This is followed by the sales manager forecasting the sales volume for each geographical unit in the subsequent years. The factors taken into consideration while estimating the sales include competition and the position of the organization in that geographical area. The sales potential estimate is down through ABC analysis too wherein the if the sales potential is high, it is categorized as 'A', average sales potential is categorized as 'B', while below average sales potential is classified as 'C' category. The organization can plan for its resources both monetary and non-monetary based on the above-mentioned classification.

### **Developing the Workload Analysis of Salesperson**

The workload analysis is undertaken based on time and effort taken by the salesperson to cover a geographical unit. The estimates are based on call frequency, call duration and the travel time.

The prominent factor is the call duration and it depends on the customers and the complexity of the issues. In case of highly complex case the time taken to resolve is high while it is low in simple and routine cases.

The travel time also differs from one area to another, with factors like mode and availability of transport, condition of the roads, weather condition, and location playing a major role. The travel time should be minimized and time for clients and prospects should be maximized

### **Combining Control Units into Sales Territories**

In the previous stages the sales manager plans the geographical control units and in this stage he combines the control units into sales territories. Previously the sales managers manually developed a list of territories by combining the control units while in the age of technology, computers and software handle this activity effortlessly. The experience and skill of the salespersons are taken into consideration in allotment of territories.

### **Territory Shape**

The sales manager decides the shape of the territory as it affects the selling expenses and assists in sales coverage. The widely-used territory shapes include

- **The wedge**
- **The circle**
- **The hopscotch**
- **The cloverleaf**

### **The Wedge**

This is most suitable for territories which contain both urban and non-urban areas. The radius starts from the most populated urban center. They can be divided into many sizes and the travel time can be maintained by balancing between the calls of urban and the non-urban areas.

### **The Circle**

When the clients are distributed evenly throughout an area, the sales manager chooses the circle shape. The sales person starts from the office and moves in a circle of to stop to interact with clients till he reaches office back. This helps the salesperson to come nearby to the customer as compared to the wedge.

### **The Hopscotch**

In this shape the salesperson begins from the last point from the last point office and reaches out to the customers while coming back to the office. While going, the salesperson does not stop anywhere and attends calls in one direction while coming back to the office.

### **The Cloverleaf**

If the accounts or clients are located randomly or scattered in a geographical area, the cloverleaf shape is used. This type of shape is more often found in industrial markets than in consumer markets.

### **Assigning Sales Personnel to Territories**

The ultimate step is to allocate sales personnel to sales territories. Each sales person differs in terms of their abilities, initiative etc. The sales manager must rank the sales person before assigning territories based on their caliber and knowledge.

Hence the sales territory assists in planning and controlling the sales operations. A well-designed territory helps in increasing the sales volume, market coverage and customer satisfaction. The role of sales person is pertinent in the development of a sales territory.

## **Sales Quotas**

Quotas are quantitative objectives assigned to sales organizational units—individual sales personnel, for instance. They specify desired performance levels for sales volume; example expenses, profits, return on investment, selling and non-selling related activities; etc. In the case of sales management, quotas are set for organizational units, such as individual sales districts and sales personnel while some companies' sets quotas for intermediaries like agents, wholesalers and retailers etc. Quotas set at higher levels for sales are customarily broken down and reassigned to lower level units like sales district, or to individual sales personnel. All quotas have a time dimension -- they quantify what management expects within a given period.

### **Need of quotas**

#### **Assist in fixing Performance Standards**

Quotas provide a means for determining the minimum and maximum targets to be set for the sales personnel or the intermediaries

#### **Controlling Sales and Expenses**

Control over expenses and profitability can be tightened through quotas. Some companies reimburse sales expenses only up to a certain percentage of sales volume; the expense quota being expressed as a percentage of sales.

#### **Motivate Desired Performance**

Quotas motivate sales personnel, distributive outlets, and others engaged in the sales operation to achieve assigned performance levels.

#### **Tool for Sales Contests**

Companies frequently use "Performance against quota" as the main basis for announcing awards in sales contests. Sales contests are more powerful incentives if all participants feel they have an equal chance of winning.

#### **Factors to be considered while fixing Sales Quotas**

- 1) **Past Sales Records** – Past sales of well-known organizations form a guide for future performance. Thus, future sales quotas are fixed keeping in view of the past sales. New companies can fix their sales quotas by observing past sales of competing firms.
- 2) **Buying Power of Customer** – A company can forecast the purchasing power of customers of an area by understanding their economic status; income of the customers living in the area, living habits, etc. Accordingly, the sales quotas for that region can be estimated.
- 3) **Company's policies**-The company's policies regarding credit, quality of goods, discount, selling terms have a direct impact while estimating sales quotas for salesman. A liberal credit policy, high rate of discount and provision for purchase in installment, can result in setting larger sales quota for salesman as these policies help to increase the demand for goods and services.
- 4) **Total Production for the year** A company's total production in a year determines the size of sales quota ie if it high this will result in fixation of higher sales quota while if it is normal in a year, moderate sales quotas are fixed.
- 5) **Extent of Competition** – In case of high competition in a product category, the sales quota size may be low and in case of low competition or monopolistic status the quotas will be higher.
- 6) **Expert Opinion**- Experts in the sales field are of huge help in identifying the sales quota. Intermediaries, consultancy firms and other agencies which are in touch with the market can know the kind and quantity of goods that can be sold in a area. Companies can take the help of such agencies in fixing sales quotas for each salesman.
- 7) **Consumer Standards**- The income of the people and their consumption level are also important factors in determining the size of the sales quota of salesman. The living standards are also an indicator for fixing the sales quotas.

Besides the above factors activities such as the number of prospects visited and the conversions made help the sales manager in forecasting the demand for a product. This is followed by fixing sales quotas. The quotas should be optimal, accurate, fair and attainable.

### **Procedures for setting Sales Volume Quotas**

**Sales Volume quota derived from territorial sales potential**- Sales Volume quota should derive from the sales potential present, for example in a territory. Most organizations obtain sales volume quotas from sales potential and this method is opted when 1) territorial sales potentials are determined in relation to territorial design or 2) bottom up planning and forecasting procedures are used in obtaining the sales estimate in the sales forecast.

If sales territories are designed and sales personnel are allocated management is justified in setting sales volume quotas by calculating the percentage relationship between each

territorial sale potential and total sales potential and using the resulting percentage to apportion the company sales estimate among territories.

Sales potentials, for companies as well as for territories are the sales volume reachable under ideal conditions, whereas sales estimates and sales volume quotas are the sales levels management expects to attain under somewhat less than ideal conditions.

In bottom up planning and forecasting procedures management considers such factors as past sales, competition, changing market conditions and differences in personal ability, as well as contemplates changes in prices, products, promotion and the like

### **Accurate, Fair, and Attainable Quotas**

Good quotas are accurate, fair and attainable. Obtaining accurate quotas is a function of the quotas setting procedure; the more closely quotas are related to territorial potentials, the greatest the chances for accuracy.

### **Securing and Maintaining Sales Personnel's Acceptance of Quotas**

Management must make certain that sales personnel understand quotas and the quotas setting procedure. Conveying this understanding is a critical step in securing staff acceptance of quotas.

### **Participation by Sales personnel in quota setting**

If sales personnel participate in quota setting, the task of explaining quotas and how they are determining is simplified. With sales personnel helping to set their own quotas, management has more assurance that the procedure will be understood.

**Keeping sales personnel informed-** Effective sales management keeps sales personnel informed of their progress relative to quotas. Sales personnel receive frequent reports detailing their performance to date.

**Need for continuous managerial control-** In administering any quotas system, there is a good for continuous monitoring of performance. Arrangements must be made to gather and analyze performance statistics with minimum delay.

### **Types of Quotas and Quota Setting Procedures**

Quotas fall into four categories: (1) Sales Volume, (2) Budget, (3) Activity), (4) Combination

1. **Sales Volume Quotas-** The sales volume quota is the oldest and most common type. It is an important standard for appraising the performance of individual sales personnel, other units of the sales organization, and distributive outlets. These quotas communicate management's expectations as to "what quantity for what period". They can be fixed based on geographical

areas, product lines, or marketing channels or for one or more of these in combination with any unit of the sales organization. The precise design depends on the objective of the management. It has been observed that smaller the selling unit, the more effective a quota is for controlling sales operations.

**They can be further categorized into:**

- **Rupee sales volume quotas-** Companies selling numerous product lines set sales volume quotas in rupees rather than in units of product. These companies set unit quotas and evaluate sales performance for individual products. A key advantage of this methodology is that it is easy to relate to other performance data such as selling expenses.
  - **Unit sales volume quotas-** Sales volume quotas in units of product are used in two situations. One wherein prices fluctuate considerably; in this situation, unit sales volume quotas are better yardsticks than are rupee sales volume quotas. The second situation occurs with narrow product lines sold at constant prices. In this situation, rupee volume and unit volume quotas might both seem suitable but if unit prices are high, unit quotas are preferable for psychological reasons as sales personnel regard one lakh quota as a higher hurdle than a forty-unit quota for machines priced at Rs. 25000/- each.
  - **Point sales volume quotas-** In some companies' sales volume quotas are expressed in "points". A company using point volume quotas might consider a Rs. 100 sale as worth 1 point, or it might value unit sales of product A at 5 points and of product B at 1 point, or it might convert both rupees and unit sales into points. Companies use point volume quotas because of problems in using rupees or unit volume quotas as the sales personnel concentrate on fast moving and high valued products to meet the rupee value ignoring other products. Hence, to ensure the selling of all the products, goals are assigned to each product.
2. **Budget Quotas** – Budget quotas are set for various units in the sales organization to control expenses, gross margin, or net profit. The intention in setting budget quotas is to make it clear to sales personnel that their jobs consist of something more than obtaining sales volume.
- **Expense Quotas-** Expense quotas are used in lieu of other quotas; they are supplemental standards aimed toward keeping expenses in line with sales volume. Thus, expense quotas are used most often in combination with sales volume quotas.
  - **Gross margin or net profit quotas-** Companies not setting sales volume quotas often use gross margin or net profit quotas, shifting the emphasis to making gross margin or

profit contributions. The rationale being the sales personnel operate more efficiently as they recognize that sales increase, expenses reductions or both are important only if they increase margins and or profits. Gross margin or net profit quotas are appropriate when the product line contains both high and low margin items. One way to obtain better balanced sales mix is through gross margin or net profit quotas.

### **3. Activity Quotas**

The desire to control how sales personnel allocate their time and efforts among different activities explains the use of activity quotas. A company employing activity quotas commences by defining the important activities sales personnel ought to perform and then it sets target performance frequencies. Activity quotas are set for total number of sales calls, calls on classes of customers, calls on prospects, missionary calls, product demonstrations etc. Before setting activity quotas, management needs time to see how sales personnel apportion their time and efforts.

### **4. Combination and other point system quotas**

Combination quotas control performance of selling and non-selling activity. These quotas overcome the difficulty of using different measurement units to appraise different aspects of performance. Because performances against combination quotas are computed as percentage, these quotas are known as point systems, the points being percentage points. Combination quotas summarize overall performance in a unit measure, with weights being assigned with care but they may encounter problems.



## **Field Selling**

Field selling or Field marketing is defined as the task required where face-to-face sales calls are required and are frequently made by companies' representatives to its corresponding customers to their homes or places where business deals might occur.

The concept of pitching products and services to clients outside the organization is known as field sales. This allows companies to propagate the significance of a product directly to the customer, thereby providing the organizations an opportunity to create a positive impact on the buying decisions. It provides the prospective customer a chance to try out these products first and take an expert opinion before making the final purchase

It is one of the most traditional disciplines of marketing where sales representatives of the company meet potential customers by visiting, distributing, sponsoring, sampling or reviewing on the "field" to determine the awareness of the customer which will help in comprehending the dynamics of the specific area in which the company deals with.

It can also be differentiated from all additional direct sales and marketing activities because it involves direct personal contact. Field selling also requires very strong communication skills as it involves highly targeted direct selling promotions schemes like prominent window displays, arranging for road shows or events, door to door visits, sampling and demonstration of goods. These activities require both individual and team skills to promote the brands and effectively sell the brands for generating profits. The aim of field selling is to optimize the revenue expenditure and generate specific return.

A Field sale allow employees to take their products on to the door step of the consumer and aims at improving their selling capabilities by meeting buyers in their own territory and making a far more encouraging impression on the consumer. In the current age technology is also used as an aid by the sales personnel and it also enables them to spend more time with the prospective customers outside the office.

Field salespeople are required to move out to sell things sometimes it is as close by as a neighboring area or village to as far a place as outside the globe. They employ various modes of transport to reach their destinations. This contrasts with inside salespeople who sell to customers over the phone. Both these job their own challenges and require different solutions. The key difference between them is one of them can personally visit the area while the other can contact telephonically.

### **Activities in field selling**

As stated the field selling is a traditional approach to selling. The sales representatives work face to face with the prospects and customers. It most effective for high value products. The field

sales representatives are most effective when they partner with inside sales representatives or sales support staff. The most important field sales activities include:

- Generating new business through regular visits to prospects and clients.
- Holding responsibility from identification of the prospect to close of the sale deal in the absence of inside sales representative.
- Ensuring an effective customer inclusion process by enhancing their satisfaction levels.
- Safeguarding the interest of high net worth customers and visiting them frequently or as and when required.

**The following pre-requisites are essential in the case of field sales personnel:**

### **Mobility**

In case of field sales representatives, mobility is king. Field sales personnel need information for customer interactions while they are on the travel– information related to customer names, location, and telephone numbers should be able to be located quickly and centrally, either by location or name. Timely information can ensure that the sales representatives can reach their destinations in time, contact the concerned people and crack the business deals. The sales personnel are always on the move travelling from one destination to another.

### **Prioritizing by Area**

The job of the sales person includes spending time visiting customers, interacting, convincing, handling objections, closing deals, recording information, be detail oriented and highly organized.

Also, the field salesperson coordinates with different people at the customer level and attempts to manage with his own company. Field salespeople need to coordinate and schedule as they work their way around their territory – keeping track of where, when and who they will be with.

The sales personnel need insights into the high valued customers in his sales territory to visualize and prioritize those customers and focus on. This enables them to categorize groups of accounts by attributes such as customer type, priority, and last meeting. That way, field salespeople can organize and prioritize their clients and devote time in accordance with it.

### **Territory Management**

The key activity of the job of field salespeople is routing, planning and scheduling their way around a territory. Field sales require efficiency, not only while planning to be in the field, but also while they are operating in the field.

On-site visits tend to take a large amount of time. The sales personnel need to plan visits to the markets, clients across the length and breadth of their territory and manage their activities at the organizations.

Thus, the ability to locate the most efficient and timely routes is a critical task of a field personnel, if done ineffectively, it is a stumbling block for the organization. The usefulness of a route can transform a day from an eight hour, five customer day, to five hour, eight customers a day.

The process not only saves time and fuel, but also improves relationships amongst clients and sales personnel resulting in more face to face time with customers. In recent times organizations and sales personnel also employ software to organize customer database, record client interactions and feedback so that the customer can be provided with all the information and the sale can be accomplished.

## UNIT IV: MOTIVATION & COMPENSATION FOR SALESPERSON

<b>Unit Code:</b>	<ul style="list-style-type: none"> <li>• <b>UNIT TITLE: COMPONENTS OF MOTIVATION</b></li> </ul>			
	Duration:			
<b>Location:</b>	<b>SESSION1: COMPONENTS OF MOTIVATION</b>			
Classroom or Retail outlet or Company's premises	<b>Learning Outcome</b>	<b>Knowledge Evaluation</b>	<b>Performance Evaluation</b>	<b>Teaching and Training Method</b>
	1. Meaning and definition of motivation, dimensions of motivation, characteristics of motivated salesmen, importance of motivation in salesmanship	1.Understanding meaning and definition and importance of motivation 2.Knowledge of dimensions of motivation 3.Recognition of motivated sales force	1. Justify need for motivated sales men in business 2. Explicate meaning and dimensions of motivation 3.Information collection regarding motivated sales persons	<b>Interactive Lecture:</b> Imparting the knowledge of motivation and its significance in salesmanship Discussion of how to get motivated sales force to achieve business objectives <b>Activity:</b> Identify motivated/ unmotivated sales people at different levels in manufacturing and service industries. and gather information regarding them.
	<b>SESSION 2: COMPENSATION REWARDS</b>			
	Meaning and importance of different types of compensation rewards to motivate sales force	1.Meaning of compensation rewards for salesmen 2. Straight salary 3.Straight commission 4. Performance Bonus 5.Salary plus incentive commission	1.Distinguish and validate compensation rewards and non-compensation rewards 2. Explicate various Types of compensation rewards 3. Substantiate their use advantages and	<b>Interactive Lecture:</b> Discussion of different compensation rewards with their advantages and disadvantages to salesmen and firms. <b>Activity:</b> Prepare a list of different types of

			disadvantage to the firm as well as salesmen.	compensation rewards offered salesmen engaged in sales of products/ services in different industries
<b>SESSION 3: NON-COMPENSATION REWARDS</b>				
1. Meaning and benefits of non-compensation rewards in salesmanship	1. Enumerate different types of non-compensation rewards and their significance in sale process 2. Opportunity for promotion 3. Sense of accomplishment 4. Opportunities for personal growth 5. Recognition 6. Company's perks 7. Job-security 8. Knowledge for result 9. Recommendation for special training	1. Differentiate and assess the significance of different types of non-compensation rewards 2. Knowledge of implications as well as benefit of non-compensation rewards to the firm and salesmen	<b>Interactive Lecture:</b> 1. Acquaint with different types of non-compensation rewards offered by firms to the salesmen and their benefits.  <b>Activity:</b> Identify different types of non-compensation rewards offered by the manufacturing or service industries to their salesmen under motivation plan. Note down their results in form of new orders or increased sales.	

*(Note: The location would depend upon the topic under discussion, wherein it will be the classroom for the theoretical interactions and the student will be required to visit field/retail outlet or the marketing department of an organization to observe and comprehend the concepts related to salesmanship.)*

## Learning Objectives

After reading this unit, the students will be able to:

1. *Explain the meaning of motivation.*
2. *Recognize the characteristics of motivated salespersons*
3. *Comprehend the implication of intrinsic motivation or extrinsic motivation*
4. *Understand the importance of compensation rewards.*
5. *Explain the significance of non-compensation rewards*
6. *Distinguish different compensation rewards plans*
7. *Discuss various non-compensation rewards plans*

## **Session I: Motivation**

The word 'motivation' has been derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is an impulse for acting or behaving in a particular way to perform in the best of one's abilities. Motivation is a psychological phenomenon which consists of three stages: -

- a. A felt need or drive
- b. A stimulus in which needs have to be aroused
- c. The satisfaction or sense of accomplishment, when needs are satisfied

To define, 'Motivation refers to the internal and external factors that arouse desire and energy in people to do a job or perform a role to attain a goal,' e.g. a sales manager in Kent RO makes more and more demonstrations and customer presentations to win orders and achieve his weekly sales target.

Motivation is the process of stimulating people to actions, to remain continually interested and committed to accomplish a task. In salesmanship it is the major inspirational force which induces the mind and emotions of salesmen with a view to drive them into action. They may feel charged up and ready to face any challenge their job offers after a raise, bonus, or some other form of positive recognition. Thus "motivated" salesmen are able to sell more for their personal as well as organizational success.

## **Dimensions of Motivation**

In salesmanship motivation comprises of three dimensions:

1. **Intensity of desire** – The amount of physical and mental effort that the salesperson is ready to put forth indicates the intensity of desire. A salesperson should have considerable desire to work and take up a job activity.

2. **Persistence** – Persistence describes the amount of effort and commitment the salesperson is ready to expend over time, especially when faced with a difficult situation. He/she should be fairly persistent with the order to execute it successfully. Lack of persistence can lead to loss of an order but too much persistence can leave a negative impression in the mind of the customer.
3. **Direction** – Direction in salesmanship implies that salespeople should choose wisely where to spend their efforts among other job activities. The identification of the prospects, opening communication channel, understanding and addressing their need and focusing on customer satisfaction has to be moved properly so that their efforts result in success finally.

A balance of these dimensions leads to the highest level of motivation in salesmen.

Motivation can also be viewed as intrinsic motivation or extrinsic motivation. A salesperson is said to be intrinsically motivated if he/she finds his/her job inherently rewarding and satisfying. On the other hand, a salesperson will be extrinsically motivated if he/she is externally motivated by rewards such as pay, formal recognition, awards, perks etc. Although a salesperson's overall motivation could be a combination of both intrinsic as well as extrinsic motivation. Some salesmen strongly prefer extrinsic rewards such as pay and formal recognition while others seek intrinsic rewards like interesting and challenging work.

## **Characteristics of motivated salesmen-**

Motivated salespersons exhibit some common beliefs, actions, and attitudes which set them apart from others. Following are the characteristics of motivated salesmen-

1. They are also extremely dedicated to become top performers (the "play to win" part). By displaying the passion and intensity it takes to achieve the deal, they try to satisfy the best interests of prospects and clients.
2. They are goal-setting and goal-following enthusiasts. Goals are a part of the daily rituals of motivated salesmen.
3. They realize that goals without actions don't get you very far. Therefore when other people intend to take action and they implement their plan aggressively.
4. They map their selling plans and processes according to the psychology of buyers to win the deal.
5. They are masters of market knowledge, customer needs, their own products and services, their value, the competition in the market and everything else they need to know to succeed at selling. They might not be technical experts in every area, but know whatever is required to know to sell their product.
6. They keep a good record and follow up of customers, prospects, and referral sources with the intent to get new business.

7. They make sales conversations skillfully right from prospecting to needs discovery and then to closing the sale.
8. They recommend advice and assist buyers. They are change agents who are not afraid to push when it's in the best interest of the customer.
9. They seek actively to win the most fruitful sales opportunities no matter how difficult the challenges may be.
10. They are never afraid to learn any type of feedback about themselves. They do not get discouraged, rather take it to learn, grow and change for the better.

## **Importance of motivation in salesmanship**

Sales are the lifeblood of any organization. Without the income and revenue generated by consistent sales, a company may fail to achieve the growth and expansion required to survive in the harsh conditions of today's changing economic environment. It is very necessary to develop an efficient and enthusiastic sales team, which can increase brand awareness and drive the sales of company's products forward. Motivated salesmen can exponentially increase firm's revenues and play a crucial role in ensuring the success of a business. Without motivation the staff may feel that their efforts are going unrecognized and ultimately an unmotivated sales team leads to decrease in sales. Organizations, in general make either product sales or solution sales. The product sales mean selling of standard products or services in the market with little change or differentiation. The product salesperson must have some special sales skills like focus, strong negotiating with prospective buyers and resilience to negativity. Usually product salespeople are motivated by money and ego, i.e. the promise of financial rewards and recognition for what they have achieved. Solution sales on the other hand are the sale of a product or service that is designed to suit the specific requirements of an individual customer. A solution salesperson is generally motivated by feeling valued and appreciated for solving clients' problems efficiently and effectively. So firms have to identify what works for motivating different types of salespersons as 'one-size does not fit-all'

### **Knowledge Assessment I**



**A. State whether the following statements are true or false-**

1. Motivation is a stimulus for acting or behaving in a particular way to perform in the best of one's abilities.
2. Motivated staff may feel that their efforts are going unrecognized and ultimately leads to decrease in sales.
3. Motivated salespersons are goal-setting and goal-following fanatics.
4. Extrinsic motivation is in form of rewards such as pay, formal recognition, awards and perks.
5. Salesmen are change agents who are not afraid to push when it is in the best interest of the customer.
6. Persistence can lead to loss of an order and also can leave a negative impression in the mind of the customer.
7. The amount of physical and mental effort that the salesperson is ready to put forth indicates the intensity of desire.
8. Salesmen are generally ready to face any challenge in the job after a raise, bonus, or some other form of positive recognition.
9. The solution sales mean selling of standard products or services in the market with little change or differentiation.
10. If the sale of a product or service is designed to suit the specific requirements of an individual customer, it is called solution sales.

**Answers: 1. True 2. False 3. True 4. True 5. True 6. False 7. True 8. True 9. False 10. True**

## **Session II: Compensation Rewards**

The key to optimizing efficiency of a sales team is to provide them appealing incentives and rewards, which they consider as a good return on their efforts. An appropriate reward system is an integral part of motivation. Reward system management involves the selection and use of organizational rewards to direct the behavior of salespeople towards the attainment of organizational objectives. Organizational rewards can be classified into two types: Compensation Rewards and Non-Compensation Rewards.

- (i) **Compensation Rewards-** These rewards are given to salespersons in return for acceptable performance or effort in accomplishment of assigned task. Compensation rewards can include both financial compensation, that is, compensation in terms of money or perks, and non-financial compensation like opportunities for growth and promotion, recognition of efforts etc.
- (ii) **Non-compensation Rewards-** Non-compensation rewards are more general rewards and not given in return for certain targets met or goals achieved by the salespersons. These include factors related to the work-situation and well-being of each of the salespersons. Interesting and challenging jobs, a degree of control over own-activities, adequate resources for completion of jobs, practicing a supportive sales management leadership style, etc. are some examples of non-compensation rewards that can motivate employees

## 1. Financial Compensation Rewards

Financial compensation rewards are the compensation given to salespersons in terms of money as salaries. It may be their weekly compensation/ monthly compensation/ annual compensation, commissions and bonuses. These three collectively make the “Current Spendable Income” of salespeople. The basic types of financial compensation plans are -

- a. Straight salary,
- b. Straight commission
- c. Performance Bonus
- d. Salary plus incentive commission

### a) Straight Salary-

Straight Salary means that the salespersons are paid exclusively by a salary. Straight Salary plans are best suited for paying sales-support personnel and sales-trainees.

- Sales support personnel such as missionaries who perform the task of disseminating information rather than directly soliciting orders. Therefore, a salary can be easily calculated and paid for their effort. Compensation based on sales-results might not be fair.
- Salaries are also appropriate for sales-trainees, who are involved in learning about the job rather than producing on the job. In most cases, a company cannot recruit sales trainees without the attraction of a salary to be paid at least until training is completed.

#### ADVANTAGES

- i. They are the simplest to administer, because in most cases, the adjustments and payment of salaries occurs only once a year.
- ii. It ensures a stable income to salesmen. The Salesperson's income does not fluctuate with the sales volume, thus giving him/her a sense of security.
- iii. It inculcates loyalty for the company in the minds of salespeople. This motivates the sales force for effective selling, and there is less chance that high-pressure, non-customer oriented sales techniques will be used.
- iv. The sales manager can exercise better control over the sales force under this plan of remuneration, because planned earnings for the salesforce are easy to project. For example, reassigning salespeople and changing sales territories becomes easier if salary plans are in place.

#### DISADVANTAGES

- i. The biggest disadvantage of this method is that it doesn't distinguish between most-productive and least-productive workers. There is little incentive to perform past a merely acceptable level. As a result, there is overpayment to idle, inefficient salespersons and underpayment to efficient, hardworking salespersons.
- ii. It could create a feeling of dissatisfaction among high-performing salespeople, since they are not compensated for their extra effort. As a result, it might become difficult to attract efficient, high-performing salespeople.
- iii. Salaries are a fixed overhead cost to the company. If the market is declining or stagnating, the financial burden of the firm is greater with salary plans than with other variable compensation plans like commission.

- b) **Straight Commission-** In this method, a commission is paid to salespeople for every sale they close successfully. Therefore, more the number of sales deals closed by a salesman, higher will be his compensation.
- This compensation plan provides strong financial incentive to maximize performance, but limits the control that can be exercised by a salesperson.
  - The huge direct-sales industry including companies like Tupperware and Avon pays straight commission. This is because the large number of salespeople working for these organizations makes salary-payments impractical.
  - The most popular and widely-used commission base is the “sales volume”. On this base, a certain percentage is paid to the salesperson, known as the “commission rate”.
  - A commission rate may be a constant rate over the pay-period and provides incentive to the salesperson to work hard, since pay is directly linked with performance. A progressive rate increases as salespeople reach pre-specified targets and provides even greater incentive to them. But it could also lead to over-selling and higher selling costs. A regressive rate declines at some pre-determined level. These are appropriate when the first order is hard to secure but reorders are virtually automatic.

#### ADVANTAGES

- i. This method encourages efficient and hardworking salesmen to keep performing better. This leads to superior performance results for the company
- ii. Since income is directly linked to performance, it is perceived as a more equitable compensation method than straight salary.
- iii. Commission plans attract more and more efficient workers and eliminate incompetent, inefficient workers.
- iv. As payment of commission is directly connected with sales volume, it benefits the company during a slack or slow season of sales, since the costs are minimized automatically.

#### DISADVANTAGES

- i. The biggest disadvantage of this compensation method is that it contributes little to company loyalty, since salespeople are only concerned with sales and the respective compensation. A lack of commitment may lead commission salespeople to leave the company if business conditions worsen or slow down
- ii. Salespeople may neglect cultivating and pursuing potentially profitable long-run customers in favour of easy sales.

- iii. A problem can also arise if there is no earnings cap or limit. In that, some salespeople may earn more than their managers or co-workers, which can create a feeling of negative competition.
- iv. Since more sales mean more commission, salespeople could extend more sales on credit to unworthy customers, in a bid to increase the number of their sales. This could lead to accumulation of bad debts.

c) **Performance Bonuses-**

This is the third dimension of current spendable income. Performance bonus can be individual or group. Bonuses are usually used to direct effort towards relatively short-term objectives such as introducing new products, adding new accounts etc. They may be offered in cash or income equivalents such as merchandise or free travel. Although commissions or salaries may be the financial compensation-base, bonuses are used strictly in a supplementary fashion.

**ADVANTAGES**

The advantage of performance bonuses is that the organizations can direct emphasis to what it considers important in the sales area. In addition, sale emphasis can be changed from period to period. Bonuses are particularly useful for tying rewards to accomplishment of objectives.

**DISADVANTAGES**

The main problem with Bonus is that it is very difficult to determine a formula for calculating bonus achievement if the objective is expressed in subjective terms. Further, if salespeople do not fully support the established objective, they may not exert additional effort to accomplish the goal.

d) **Salary plus Incentive Plans or Combination Plans-**

This method was created to overcome the limitations of the straight salary and straight commission plans. Salary plus Incentive plans feature some combination of salary, commission and bonus. The most popular are Salary-plus-bonus and Salary-plus-commission-plus-bonus.

- Combination plans offer a balance of incentive, control, and enough flexibility to reward important salesforce activities.
- The most challenging part of the salary plus incentive plan is to determine the financial compensation mix, or the relative amounts to be paid in salary, commission and bonus. These are discussed in the table below

Conditions Required for financial compensation mix in Salary plus Incentive Plans		Proportion of Salary to Total Pay Should Be	
		Lower	Higher
1.	Importance of salesperson's personal skills in making sales	Slight	Considerable
2.	Reputation of Salesperson's company	Little Known	Well Known
3.	Company's reliance on advertising and other sales promotion activities	Little	Much
4.	Competitive advantage of products in terms of price, quality etc.	Little	Much
5.	Importance of providing customer-service	Slight	Considerable
6.	Significance of total sales volume as a primary selling objective	Greater	Lesser
7.	Incidence of Technical or team-selling	Little	Much
8.	Importance of factors beyond the control of salesperson that influence sales	Slight	Considerable

### ADVANTAGES

- i. The biggest advantage of salary plus incentive plans is their flexibility. Sales behaviour can be rewarded frequently and specific behaviours can be reinforced or stimulated quickly. For example, bonuses or additional commissions could be easily added to a salary base to encourage activities like selling excess inventory, maximizing sales of highly seasonal products, introducing new products or obtaining new customers.
- ii. Combination plans can also be used to advantage when the skill-levels of the salesforce vary, assuming that the sales manager can accurately place salespeople into various skill-level categories and then formulate the proper combination for each category. In effect, it is done with sales trainees, regular salespeople, and senior salespeople in some companies, with each category of salespeople having a different combination of salary and incentive compensation.
- iii. Combination pay plans are attractive to high-potential but unproven candidates for sales jobs. For example, college students nearing graduation might be attracted by the security of a salary and the opportunity for additional earnings from incentive-pay components.

### DISADVANTAGES

- i. The biggest disadvantage of this method is that compared with straight-salary and straight-commission plans, combination plans are more complex and difficult to administer.

- ii. Combination plans need a lot of flexibility, which leads to frequent changes in compensation practices to achieve short term objectives. Although flexibility is desirable, each change requires careful communication with the salesforce and proper coordination with long term objectives, which becomes difficult to enforce.
- iii. It leads to the creation of too many salesforce objectives, which impede the fulfillment of long-term organizational objectives.

## **Knowledge Assessment II**

### ***Make the right choice-***

1. The efficiency of a sales team depends upon appealing incentives and rewards, which they consider as --
  - a. their birthright
  - b. good return on their efforts
  
2. Rewards given to sales people towards the attainment of organizational objectives may be-
  - a. Compensation rewards
  - b. Non-compensation rewards
  - c. Both
  
3. Bonuses are usually used to direct effort towards relatively short-term objectives such as introducing
  - a. new products,
  - b. adding new accounts
  - c. Both
  
4. Straight Salary means that the salespersons are paid exclusively by a –
  - a. Salary
  - b. Perk
  
5. The disadvantage of Straight Salary method is that it doesn't distinguish between the workers who are most-productive and –

- a. least-productive
  - b. laggards
6. A commission is paid to salespeople for every sale they -----successfully.
- a. Initiate
  - b. Close
7. -----method encourages efficient and hardworking salesmen to keep performing better.
- a. Commission
  - b. Bonus
8. Combination plans are useful when the skill-levels of the sales force is–
- a. Same
  - b. Different
9. Since more sales mean more commission, salespeople sometimes extend more sales on credit to ---
- a. unworthy customers
  - b. worthy customers
10. Salesperson's personal skills in making sales are important in getting him to get – proportion of salary plus incentives.
- a. Low
  - b. Considerable

**Answers: 1. b 2. c 3. c 4.a 5.a 6. b 7. a 8. b 9. a 10. b**



### **Session III: Non- Compensation Rewards**

The second constituent of organizational rewards is Non- Compensation Rewards. Whereas nothing attracts salesmen like hard cash, but sometimes organizations choose other ways to reward and recognize the excellence of their sales force. Examples of non-financial compensation include opportunities of career advancement, sense of accomplishment on the job, recognition of achievement, job security etc. Sometimes, non-financial rewards are coupled with financial rewards- for example, a promotion into sales management will give the person a higher salary (financial compensation) and a better, more respectable position (non-financial compensation). The main types of non-financial compensation are discussed below:

- a. Opportunity for promotion
- b. Sense of accomplishment
- c. Opportunities for personal growth
- d. Recognition
- e. Company's perks
- f. job-security
- g. Knowledge for result
- h. Recommendation for special training

#### **a) Opportunity for Promotion**

Opportunity for promotion is a highly valued reward among salespeople. Among younger salespeople, it is even more important than higher pay. Given the increasing number of young to middle-aged people in the workforce, the opportunities for promotion may be limited severely in non-growth industries (growth industries such as financial services, direct sales etc. offer reasonably good opportunities for promotion). Since promotion opportunities are limited, it is important for recruiters to ensure that only the most deserving and most suitable salespeople are given the opportunities, so that they can make the best of them and contribute to the overall growth of the company.

#### **b) Sense of Accomplishment**

Unlike other reward-systems, sense of accomplishment cannot be delivered to the salesperson from the organization. Because sense of accomplishment emanates from within the salesperson, the organization can only facilitate the process by which it develops. Although organizations cannot administer sense-of-accomplishment rewards as they would pay increases, promotions or formal recognition awards, the converse is not true. They can *withhold* this reward through poor-management policies and practice which, in most cases, is not deliberate. To facilitate a sense of accomplishment in the salesforce, an organization must:

- a. Ensure that the salesforce members understand their roles and responsibilities.
- b. Establish and clarify the link between effort, performance and rewards.
- c. Set clear goals and objectives for sales performance, and
- d. Reinforce feelings of worthwhile accomplishment in communication with the salesforce.

**c) Opportunity for Personal Growth**

Opportunities for personal growth mean such opportunities which expose salespeople to different situations, decisions and people, which can help them, grow as a person and add to their experiences and learning. Opportunities for personal growth are routinely offered to salespeople. For example, seminars, workshops, development programmes etc. on topics like physical fitness, workplace safety, personal and financial planning are regularly organized for the salespeople. Many sales jobs candidates think that the major reward available from well-known, reputed companies is opportunities for personal growth. This is particularly true for entrepreneurially-oriented college students who wish to “learn, then earn” in their own start-ups or businesses

**d) Recognition**

Recognition, both formal and informal is an integral part of most salesforce reward systems. Informal recognition refers to “nice job” praises and similar admiration usually delivered in a private conversation or correspondence between a sales manager and a salesperson. Informal recognition is easy to administer as it costs practically nothing. Whereas formal recognition programmes include public recognition of a salesperson’s efforts in the presence of peers, seniors and/or juniors. In the case of big corporates such formal recognition programmes may involve lavish award ceremonies as these set the stage for future recognition programmes, The logic behind this investment in large ceremonies for recognition is that the public recognition gives incentives to non-awardees to perform better, in a hope to see themselves recognized on stage. The recognition may be awarded to successful salesmen may be in form of

- i. Certificate of appreciation
- ii. Symbolic token such as a trophy or an engraved clock
- iii. A piece of jewellery which has a lasting psychological value.
- iv. A high-value prize, like a car, a computer or an iPod.
- v. Discounted Vouchers for some shopping outlets, restaurants, theatres or travelling trips.
- vi. Mention as a ‘Star performer’ on company bulletin boards or mention in e-newsletter of the company

**e) Company's Perks**

Companies do provide perks to the members of a successful sales team as "extras" add up without spending any money. For examples free use of a company car, subsidized gym memberships or luxury apartment.

**f) Job Security**

High-performing salespeople may be assured that they have job security in the organization. Whereas with the current wave of mergers, acquisitions and downsizing in corporate sector, it is becoming more and more difficult to offer job-security as a reward.

**g) Knowledge of result**

A positive feedback and attention from a boss is a top non-financial incentive for employees. The salesperson who is given the report of his sales efforts, firm's progress and his contribution to that, gets further encouraged and sets even higher goals to achieve.

**h) Recommendation for special training**

The salesman who meets the targets, can be offered the opportunity to be mentored by a senior member of the team, or may be recommended for some special training. This offers a unique chance for the motivated salesman to further advance his career.

All above mentioned non-compensation rewards, mark the winner as someone special and deserving of unique treatment. These impart certain prestige on the recipient, especially among their peers as well as offer huge satisfaction and pleasure for the winner.

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**EXERCISE QUESTIONS:**

1. Define 'motivation'. Discuss three stages of 'motivation'.
2. What are different dimensions of 'motivation'?
3. What is meant by intrinsic motivation or extrinsic motivation? Explain with the help of examples.
4. Discuss various characteristics of motivated salespersons.
5. What is the significance of motivation in salesmanship?

6. Straight salary plan doesn't distinguish between most-productive and least-productive workers. Do you agree?
  7. Explain how organizational rewards are important to direct the behavior of sales people towards the attainment of organizational objectives?
  8. Commission plans attract more and more efficient workers and eliminate incompetent, inefficient workers. Explain how?
  9. How are Straight Salary plans suitable for paying sales-support personnel and sales-trainees only?
  10. What do you understand by Salary plus Incentive plans? What are its various advantages?
  11. Whereas nothing attracts salesmen like hard cash, but sometimes non-financial rewards also charge up sales team. Do you agree?
  12. What are various disadvantages of Salary plus Incentive plans for salesmen?
  13. Discuss Performance bonus plan of employee motivation.
  14. Enlist different advantages and disadvantages of Performance bonus plan offered to salesmen.
  15. What is meant by 'Non- Compensation Rewards' to salesmen? Discuss.
  16. How is 'opportunity for promotion' considered as a motivational force to salesmen?
  17. How does a 'sense of accomplishment' encourage salesmen to perform better?
  18. Recommendation for some special training helps salesman to further advance his career. Do you agree?
  19. Explain how formal and informal recognition is an integral part of salesforce reward systems?
  20. Discuss various opportunities for personal growth as an motivating force to the sales persons.
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