

# Managing Sales and Promotion

By: Gaurav Sahni

This reference book can be useful for  
BBA, MBA, B.Com, BMS, M.Com, BCA, MCA  
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# Sample Preview of The Chapter

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# MANAGING SALES AND PROMOTION

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## Introduction to Sales Management

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### **INTRODUCTION**

This chapter is related with the inherent interdependence of sales and distribution management and also teaches us about the various steps adopted for the strategy formulation process in the sales and distribution management. In the tourism scenario both direct selling and sales through various distribution channels go together. The famous scholar Holloway mentions that almost 80 per cent of the sales are through these distribution mediums. In this chapter, we will discuss the sales and distribution strategy along with the interdependence of sales and distribution and sales management. The sales management task includes analysis, planning, organizing, directing and controlling the company's sales effort.

### **CHAPTER AT A GLANCE**

#### **SALES AND DISTRIBUTION STRATEGY: ROLE IN THE EXCHANGE PROCESS**

Sales Management could be defined as the management of a firm's personal selling function. Similarly, distribution could be defined as the management of the indirect selling effort, which is, selling through extra corporate organizations that helps in the forming of the distribution network of the firm.

The process of Sales Management incorporates diverse functions such as analysis, planning, organizing, directing and controlling of the company's sales effort. The distribution channel also incorporates management of channel institutions and physical distribution functions.

There are interesting processes for the sale and delivery of goods or services in the form of exchange. In this process, the goods can be consummated directly from manufacturer to the consumer directly through its

sales force or it can be done directly through a network middlemen, such as wholesalers and retailers.

The significance of these sales and distribution functions remain varying depending on the nature and variety of products, target market, dispersion and consumer density.

Meanwhile, a few tasks are a must to be performed for the successful exchange, no matter whether the sales and distribution functions are being organized internally, externally or jointly.

A few of them include contact, that includes finding and communicating with prospective buyer, prospecting that includes bringing together the marketers offering and prospective buyer, negotiation and transaction, that includes reaching an agreement on price, promotion of the marketers offerings, physical distribution—actual transfer of possession, that is, timely and safe delivery, collection of relevant consumers information and revenue in exchange of goods or services.

Many organizations get the above functions performed by their own sales team and the distribution network. There are different determinants of task allocations which include competitive practice, product and market requirements that include the market size, frequency of purchase and customer concentration, preference and buying practices of target customers.

The exchange process is related with the sale and delivery of goods from the manufacturer to the consumer can be consummated directly i.e. by the firm itself through its own sales force or indirectly through a network of middlemen such as wholesalers. Most companies selling capital industrial equipment do so through a team of their own sales engineers, involving little or no intermediary support. In the tourism industry, selling and purchasing of Rail tickets in India requires

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no personal selling effort. In the case of airlines various efforts are put together for selling tickets with the help of sales force. Following are some of the essential tasks need to be performed for the successful exchange:

- **Prospecting:** Bringing together the marketers or suppliers offering the product or service and the prospective buyer.
- **Physical Distribution:** Actual transfer of possession i.e. timely and safe delivery.
- **Contact:** Finding and communicating with prospective buyer.
- **Negotiation:** Negotiating and reaching an agreement on price and other terms of the offer so that transaction ownership and possession can be transferred or the service be utilized or consumed.
- **Promotion:** Promotion of the marketers or suppliers offerings, and his or her satisfaction generating potential.
- **Collection:** Collection of relevant consumer's information and revenue in exchange of goods or services.

### INTERDEPENDENCE OF SALES AND DISTRIBUTION

The management of channel distribution jointly contributes to the accomplishment of the marketing task. The other pointers towards interdependence of these two vital functions are:

1. The sales organization's activities should be well coordinated with channel operations if sales goals need to be effectively realized.
2. The organization should take a decision to allocate certain responsibility in exchange process to its channel members. It would help in defining the scope of responsibility of its own sales force and would determine type of personnel and training which is required.
3. The requirements of different level of contact entities remain different from that of the other. It should be firmly decided that the company's sales task would be defined in context of the first level of contact chosen by it.
4. If a marketing is done via channels, it implies that there is a lower degree of control, however, it would also mean lesser funds that are being tied up to maintain inventory and lower fixed

and variable costs to manage the channels. Thereafter, depending on these set of variables. The organization can try and optimize the effectiveness of exchange process by using the different combinations.

5. The manufacturers require the cooperation of distribution outlets in terms of adequate stock maintenance, in-store displays, local advertising etc. for implementing the overall marketing strategy. At this time, the sales organization comes to be the initiator and implementer of dealer support organizations within the corporation.

### SALES MANAGEMENT: FORMULATION OF SALES STRATEGY

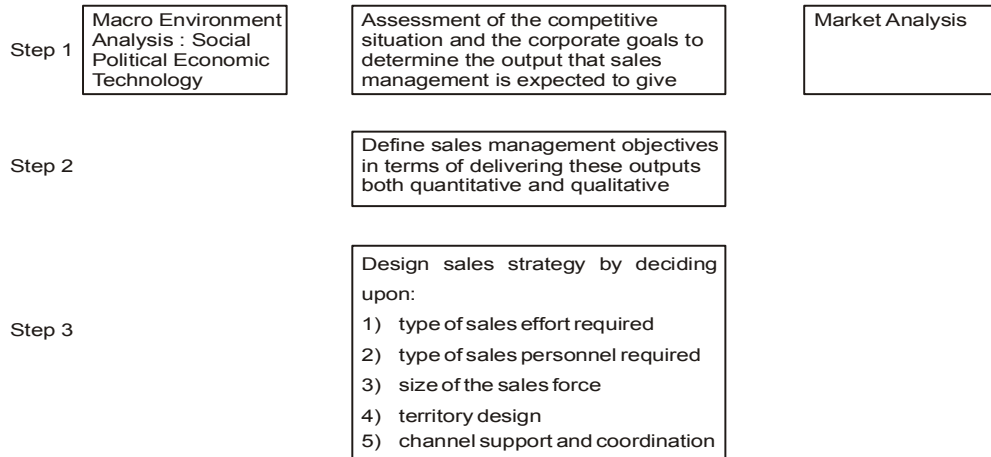
Sales Management function could be defined as the management of sales personnel and activities that makes up the corporate sales effort. It is the sales managers who are being trusted with the task to organize, plan and implement the sales effort to achieve corporate goals, related to market share, sales volume and return on investment.

They have to do the task within and outside the organization. Inside the organization, the manager shares the responsibility to structure relationships within his own department and also in interacting with the organizational entities to ensure that the sales task can be coordinated with other marketing tasks.

Meanwhile, outside, the manager needs to develop and maintain channel relationships to ensure that the flow of goods and services and promotion and feedback is being facilitated.

The key decision areas required for strategy formulation in sales management are deciding upon type and quality of sales personnel required, determination of the size of sales force, organization and design of sales department, territory design and recruitment and training procedures, performance appraisal and control system, feedback mechanism to be adopted and the coordination with other marketing department.

The strategy formulation in sales, meanwhile involves identification of sales goals and designing of game plan that uses the organizational resources at hand for attaining those goals. The strategy formulation process is therefore a three step process that can be summarized as:



### Assessment of Competitive Situation and Corporate Goals

The corporate mission and goals directly affect the sales objective that in turn also identifies specific set of common needs and wants the company would like to satisfy.

The macro business environment is other input in objective setting. There is a need for sound market analysis which comes as a prerequisite to objective setting to ensure sales strategy. The company should know the current size and growth rate of the market, consumer needs, attitudes and trends in purchasing behaviour, competitor analysis covering current strategy, current performance, strengths and weaknesses and expectations to ensure the selection of right future actions. The roles and scope of sales function also depends on the competitive situations.

Meanwhile, the Indian markets remain different as they have the potential to differentiate their products by variation in product attributes, packaging and promotional efforts.

In this case, the sales efforts help in promoting and maintaining the market share. Even the distribution function complements the sales efforts to ensure regular availability of products at each purchasing point. The selling effort, therefore, becomes a strong tool of market cultivation, which helps in building dealer relationship and in maintaining them thereby providing vital information feedback on competitors and their market operations.

The selling effort in market cultivation plays a vital role in case of a new product where the marketer is faced with little or no direct competition.

The sales related marketing decisions contributing to sales strategy formulation affect both the quantitative and the qualitative sales management objectives. Certain decisions need to take at the decisions on what to sell, whom to sell, and the decision on the price.

In the tourism scenario a point of concern for the tour operators and wholesalers are the multiple retailers. This has led to aggressive competition. The tour wholesalers and operators now provide more incentive and commission, than the regular 1 to 5 per cent commission to the retailers for selling their own products. The extra commission also helps the retailers to give more discounts to the customers and thus attract more business.

### Setting Sales Objectives

Sales objectives, intending to direct the available sales resources to their utmost productive use, serve as standards against which the actual performance is compared. They are stated in quantitative and qualitative terms. The qualitative goals relate in strengthening dealer relationships, in developing good consumer support, in nullifying product mis-information and also in attaining the desired corporate image.

As they reflect the expectations of the top management to ensure the contribution of sales function to total marketing effort, they, therefore, affect the size and quality of sales force.

### Quantitative Objectives

Meanwhile, the quantitative objectives relate to the operating results which the company likes to achieve. They depend highly on the keen analysis of competitive situation and corporate goals and vary over operating periods. These objectives appear in the form of sales volume, market share and number of back orders per

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operating period. The different goals under this category could be drawn in form of sales volume in units or rupees, inventory levels, dealer support and feedback input.

When we start the process of formulating the strategy, we do evaluate alternative plans that are against the backdrop of the competitive strength and weaknesses of company at market place. Further, we try to build up the sales effort to achieve set goals.

##### **Determination of the Type of Sales Force Needed**

The quality of the sales personnel depends on the quality of the contribution which the management is expecting the sales organization to get and also on the actual work load that is expected to be generated. Some Tours and Travel companies have started promoting their tour packages via advertisements in all the patterns. This has simplified the work of sales personnel as consumers and retailers are aware of the products and services on offer. We can say that the type of sales personnel would vary across organizations, depending upon the role that has been decided for them in the organization. Some of the factors that influence the type of salesperson are product characteristics, customer characteristics, competitor's practices, channel design and corporate marketing policy.

Product specialists would be needed when the usage of the product is highly technical, requiring demonstration and/or advice from the sales personnel. On the other hand, market specialists would be needed when different groups of target customers need specialized service of different sales approaches. The famous scholar Derek Taylor in his book *Sales Management for Hotels* emphasizes the essential point that knowledge and information of all the products of ones own organization is vital.

##### **Determination of the Size of the Sales Force**

The essential point to consider is that how many number of sales person needed to achieve the sales objectives. Recruiting more than the required number of people would mean that the company will bear the more expenses. On the other hand, recruiting the less number of people mean the loss of opportunities. We can say that it is really hard to determine the correct number of sales force needed. With respect to their own set of variables, companies do try to arrive at an ideal figure by using various methods such as:

- The incremental method
- The workload method, and
- The sales potential method

The incremental method is an approach used in incremental reasoning. If the incremental margins exceeds the incremental sales costs, more sales persons will be added in the sales team. The workload method is a formula-based method for determining the size of a sales force that integrates the number of customers served, call frequency, call length, and available selling time to arrive at a figure for the sales force size. In this method the various activities like sales, volume potential, total market size, etc. arrives at the total workload.

##### **Organizing the Sales Effort: Territory Design**

The personal selling objectives help in the process of setting the tone of selling activities to be performed in an organization. Once you decide upon the activities and the level of performance, you can easily estimate as to how many sales personnel at various levels would be required in an organization. Companies here can treat their market as total field of operation and can assign sales duties. The salespersons facilitate the process of performance evaluation and foster higher degree of enthusiasm. Similarly, managerially, it becomes possible to have a better degree of control by reducing expenses and in evolving coordinated promotion plans.

The sales managers, while creating territories, can choose from different types that are on geographical basis, sales potential basis, servicing requirement basis and workload basis.

While creating territories sales managers can choose from different type of bases:

- Geographical basis which utilizes the geographical boundaries and assigns them to sales people.
- Sales potential basis which is related with the splitting up a company's customer base according to the dispersion of its sales potential.
- Servicing requirement in which company splits up its total market according to servicing requirements of its current and prospective customers.
- Workload basis which considers both account potential and servicing requirements.

##### **Establishing and Managing**

##### **Channel Support and Coordination**

The channel of distribution is the point of contact which the final buyer has with manufacturer. With the sales organization of manufacturers, they bear the responsibility of consummating exchanges with final buyers. In terms of indirect distribution, the sales organization initiates dealer cooperation programmes.