Sales Management

Introduction

Marketing differs from selling in many respects.

- In marketing, the focus is on the customer whereas in selling, the focus is on the product.
- Marketing involves meeting the needs and wants of the customer while selling involves pushing the product in the market without any consideration for the customer's needs and wants.
- Marketing is concerned with producing the product that the customers want whereas selling involves trying to make the customer want what the company has to offer.

However, the ultimate aim of all marketing and selling activities is customer satisfaction. Therefore, a salesperson can also be regarded as a micro-marketer. Personal selling is one of the elements of promotional mix. Some companies (e.g. Eureka Forbes) depend exclusively on personal selling as their promotional tool while others use a combination of promotional mix elements such as advertising, sales promotion, direct marketing, public relations and personal selling.

Nature and Importance of Personal Selling

Personal selling takes place when a seller or salesperson, in a face-to-face interaction with a potential buyer, tries to persuade him to purchase the product he is promoting on behalf of a company. Personal selling takes place at a personal level and involves a personalized transaction. However, in case of personal selling, cost per sale can be quite high. In personal selling, the salesperson has to meet certain goals;

- Finding new prospects
- Convincing the prospects to purchase the company's product
- Keeping the customers satisfied and indirectly influencing them to provide a positive word-of-mouth publicity

Importance of Personal Selling

Personal selling plays an important role in increasing sales volumes and profits for firms for the following reasons:

- Personal selling gives marketers the freedom to make adjustments in the promotional message and thus develop and deliver a unique selling proposition as per each individual customer's requirements
- Unlike advertising, publicity and sales promotion, it allows the marketers to target their promotional message with utmost precision at the most promising leads.
- It provides the marketer with more information about customer preferences and also serves as a means of obtaining immediate feedback about the company and its products.
- It facilitates a two way flow of information and improves interaction between the customer and the company.
- The salesperson can observe and interpret information from the verbal cues (paralanguage) and non verbal cues (kinesics) of the customer and customize his proposition accordingly.
- The interaction between salespersons and customers helps the company identify the strengths and weaknesses of their new products. It helps the company take necessary corrective action.
- Personal selling helps marketers obtain necessary feedback to improve their new product development and customize the product to suit the requirements of individual customers.
- Effective sales force also helps a company build and improve relationship with customers.

Types of Salespersons

A salesperson's job is not to push the product but to solve problems and help customers make buying decisions. He must also perform a host of other tasks such as monitoring competitors' strategies, keeping a close eye on the new products introduced by the competitors and studying the competitors' sales efforts, to name a few. Some examples of sales personnel are stockbrokers, manufacturing sales representatives, retail sales representatives or real estate brokers. On the basis of the nature of functions they perform, sales personnel can be classified in the following way.

Order Takers: Order takers are the sales personnel who handle routine sales orders and repeat orders. They anticipate customers' needs and take steps to fulfil these needs. The responsibilities of order takers include arranging product displays, restocking the products, answering phone calls and taking orders. Since they do not require making extensive sales efforts, they receive very little training and low compensation when compared to other two types of salespersons. Order takers can be further classified into two types, viz. inside order takers (who operate from within the store and do not make any field calls, e.g. telemarketing personnel, retail sales clerks) and field order takers (who require to make field calls to promote sales, e.g. medical representatives, insurance sales agents).

Order Getters: Order getters are the sales personnel who are responsible for the growth of a company by getting orders from new customers and increasing sales from the existing customers. They achieve this by means of the creative selling process comprising of eight steps – pre-customer contact, prospecting, initial contact, presentation of merchandise, handling objections, closing the sale, suggestion selling, and sales follow-up. The process of order getting involves achieving two types of sales: current customer sales and new business sales.

Support Personnel: Support personnel are not involved in actual sales of the product but facilitate the selling function. Their responsibilities include identifying prospective buyers, educating them about the company's products, building goodwill for the company and providing after sales support to the buyers. Support personnel can be categorized into three types: missionary sales people, trade sales people and technical sales people.

Personal Selling Process

The objective of the personal selling process is to enhance customer satisfaction and build a long-term relationship with the customer. The selling process differs from one salesperson to another and also varies with the selling situation. However, a typical selling process usually consists of 7 stages as discussed below.

1. *Prospecting and Evaluating:* Prospecting is the process of finding and evaluating potential customers. For qualifying a person as a potential customer (prospect), the salesperson must identify whether the customer (individual or organization) has an immediate or a distant need to be satisfied. The salesperson must also identify if the potential customer has the willingness, ability and authority to buy the product. Prospecting involves:

- Generating leads: A sales lead (potential prospect) can be in the form of an individual or an organization that might need or buy the company's product. Salespersons use a variety of sources to generate leads such as:
  - People: the existing customers, suppliers, former customers, dealers and other salespersons of the company, or the salesperson's friends, relatives, and other people in his reference group
  - Events: any social event, seminar, conference, trade show or exhibition.
  - Published information: newspapers, telephone directories, trade directories (e.g. yellow pages), business cards, coupons, sales records, computer databases, public records, mailing lists, organizational directories
  - Associations: professional bodies, trade associations, chambers of commerce

- Identifying prospects: A prospect is a person or an organization that indicates a need for a product. A salesperson can identify a prospect by writing to him, or by making a phone call, also known as cold calling.

- Qualifying prospects: After identifying a potential lead (prospect), the salesperson qualifies whether the prospect can afford to make a purchase or not. It is not worthwhile to invest time and effort on those prospects, who may not have the need, financial capacity or authority to make the purchase decision. On the basis of the information gathered from the prospect, the salesperson can qualify the prospect as a cold lead (a prospect who cannot turn into a customer), a warm lead (a prospect who has a latent need to buy the product) or a hot lead (a prospect who is willing to make the purchase).

2. *Pre-approach:* After having identified the hot leads, the salesperson plans and prepares for making a sales call on them. The pre-approach stage of personal selling process involves further sub-stages such as:

- Creation of the prospect’s profile: requires the salesperson to gather information about the personal characteristics of the prospect, his specific product needs, brands that are currently being used by the prospect and the prospect’s opinion of other brands

- Deciding on approach: it may be a cold call to the prospect over the phone, in person or through letter

- Establishing the objectives of the sales call: considering the fact that the prospect’s time is valuable, framing of clear objectives is essential

- Preparing for the presentation: presentation must be on the basis of the information gathered earlier and should be updated with relevant information

3. Approach: Approach is the stage in the personal selling process in which the salesperson makes an initial contact with the potential customer and tries to find out his needs. At this stage, creating a favourable impression on the buyer is more important to the salesperson than pushing the product. Personal characteristics of the salesperson like his appearance and his mannerisms are also important factors that affect the outcome of the sales call. A salesperson may use various methods of approach as described below, the choice of which depends on the salesperson’s choice, the personal characteristics of the prospect, the type of the product, and the resources available with the firm.

- Referrals: involves the salesperson approaching the prospect by giving the reference of an acquaintance.

- Cold canvassing: involves the salesperson approaching the prospect without obtaining his prior consent.

- Repeat contact: applicable for the existing customers of the company.

4. Presentation: Sales presentations are based on the AIDA (Attention, Interest, Desire and Action) concept according to which, marketers first attract the attention of the potential customer, create interest by allowing the prospect to touch, hold and examine the product and stimulate a desire for the product or service, which directs the potential customer to take action to fulfil the desire. Salespersons can use a number of approaches:

- Canned sales or stimulus response approach: the salesperson delivers a memorized sales talk based on the stimulus-response process i.e., the buyer is passive and can be stimulated to buy product; applicable when the product is not very technical and/or when the salesperson is inexperienced; disadvantage of this approach is that it does not give the buyer an opportunity to raise questions, which can be frustrating for him.

- Formulated approach: also based on the stimulus-response process, here the salesperson identifies the buyer's needs and his buying styles and then uses one appeal after another, hoping to hit the right chord.

- Need satisfaction approach: This approach is based on the principle that each customer has a different set of needs. The salesperson is required to identify the customer's needs by gathering information about him. This approach calls for customizing the sales presentation to cater to the needs of individual customers.

5. Handling Objections: Salespersons need to clarify whether customers have any doubts or objections. Some common reasons why prospects raise objections are:

- The prospect may not have enough time to talk to the salesperson.
- He or she may not have money and/or authority to make a purchase.
- The product may not suit the needs of the prospect.
- The prospect might not have had a good experience with the salesperson during the presentation stage.
- The prospect may raise objections to gain more information about the product.
- The prospect might raise objections out of sheer habit.
- Price may be a genuine concern for the customer leading to price objection
- Objections pertaining to product quality, reputation of the company, etc.

Ways to overcome objections are:

- Listening to the prospect, asking questions and responding to his objections.
- Being clear and straight forward in answering queries.
- Agreeing with the objection and coming up with a feasible solution to resolve the objection (Yes-but method).

- Reassuring the customer to get back to him with the answer if not available at present
- Anticipating the probable objections to be raised by the prospect and countering them proactively

6. Closing: Here, the salesperson asks the potential customer to make the purchase. In this stage too, customers may raise objections due to various reasons. The salesperson should refrain from duping the customer into buying the product, but should try earnestly to clear the objections and then attempt to close the sale. Salespersons can attempt to make a trial close at several points during the presentation by enquiring about the financial terms and conditions or the preferred mode of delivery. The response of the customer to such questions will help the salesperson know how close the customer is to placing an order. The most popular techniques for closing a sale are:

- Silent close: salesperson makes the presentation and waits quietly for the customer to make purchase decision.

- Direct close: salesperson asks directly for the close of the sale. For example, the salesperson may ask the potential customer the question – "Are you ready to place an order?"

- Assumptive close: The salesperson assumes the customer's consent for the close. The salesperson just says "I have completed all the necessary paperwork. All you need to do is read through and sign the papers."

- Alternative close: salesperson seeks to close the sale by providing him different alternatives. For example, questions like "Would you prefer this colour over that?" or, "Would you like the product to be shipped?"

- Concession close: salesperson offers some concessions to tempt the customer to make the purchase decision.

- Cautious close: salesperson becomes careful in inquiring about the close.

The salesperson must try to spend a few minutes with the customer after closing the deal as it reassures the customer that he has made a wise decision and makes him feel good. The salesperson may also leave a small gift/ memento with the company's name/logo on it, or invite the customer to contact him whenever a need arises. The salesperson may seek to develop friendly relations with the customer by remembering to greet the customer on important occasions such as his birthday, the New Year, etc.

7. Follow up: The objective of every salesperson is to ensure repeat sales. This can be achieved by enhancing customer satisfaction. The follow up stage is the last stage in the personal selling process wherein the salesperson aims to develop a long-term relationship with the customer. This stage plays an important role in showing that the company and the salesperson are genuinely interested in nurturing a long-term relationship with the customer, rather than just making a sale. Follow up after closing the sale also helps reduce cognitive dissonance. As part of the follow up, the salesperson can call upon the customer to enquire if the order was delivered in time, whether the customer faced any problem after installation, or whether the customer is satisfied with the product or not, etc. Calling on the customer after the sale also helps the salesperson determine the future needs of the customer. The follow up stage helps the company gain customer satisfaction and prevent cognitive dissonance in the customers. It also helps to generate new referrals for the salesperson and in the long run, repurchase orders.

Improving Personal Selling Efforts

It is vital for companies to enhance personal selling skills of their sales personnel by various measures.

Professional Training: High performing companies treat their people as assets that are chosen with care, thoughtfully treated, generously rewarded and vigilantly monitored. The purpose of imparting training to sales force helps them convert prospects into customers. There are two basic approaches for training salespersons.

Sales-oriented approach: It is based on the assumption that customers are not likely to make a purchase decision unless they are pressurized, that their decisions can be influenced by presentations and that they are not likely to complain after making the purchase.

Customer-oriented approach: This approach aims at training the sales people to solve customer problems. It is based on the assumption that every customer has unique and latent needs. The salesperson must consider these needs as opportunities to serve them. This approach also assumes that customers welcome constructive suggestions from the salespeople and will trust those salespersons who give them the right advice. This approach emphasizes on the customer orientation skills of the salesperson and not his presentation skills.

Negotiations: It is a process where two parties discuss an issue, bargain and then agree upon some terms and conditions to close the deal. Negotiations are usually carried out for a better deal in price, quality and quantity of goods, services offered, credit terms, order processing or delivery time. Negotiations also depend on the bargaining power that a seller enjoys either because of the superior quality of product or because of his product satisfying the buyer needs better than competing products, and the negotiating skills of both the parties (i.e. salesperson and the customer). Salespersons are trained to develop skills like ability to think clearly under pressure and uncertainty, ability to persuade, listening skills, etc., which can be quite effective during negotiations. Negotiation skills help sales-personnel strike deals that earn adequate profits for the company and make the buyer feel that he has got the best deal.

Relationship Marketing: The objective of this approach is to build lasting relationships with customers and enhance the quality of future interactions. Relationship marketing is based on mutual trust between the buyer and the seller by delivering long-term value-added benefits to buyers. Marketers use various means to obtain long-term commitment from the customers and build lasting relationships with them. Some of them are:

- Sending a thank-you note to the customer for placing the order and for providing referrals.
- Providing articles or information on a customer's competing business.
- Sending information about the launch of a new product mentioning how it can benefit the customer
- Sending the information on an upcoming sale or special offer, including coupons for customer discounts.
- Sending reminders to the customer of his pending order or reorder

Sales Force Management

Management of personal selling requires planning, implementation and evaluation of sales force strategies.

Establishing Sales Objectives:

The sales objectives depend on various factors, such as firm's overall objectives, product nature, distribution channels, target market and competition. Sales objectives for a sales team are usually stated in terms of the sales volume, the market share and overall profit to the organization, whereas sales objectives for an individual salesperson, also known as sales quotas, are stated in terms of his unit sales volume, his average order size, the average number of calls in the specified time and the ratio of orders generated in that time.

Fixing the Sales Quotas:

After establishing the sales objectives, each salesperson is assigned a sales quota on the basis of the number of potential customers in that territory. Sales quotas are quantifiable objectives set for measuring and appraising the effectiveness of sales personnel. Quotas are the targets that specify the desired performance required from each salesperson or sales region to achieve the organizational sales target.

Designing the Sales Force:

Sales force must be organized differently in different companies, since every company is different in terms of the product line, the nature of the customer base and the type of sales personnel required. The most common bases for organizing sales personnel are discussed below.

- Geographic territory: A particular geographic area (part of city, whole city, district, state, region or country) is assigned to a salesperson to sell the products of the company. Advantages are:
  - Salesperson can familiarize himself and learn more about that particular market
  - Salesperson can minimize travel time and expenditure by operating from the centre of the territory
  - Salesperson can build and maintain relationships with his customers.

  However, the disadvantage is that it is not suitable for complex products that demand specialized knowledge.

- Customer: It is based on the fact that different customers have different needs and requirements. Bank divides its sales force on the basis of institutional customers and individual customers. The disadvantage is that the selling cost goes up as more than one salesperson covers the same geographical area.
- Product: The sales force is organized on the basis of the principle that salespersons should have specialized knowledge regarding the product. The advantage is that each salesperson can concentrate on a particular product line or brand. However, the disadvantage is that different salespersons from same company (say, a bank) contact the same customer for different products (such as credit card, debit card, personal loan and home loan) to the same customer.

Determining the Sales Force Size:

This stage is very crucial since in case of over-sized group, cost would go up and consequently, the profit volume of the company would come down, whereas, if less sales people are hired, the workload on each salesperson would increase, making it difficult for them to meet the deadlines. The two common methods employed by the sales manager to determine the size of the sales force are given below:

- Equalized workload method: It is based on the assumption that every salesperson should have the same amount of workload. For example, suppose a manager estimated number of potential and current customers as 4000 in total and if each customer needs to be called at least 10 times in a year and each salesperson can make 1000 calls in a year, the number of salespersons required would be (4000´10)/1000 = 40.
- Incremental productivity method: It is based on the assumption that the addition of a salesperson is justified when the additional sales generated by him exceed the cost of hiring him. Sales managers continue to increase the size of their sale force as long as the value of the sales generated by the additional personnel is greater than the cost incurred in hiring them.

Recruiting and Selecting Salespeople:

Recruitment is an ongoing process of selecting job applicants, whose profile matches the company's requirements. It is required to prepare a job description that lists the specific tasks a salesperson needs to perform and also a set of required qualifications and characteristics for the sales personnel. Recruitment can be either internal (own sales people for higher job positions, employees from other departments) or external (references from its customers, suppliers, professional associates or through job fairs, advertisements, placement consultancies, in-campus student recruitment, employee referrals). Selection procedure can vary from a simple informal interview to a structured process consisting of a written test and an interview, followed by a physical examination. Written and oral tests evaluate the applicants' abilities like aptitude, intelligence, language skills, problem solving skills, etc. Personal interviews evaluate the applicants' desire to work, their level of maturity, ability to work under stress, etc. Organizations choose applicants based on their performance in the written test and interview.

Routing and Scheduling:

The sales manager must specify the sales territory, the number of customers and their geographic distribution within the territory before routing and scheduling the sales calls to be made by the salesperson.

Training Sales Personnel:

Sales training aims at helping the sales personnel to perform their job satisfactorily. It also helps the salespersons learn more about the market and the customers and their preferences, thus improving their overall efficiency. Sales training also helps the sales persons acquire knowledge about the product they are to sell as well as the competitors' products and strategies. It also helps in enhancing the salespersons' knowledge about the company. Sales training helps the sales persons develop personal selling skills, time management skills and sales forecasting skills. Commonly used venues for training are discussed below.

- **The field**: This gives them an opportunity to learn while on-the-job, i.e., when they make sales calls.
- **Educational institutions**: Companies sponsor employees to learn new skills at training institutions.
- **Company facilities**: Company's own learning centres provide the opportunity to the employees to learn at their own pace and at their own convenience.

A training programme is incomplete without evaluation because evaluation helps determine the effectiveness of the training programme. It helps determine whether there has been the desired change in the behaviour/learning of the sales personnel. Companies use various methods to gauge the effectiveness of their training programmes such as tracking sales records or conducting written tests before and after the training.

Compensation:

It is the reimbursement for the efforts put in by a salesperson. Most common methods are:

- **Straight salary compensation**: It provides a fixed amount of salary to the sales personnel at the end of the week or month. This provides a feeling of steady income and job security to them. Straight salary is the most attractive for new recruits who are not very confident of achieving their targets. It is also helpful to the employer as the salary expenditure is predetermined. Straight salary is more economical and simple to calculate as against commission plans. However, a disadvantage of this method is that it does not provide a strong incentive for achieving sales targets.
- **Straight commission compensation**: A commission is usually a percentage of the sales or the profits generated by the salesperson. Commission is best suited for seasoned sales personnel. It acts as an incentive for them to aim at greater challenges. Experienced sales personnel have the confidence of achieving the targets as they have reasonably good skills and contacts. Commission acts as a motivational drive for a salesperson.
- **Salary plus commission**: It provides a guaranteed salary along with performance incentives. This method uses the best of the fixed salary method and the straight commission method and eliminates the disadvantages of both the methods to a great extent. It provides the security of a fixed salary and the drive to earn more through commission. It is highly flexible in nature because it provides an incentive to earn as much as the salesperson desires. It helps in motivating the sales personnel to improve their performance. The disadvantage of this method can be a higher administration cost, as it needs to maintain detailed sales records. If a company fixes the commission very low, it hampers the productivity and acts as a demotivating factor. Sometimes, this method, if it is too complex, makes it difficult for the sales personnel to understand, reducing their drive to perform and earn more.

Evaluating the Sales Force:

Evaluation is the process of assessing the performance of the sales personnel. It helps in comparing the actual accomplishments of the salesperson with the established sales objectives. It gives a true picture of the expected and achieved performance standards of the individual.

Motivating the Sales Force:

Motivation is the inner drive that triggers people to achieve their goals. Motivation helps in achieving the desired performance levels and in maintaining them. Sales managers use financial incentives (salaries, bonus and commission) and non-financial incentives (job security, appreciation, training and education, flexibility, power and authority, prizes, recognition for achievement, promotion).